

Financial statements of

CARE Canada

June 30, 2013 and 2012

CARE Canada

Financial statements

June 30, 2013 and 2012

Table of contents

Independent Auditor’s Report 1-2

Statements of financial position 3

Statements of operations 4

Statements of changes in fund balances 5

Statements of cash flows 6

Notes to the financial statements 7-21

Schedule - program activities according to sectors..... 22

Independent Auditor's Report

To the Board of Directors of
CARE Canada

We have audited the accompanying financial statements of CARE Canada, which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, and the statements of operations, changes in fund balances and cash flows for the years ended June 30, 2013 and June 30, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARE Canada as at June 30, 2013, June 30, 2012 and July 1, 2011, and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

November 18, 2013

CARE Canada

Statements of financial position

as at June 30, 2013, June 30, 2012 and July 1, 2011

(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund	June 30, 2013	Total June 30, 2012	July 1, 2011
	\$	\$	\$	\$	\$
				(Note 2)	(Note 2)
Assets					
Current Assets					
Cash and cash equivalents	-	25,092	25,092	31,109	22,386
Amounts receivable	-	2,334	2,334	2,805	4,018
Contributions receivable from donors (Note 4)	-	4,634	4,634	6,427	3,167
Prepaid expenses	-	393	393	470	510
	-	32,453	32,453	40,811	30,081
Restricted investments (Note 4)	-	230	230	230	230
Loans receivable (Note 14)	238	-	238	158	550
Long-term investments (Note 5)	180	34	214	217	334
Capital assets (Note 6)	-	5,191	5,191	7,158	4,829
Total assets	418	37,908	38,326	48,574	36,024
Liabilities					
Current liabilities					
Inter-fund balance	(295)	295	-	-	-
Accounts payable and accrued liabilities	-	6,476	6,476	9,621	8,312
Government remittances payable	-	284	284	287	223
Deferred contributions (Note 4)	-	22,669	22,669	26,561	18,315
Current portion of long-term debt (Note 7)	-	203	203	192	184
	(295)	29,927	29,632	36,661	27,034
Long-term debt (Note 7)	-	1,016	1,016	1,219	1,411
Deferred contributions (Note 4)	-	230	230	230	230
Deferred contributions related to capital assets (Note 8)	-	577	577	2,388	203
Total liabilities	(295)	31,750	31,455	40,498	28,878
Commitments, contingent liabilities and guarantees (Notes 15 and 16)					
Fund balances					
Annual Fund					
Unrestricted	-	1,764	1,764	3,007	3,617
Invested in capital assets (Note 9)	-	3,394	3,394	3,358	3,031
Internally restricted (Note 10)	-	1,000	1,000	1,000	-
Externally restricted - Venture and Emergency Fund	713	-	713	711	498
Total fund balances	713	6,158	6,871	8,076	7,146
Total liabilities and fund balances	418	37,908	38,326	48,574	36,024

On behalf of the Board

Director

Director

CARE Canada

Statements of operations

years ended June 30, 2013 and 2012

(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund	Total	
			2013	2012
	\$	\$	\$	\$
				(Note 2)
Support and revenue				
Donations				
Unrestricted	-	5,375	5,375	5,909
Restricted	1	2,035	2,036	4,049
Canadian funded	-	27,204	27,204	27,432
Globally funded	-	43,315	43,315	68,166
CARE International Members	-	39,559	39,559	46,628
Interest and investment income (Note 12)	26	191	217	524
Amortization of deferred contributions related to capital assets (Note 8)	-	1,811	1,811	503
Miscellaneous	-	1,040	1,040	1,814
Foreign exchange gains	-	104	104	383
Total Support and Revenue	27	120,634	120,661	155,408
Expenses				
Program activities (Schedule)				
Humanitarian and Emergency Assistance	-	52,992	52,992	86,932
Environment and Natural Resource Management	-	11,294	11,294	10,444
Health and HIV	-	22,255	22,255	23,273
Multi-Sectoral Programs	25	9,967	9,992	13,245
Enterprise Development	-	15,550	15,550	10,477
Country office management	-	996	996	967
International programs	-	1,146	1,146	1,374
	25	114,200	114,225	146,712
Support services				
Management and general	-	3,782	3,782	3,670
Fundraising, public and donor relations	-	3,126	3,126	3,597
Membership in CARE International	-	733	733	499
	-	7,641	7,641	7,766
Total Expenses	25	121,841	121,866	154,478
Excess (deficiency) of revenue over expenses	2	(1,207)	(1,205)	930

CARE Canada

Statements of changes in fund balances years ended June 30, 2013 and 2012

(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund			Total	
		Invested in Capital Assets (Note 9)	Internally Restricted (Note 10)	Unrestricted	2013	2012
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	711	3,358	1,000	3,007	8,076	7,146
Excess (deficiency) of revenue over expenses	2	-	-	(1,207)	(1,205)	930
Net change in investment in capital assets (Note 9)	-	36	-	(36)	-	-
Fund balances, end of year	713	3,394	1,000	1,764	6,871	8,076

CARE Canada

Statements of cash flows

years ended June 30, 2013 and 2012

(in thousands of dollars)

	2013	2012
	\$	\$
		(Note 2)
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenue over expenses	(1,205)	930
Items not affecting cash:		
Amortization of capital assets	2,247	835
Amortization of deferred contributions related to capital assets	(1,811)	(503)
	(769)	1,262
Changes in non-cash operating working capital items:		
Decrease in amounts receivable	471	1,213
Decrease (increase) in contributions receivable from donors	1,793	(3,260)
Decrease in prepaid expenses	77	40
Increase (decrease) in accounts payable and accrued liabilities	(3,145)	1,309
Increase (decrease) in government remittances payable	(3)	64
Increase (decrease) in deferred contributions	(3,892)	8,246
	(5,468)	8,874
Investing		
Acquisition of capital assets	(280)	(3,163)
Decrease (increase) in loans receivable	(80)	391
Decrease in long-term investments	3	117
	(357)	(2,655)
Financing		
Repayment of long-term debt	(192)	(184)
Increase in deferred contributions related to capital assets	-	2,688
	(192)	2,504
Net cash inflow (outflow)	(6,017)	8,723
Cash and cash equivalents, beginning of year	31,109	22,386
Cash and cash equivalents, end of year	25,092	31,109

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

1. Description

CARE Canada was established in 1946 and was incorporated in 1977 under Part II of the Canada Corporations Act. CARE Canada is a not-for-profit, non-governmental organization in the field of relief, reconstruction and development in developing countries and is governed by a volunteer board of directors whose services are provided at no cost to CARE Canada.

CARE Canada is a registered charitable organization for purposes of the Income Tax Act (Canada) and as such is not subject to income tax. CARE Canada is an independent member of CARE International.

2. Significant accounting policies

Change in accounting standards

During the year ended June 30, 2013, CARE Canada adopted the new Canadian accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA") as set out in Part III of the CICA Handbook. CARE Canada also applies the standards for private enterprises in Part II of the CICA Handbook to the extent that Part II addresses topics not addressed in Part III. In accordance with Section 1501 of the CICA Handbook, *First-time adoption by not-for-profit organizations* ("Section 1501"), the date of transition to the new standards is July 1, 2011 and these financial statements present an opening statement of financial position at the date of transition. This opening statement of financial position is the starting point for CARE Canada's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 1501, CARE Canada:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies to follow have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 1501 have been applied.

CARE Canada has elected to use the exemption to revalue land and buildings and use that fair value as the deemed cost at the date of transition when adopting these standards for the first time. The impact of this exemption is reflected in the reconciliation of fund balances in the statement of financial position as at July 1, 2011 (Note 9).

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

2. Significant accounting policies (continued)

Change in accounting standards (continued)

The impact of adopting the new standards on the statement of financial position as at July 1, 2011 is as follows:

	As previously presented as at June 30, 2011	Adjustments	As presented at July 1, 2011
	\$	\$	\$
Capital assets	3,781	1,048	4,829
Total assets	34,976	1,048	36,024
Total liabilities	28,878	-	28,878
Fund balances			
Invested in capital assets	1,983	1,048	3,031
Total fund balances	6,098	1,048	7,146
Total liabilities and fund balance	34,976	1,048	36,024

The impact of adopting the new standards on the statement of financial position as at June 30, 2012 is as follows:

	As previously presented as at June 30, 2012	Adjustments	As presented at June 30, 2012
	\$	\$	\$
Capital assets	6,228	930	7,158
Total assets	47,644	930	48,574
Total liabilities	40,498	-	40,498
Fund balances			
Invested in capital assets	2,428	930	3,358
Total fund balances	7,146	930	8,076
Total liabilities and fund balance	47,644	930	48,574

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

2. Significant accounting policies (continued)

Change in accounting standards (continued)

The impact of adopting the new standards on the Statement of Operations for the year ended June 30, 2012 is as follows:

	As previously presented for the year ended June 30, 2012	Adjustments	As presented for the year ended June 30, 2012
	\$	\$	\$
Total Support and Revenue	155,408	-	155,408
Support services			
Management and general	3,553	118	3,671
Total Expenses	154,361	118	154,479
Excess of revenue over expenses	1,047	(118)	929

The following illustrates the adjustments made to fund balances and the excess of revenue over expenses as a result of the transition to the new standards.

Fair value of capital assets

CARE Canada has elected to use the exemption in Section 1501, paragraph .13 and has used fair value as the deemed cost at the date of transition. CARE Canada, therefore, revalued its land and buildings at fair value at the date of transition.

The impact of adopting the new standards on the capital assets as at July 1, 2011 is as follows:

	As previously presented as at June 30, 2011	Adjustments	As presented at July 1, 2011
	\$	\$	\$
Capital assets, at deemed cost			
Land	271	(22)	249
Buildings	3,362	1,070	4,432
	3,633	1,048	4,681

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

2. Significant accounting policies (continued)

Change in accounting standards (continued)

The impact of adopting the new standards on the capital assets as at June 30, 2012 is as follows:

	As previously presented as at June 30, 2012	Adjustments	As presented at June 30, 2012
	\$	\$	\$
Capital assets, at deemed cost			
Land	271	(22)	249
Buildings	3,218	952	4,170
	3,489	930	4,419

The adjustment of \$930 as at June 30, 2012 (\$1,048 as at July 1, 2011) to capital assets represents the increase in the fair value net of any past amortization. The adjustment of \$118 for the year ended June 30, 2012 in the statement of operations represents the additional amortization expense based on the new deemed cost.

Basis of presentation

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the seven (June 30, 2012-seven; July 1, 2011-six) overseas Country Offices (Chad, Cuba, Djibouti, Indonesia, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenue and expenses for which CARE Canada and its seven overseas Country Offices enter into contracts with donors for the funding of projects.

Fund accounting

CARE Canada follows the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to CARE Canada, the accounts of CARE Canada are classified for reporting purposes into funds in accordance with activities or objectives specified by the donors or in accordance with the directives issued by the Board of Directors. Transfers between funds are recorded as approved by CARE Canada's Board of Directors.

The Annual Fund reports resources to be used for CARE Canada's program and administrative activities. This fund reports unrestricted resources and restricted contributions.

The Venture and Emergency Fund includes donations and contributions the use of which is restricted by the donors for:

- the Emergency Relief Rapid Response Program to be used as a vehicle to help at the very onset of a crisis; and
- the Pro-Poor Business Program to be used to effectively reduce poverty by utilizing market mechanisms and business enterprise functions designed to put more income into the hands of poor people.

Revenue recognition

Contributions:

Unrestricted contributions are recorded as revenue of the Annual Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue in the Annual Fund in the year in which the related expenses are incurred.

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

2. Significant accounting policies (continued)

Revenue recognition (continued)

Contributions (continued):

Restricted contributions for the Venture and Emergency Fund are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income earned on the Venture and Emergency Fund is recognized as revenue in the Venture and Emergency Fund or the Annual Fund depending on the nature of any restrictions imposed by the donor. Other investment income is recognized as income of the Annual Fund when earned.

Canadian funded:

CARE Canada enters into contracts with the Canadian Government (Foreign Affairs, Trade and Development Canada ("DFATD"), formerly the Canadian International Development Agency) and other donors for the funding of projects in various countries. These funds are recorded as revenue of the Annual Fund as related expenses are incurred. Any indirect costs recovery, management fee or procurement fee that is applicable to CARE Canada is recorded as revenue of the Annual Fund in accordance with the terms in the individual contracts.

The portion of the contributions that relates to a future period is deferred and recognized as revenue of the Annual Fund in the period that the contributions are spent. Any contributions expended in excess of the contributions received from the donors are shown in the statement of financial position as contributions receivable from donors.

Contributions and donated services:

Contributions-in-kind received from multilateral donors, Government of Canada and other organizations are recorded as revenue and program activity expenses at fair value.

Wherever government and local communities in countries in which CARE Canada operates contribute labour services, transportation and storage facilities to various projects, the value of such contributions is not reflected in the financial statements because of the difficulty of measurement.

Similarly, contributions in kind by various media for public information and fundraising campaigns are not reflected in the financial statements because of the difficulty of measurement.

Donated capital assets are capitalized and amortized and contributions received towards the acquisition of capital assets are deferred and amortized to income on the same basis as the related depreciable capital assets are amortized.

Expense allocation

CARE Canada's expenses are recorded and reported by program and support services. The Organization incurs a number of general support expenses that are common to the administration of CARE Canada and its programs. General support expenses incurred in CARE Canada's Canadian operations are included under "Country Office Management", "International Programs", "Management and general" and "Fundraising, public and donor relations". There is no allocation of Canadian general support expenses to different program activities. General support expenses, such as budgeting, accounting, human resources, and information technology, incurred in CARE Canada's seven (2012 - seven) overseas Country Offices are allocated to program activities. Personnel costs are allocated based on the percentage of relevant employees' time involved in supporting the program and other operating and general expenses are allocated on a proportionate basis relating to the function. Such allocations are reviewed, updated and applied on a prospective basis.

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

2. Significant accounting policies (continued)

Financial instruments

CARE Canada's financial instruments consist of cash and cash equivalents, amounts receivable, contributions receivable from donors, investments, loans receivable, accounts payable and accrued liabilities, government remittances payable and long-term debt.

CARE Canada initially measures its financial assets and liabilities at fair value. They subsequently measure all its financial assets and liabilities at amortized cost except for cash and cash equivalents and investments which are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents that are readily convertible to a known amount of cash. In accordance with the Investment Policy approved by the Board of Directors, cash and cash equivalents are held in highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capital assets

Capital assets acquired for direct use in donor-funded projects are expensed in the year of acquisition as CARE Canada is not entitled to ownership. Those that are not project-specific are capitalized and amortized over their estimated useful lives. Contributed capital assets are recorded at fair value at the date of contribution.

For internal use software, the acquisition costs of software licenses and associated consulting costs and the payroll costs of employees directly associated with implementation of the asset are capitalized. The costs of software maintenance, training and data conversion are expensed in the period incurred.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Vehicles	3 years
Leasehold improvements	Over the term of the lease
Office equipment	5 years
Computer equipment	3 years
Computer software	1 to 3 years

Land is not amortized due to its infinite life.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. All other assets and liabilities are translated at their historical rate. Revenue and expense items are translated using average monthly rates. Any resulting foreign exchange gains or losses are disclosed separately in the Annual Fund.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

2. Significant accounting policies (continued)

Use of estimates (continued)

Significant estimates include assumptions used in estimating the recoverability of project expenditures and the determination of the allowance for doubtful contributions receivable from donors, the useful life of capital assets, the fair value of the investments and the amount of accrued liabilities.

3. Capital management

CARE Canada's objectives in managing capital (fund balances) are:

- to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual budget and business plan review;
- to safeguard the Entity's ability to continue as a charitable organization and meet the objectives of the different funds as described in Note 2;
- to maintain the Annual Fund unrestricted reserve to an equivalent of a minimum of six months of operating expenses; and
- to invest funds in financial instruments that conform to investment policy and which present a low risk for CARE Canada.

CARE Canada manages several funding agreements with external restrictions that specify the conditions for using these financial resources. CARE Canada has complied with the requirements respecting these restricted contributions. CARE Canada monitors its capital by reviewing various financial metrics, including cash flows and variances to forecasts and budgets.

Capital management objectives, policies and procedures are unchanged since the preceding year. CARE Canada has complied with all the capital requirements.

4. Deferred contributions

Short-term deferred contributions represent externally restricted contributions to fund program expenses of future periods.

	June 30, 2013	June 30, 2012
	\$	\$
Balance, beginning of year		
Short-term deferred contributions	26,561	18,315
Contributions receivable from donors	(6,427)	(3,167)
	20,134	15,148
Amounts received during the year		
Cash	87,814	104,090
In-kind (Note 11)	22,200	47,167
	110,014	151,257
Amounts recognized as revenue	(112,113)	(146,271)
	(2,099)	4,986
Balance, end of year	18,035	20,134

CARE Canada

Notes to the financial statements
years ended June 30, 2013 and 2012
(in thousands of dollars)

4. Deferred contributions (continued)

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Balance, end of year represented by:			
Short-term deferred contributions	22,669	26,561	18,315
Contributions receivable from donors	(4,634)	(6,427)	(3,167)
	18,035	20,134	15,148

Long-term deferred contributions of \$230 (June 30, 2012 - \$230 and July 1, 2011 - \$230) are represented by restricted investments in fixed income securities. The principal of \$230 must be maintained until 2031. The fair value of the restricted investments approximates the book value.

5. Long-term investments

	June 30, 2013		June 30, 2012		July 1, 2011	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$	\$	\$
Annual Fund Bonds	34	34	30	30	44	44
Venture and Emergency Fund Investment in MicroVest I, LP	-	-	20	20	123	123
Investment in MicroVest I Self-Liquidating Trust	13	13	-	-	-	-
Investment in Edyficar	17	167	17	167	17	167
	64	214	67	217	184	334

Coupon rates on the bonds as at June 30, 2013 range between 2.22% and 10% and will mature between October 2014 and December 2014.

To enhance economic opportunity, deepen financial services and promote private sector and enterprise development, CARE Canada invests in pro-poor businesses and micro-finance investments in developing countries. The objective of these investments is to increase access to financial services in underserved communities and promote entrepreneurship and sustainable economic development.

In this regard, CARE Canada has invested in Edyficar that provides micro-finance services in Peru. Edyficar is a profit-making financial entity. CARE Canada holds a minority, non-controlling interest in Edyficar. CARE Canada had also invested in MicroVest I, LP Fund - an investment fund that places investments in microfinance institutions in developing countries. This investment was sold during 2012. As part of the sale agreement, residual accumulated income was retained in the newly formed Microvest I Self-Liquidating Trust. These funds will be returned to CARE Canada over a three-year period.

CARE Canada

Notes to the financial statements
years ended June 30, 2013 and 2012
(in thousands of dollars)

6. Capital assets

			June 30, 2013	June 30, 2012	July 1, 2011
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
	\$	\$	\$	\$	\$
Land	249	-	249	249	249
Buildings	4,432	524	3,908	4,170	4,432
Vehicles	1,069	832	237	193	43
Leasehold improvements	81	73	8	12	8
Office equipment	449	375	74	69	22
Computer equipment	566	410	156	154	75
Computer software	3,564	3,005	559	2,311	-
	10,410	5,219	5,191	7,158	4,829

Cost and accumulated amortization as at June 30, 2012 amounted to \$10,249 and \$3,091, respectively (July 1, 2011 of \$7,086 and \$2,257, respectively).

7. Long-term debt

	June 30, 2013	June 30, 2012	July 1, 2011
	\$	\$	\$
Mortgage payable in monthly installments of \$22, including principal and interest at an annual rate of 5.35%, secured by land and a building with a net book value of \$3,644 (June 30, 2012 - \$3,757; July 1, 2011 - \$3,870), renewable in October 2013	1,219	1,411	1,595
Less current portion	(203)	(192)	(184)
	1,016	1,219	1,411

Estimated principal repayments over the next five years based on current terms and conditions are as follows:

	\$
2014	203
2015	214
2016	226
2017	239
2018	337

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

7. Long-term debt (continued)

The fair value of the mortgage approximates the book value. On October 1, 2013, CARE Canada negotiated the renewal of its mortgage payable in monthly installments of \$21 for a period of 60 months, including principal and interest at an annual rate of 3.80%.

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received and used for the purchase of capital assets. The changes in the deferred contributions balance for the year are as follows:

	June 30, 2013	June 30, 2012
	\$	\$
Balance, beginning of year	2,388	203
Donations and grants received and used for the purchase of capital assets during the year	-	2,688
Amount amortized to revenue	(1,811)	(503)
Balance, end of year	577	2,388

9. Invested in capital assets

	June 30, 2013	June 30, 2012
	\$	\$
Balance, beginning of year	3,358	3,031
Acquisitions	280	3,163
Deferred contributions related to capital assets	-	(2,688)
Amortization of capital assets	(2,247)	(835)
Amortization of deferred contributions related to capital assets	1,811	503
Repayment of long-term debt	192	184
Balance, end of year	3,394	3,358

10. Internally restricted funds

The internally restricted funds represent amounts designated by the Board of Directors to be used to fund program investments in the form of match funding to enhance donor funded projects and/or capital investments to support the implementation of programs. In 2012, the Board approved a transfer of \$1,000 as internally restricted funds.

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

11. Contributions-in-kind

Contributions-in-kind received from multilateral donors, Government of Canada and other organizations are recorded as revenue and program activity expenses at fair value. Contributions-in-kind included in revenue and program activity expenses are the following:

	2013	2012
	\$	\$
Zimbabwe	875	3,216
Kenya	21,269	43,729
Zambia	-	190
Djibouti	56	-
Pakistan	-	32
	22,200	47,167

12. Interest and investment income

	2013	2012
	\$	\$
Annual Fund - Interest income	191	213
Venture and Emergency Fund - Interest income	1	1
Venture and Emergency Fund - Dividend income	25	310
	217	524

13. Pension plan

The pension plan for employees of CARE Canada (the "Plan") is a defined contribution plan covering all employees of CARE Canada who meet eligibility requirements as specified in the Plan Agreement. CARE Canada is required to contribute 5% of the employee's gross earnings for all members. CARE Canada contributed \$245 (2012 - \$259) during the year. Pension benefits are recorded as an expense in the period incurred.

14. Controlled entity

CARE Canada established the CEP Investment Trust in 2007 and provided the Trust with long-term loans to facilitate investments in Pro-Poor businesses in the Third World. CARE Canada is the sole beneficiary of CEP Investment Trust. The CEP Investment Trust financial statements have not been consolidated with CARE Canada's financial statements. The CEP Investment Trust has a December 31 year-end.

CARE Canada has committed to provide funds to CEP Investment Trust to fund certain investment activities. The loan is unsecured and without any established term of repayment. The fair value of the loans receivable is approximately \$238 (June 30, 2012 - \$158 and July 1, 2011 - \$550).

As at December 31, 2012, CEP Investment Trust had total assets of \$448 (2011 - \$448), total liabilities of \$203 (2011 - \$197) and a capital surplus \$245 (2011 - \$251). Total revenues in 2012 were \$2 (2011 - \$582) and expenses were \$7 (2011 - \$10). The CEP Investment Trust made a capital distribution of \$NIL to CARE Canada in 2012 (2011 - \$310).

CARE Canada

Notes to the financial statements
years ended June 30, 2013 and 2012
(in thousands of dollars)

15. Commitments and contingent liabilities

Leases

CARE Canada is committed to payments under operating leases in Country Offices and in Canada with lease expiry dates ranging from 2014 to 2017. Minimum annual payments for the next four years are as follows:

	\$
2014	533
2015	148
2016	74
2017	4
	<hr/> 759

Legal actions

In the ordinary course of business, CARE Canada becomes involved in various legal actions. While the ultimate effect of such actions cannot be ascertained at this time, management believes that their resolution will not have a material adverse effect on the financial statements.

Credit facility

An unsecured line of credit of \$2,000 renewable on an annual basis is available for use by CARE Canada. Advances under the line of credit bear interest at the bank's prime rate and are repayable on demand. As at June 30, 2013, there was no outstanding balance (June 30, 2012 - \$NIL; July 1, 2011 - \$NIL).

16. Guarantees

As stated in Note 2, the contributions from DFATD and other contributions are subject to restrictions as to the use of the funds. CARE Canada's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by DFATD and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits, if any, will be recorded in the period in which they become known.

CARE Canada

Notes to the financial statements years ended June 30, 2013 and 2012 (in thousands of dollars)

17. Allocation of expenses

A portion of program activities are related to administration costs incurred in CARE Canada's seven (2012 - seven) overseas Country Offices (Chad, Cuba, Djibouti, Indonesia, Kenya, Zambia and Zimbabwe). These costs have been allocated as follows:

	2013	2012
	\$	\$
Allocated to:		
Program activities		
Humanitarian and Emergency Assistance	2,663	2,786
Environment and Natural Resource Management	604	691
Health and HIV	2,175	2,406
Multi-Sectoral Integrated Programs	571	933
Enterprise Development	1,294	964
	7,307	7,780
Allocated from:		
Support Administration	7,307	7,780

18. Financial instruments

Fair values

The carrying values of amounts receivable, contributions receivable from donors, accounts payable and accrued liabilities and government remittances payable approximate their fair value due to the relatively short periods to maturity of the instruments.

Refer to Notes 4, 5, 7 and 14 for fair values related to CARE Canada's other financial instruments.

Investment risk

CARE Canada's Board of Directors has approved an Investment Policy that provides the guidelines for managing investments of the organization. The overall objective of CARE Canada's investment program is to allocate the assets of CARE Canada in order to support the strategic and operational objectives of the organization.

Foreign exchange risk

CARE Canada operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. CARE Canada does not use derivatives to hedge its foreign exchange risk but relies on prudent cash management practices to minimize exposure to foreign exchange risk.

CARE Canada

Notes to the financial statements
years ended June 30, 2013 and 2012
(in thousands of dollars)

18. Financial instruments (continued)

Foreign exchange risk (continued)

Amounts denominated in foreign currencies are as follows:

	June 30, 2013		June 30, 2012		July 1, 2011	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
	\$	\$	\$	\$	\$	\$
Country Offices						
United States Dollars	6,027	6,405	10,803	11,334	5,720	8,039
Euros	2,123	1,045	2,472	1,103	2,826	1,144
Chad XAF	301	377	1,146	849	731	421
Cuban Pesos	19	-	5	-	32	-
Djiboutian Francs	594	25	205	87	-	-
Indonesian Rupiah	1,308	2,174	1,513	2,345	1,613	2,418
Kenyan Shilling	972	1,617	1,919	3,676	2,112	1,775
Zambia Kwacha	585	1,361	317	891	963	1,042
	11,929	13,004	18,380	20,285	13,997	14,839
Headquarters						
United States Dollars	5,130	637	4,109	1,783	1,439	1,845
Euros	231	255	108	-	270	-
	17,290	13,896	22,597	22,068	15,706	16,684

Monetary assets include cash and cash equivalents, amounts receivable and contributions receivable from donors. Monetary liabilities include accounts payable and accrued liabilities and deferred contributions.

Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of CARE Canada is represented by the fair value of the investments and all receivables as presented in the statement of financial position.

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on CARE Canada cash flows, financial position, investment income and interest expenses. CARE Canada's mortgage and fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

19. Tax receipted donations

CARE Canada is a member of Imagine Canada and has adopted the Ethical Fundraising and Financial Accountability Code (the "Code"). The Code requires disclosure of donations that are receipted for income tax purposes. During the year, CARE Canada issued donation receipts for income tax purposes in the amount of \$4,490 (2012 - \$6,027).

CARE Canada

Program activities according to sectors - Schedule years ended June 30, 2013 and 2012

(in thousands of dollars)

	Humanitarian and Emergency Assistance	Environment and Natural Resource Management	Health and HIV	Multi-Sectoral Programs	Enterprise Development	2013	2012
	\$	\$	\$	\$	\$	\$	\$
Advocacy	43	214	-	115	674	1,046	1,898
Agriculture and Natural Resources	1,605	6,749	-	18	1,789	10,161	11,737
Child & Reproductive Health	31	-	10,939	403	3,473	14,846	12,218
Education	-	-	-	1,620	490	2,110	1,659
Infrastructure	2,403	-	1,456	2,496	-	6,355	8,525
Integrated and Other Health	-	-	7,461	-	-	7,461	8,204
Nutritional Support	38,867	2,166	-	192	2,911	44,136	71,319
Integrated Projects	5,244	426	975	5,106	992	12,743	17,338
Small Economic Activity Development	-	103	-	42	2,560	2,705	4,655
Water Supply and Sanitation	4,799	1,636	1,424	-	2,661	10,520	6,727
	52,992	11,294	22,255	9,992	15,550	112,083	144,280

(Note 2)