

Financial statements of

**CARE Canada**

June 30, 2014

# CARE Canada

June 30, 2014

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## **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 statement of financial position as at June 30, 2014, and the statements of operations, changes in fund balances and cash flows for the year then ended, 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 audit. 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 audit 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 opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARE Canada as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

November 17, 2014

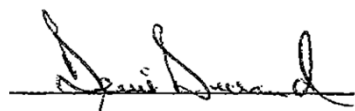
# CARE Canada

## Statement of financial position as at June 30, 2014

(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund	<u>Total</u>	
	\$	\$	2014 \$	2013 \$
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	-	39,084	39,084	25,092
Amounts receivable	-	3,982	3,982	2,334
Contributions receivable from donors (Note 4)	-	4,021	4,021	4,634
Prepaid expenses	-	550	550	393
	-	47,637	47,637	32,453
Restricted investments (Note 4)	-	230	230	230
Loans receivable (Note 14)	447	-	447	238
Long-term investments (Note 5)	-	211	211	214
Capital assets (Note 6)	-	4,272	4,272	5,191
<b>Total assets</b>	<b>447</b>	<b>52,350</b>	<b>52,797</b>	<b>38,326</b>
<b>Liabilities</b>				
Current liabilities				
Inter-fund balance	(467)	467	-	-
Accounts payable and accrued liabilities	-	5,312	5,312	6,476
Government remittances payable	-	422	422	284
Deferred contributions (Note 4)	-	40,013	40,013	22,669
Current portion of long-term debt (Note 7)	-	219	219	203
	(467)	46,433	45,966	29,632
Long-term debt (Note 7)	-	791	791	1,016
Deferred contributions (Note 4)	-	230	230	230
Deferred contributions related to capital assets (Note 8)	-	68	68	577
<b>Total liabilities</b>	<b>(467)</b>	<b>47,522</b>	<b>47,055</b>	<b>31,455</b>
Commitments, contingent liabilities and guarantees (Notes 15 and 16)				
<b>Fund balances</b>				
Annual Fund				
Unrestricted	-	1,634	1,634	1,763
Invested in capital assets (Note 9)	-	3,194	3,194	3,395
Internally restricted (Note 10)	-	-	-	1,000
Externally restricted - Venture and Emergency Fund	914	-	914	713
<b>Total fund balances</b>	<b>914</b>	<b>4,828</b>	<b>5,742</b>	<b>6,871</b>
<b>Total liabilities and fund balances</b>	<b>447</b>	<b>52,350</b>	<b>52,797</b>	<b>38,326</b>

On behalf of the Board

 Director

 Director

**CARE Canada**  
Statement of operations  
year ended June 30, 2014  
(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund	<u>Total</u>	
			2014	2013
	\$	\$	\$	\$
<b>Support and revenue</b>				
Donations				
Unrestricted	-	3,648	3,648	5,375
Restricted	-	2,294	2,294	2,036
Canadian funded	-	34,758	34,758	27,204
Globally funded	-	34,425	34,425	43,315
CARE International Members	-	34,009	34,009	39,559
Interest and investment income (Note 12)	201	229	430	217
Amortization of deferred contributions related to capital assets (Note 8)	-	509	509	1,811
Miscellaneous	-	1,982	1,982	1,040
Foreign exchange gains (losses)	-	(24)	(24)	104
<b>Total support and revenue</b>	<b>201</b>	<b>111,830</b>	<b>112,031</b>	<b>120,661</b>
<b>Expenses</b>				
Program activities (Schedule)				
Humanitarian and Emergency Assistance	-	53,868	53,868	52,992
Environment and Natural Resource Management	-	5,353	5,353	11,294
Health and HIV	-	21,413	21,413	22,255
Multi-Sectoral Programs	-	10,717	10,717	9,992
Enterprise Development	-	12,200	12,200	15,550
Country office management	-	995	995	996
International programs	-	1,290	1,290	1,146
	-	105,836	105,836	114,225
<b>Support services</b>				
Management and general	-	3,623	3,623	3,782
Fundraising, public and donor relations	-	2,764	2,764	3,126
Membership in CARE International	-	937	937	733
	-	7,324	7,324	7,641
<b>Total expenses</b>	<b>-</b>	<b>113,160</b>	<b>113,160</b>	<b>121,866</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>201</b>	<b>(1,330)</b>	<b>(1,129)</b>	<b>(1,205)</b>

# CARE Canada

## Statement of changes in fund balances

year ended June 30, 2014

(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund			Total	
		Invested in capital assets (Note 9)	Internally restricted (Note 10)	Unrestricted	2014	2013
	\$	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>713</b>	<b>3,395</b>	<b>1,000</b>	<b>1,763</b>	<b>6,871</b>	8,076
Excess (deficiency) of revenue over expenses	201	-	-	(1,330)	(1,129)	(1,205)
Interfund transfer (Note 10)	-	-	(1,000)	1,000	-	-
Net change in investment in capital assets (Note 9)	-	(201)	-	201	-	-
<b>Fund balances, end of year</b>	<b>914</b>	<b>3,194</b>	<b>-</b>	<b>1,634</b>	<b>5,742</b>	6,871

**CARE Canada**  
Statement of cash flows  
year ended June 30, 2014  
(in thousands of dollars)

	2014	2013
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
<b>Operating</b>		
Deficiency of revenue over expenses	(1,129)	(1,205)
Items not affecting cash:		
Amortization of capital assets	972	2,247
Amortization of deferred contributions related to capital assets	(509)	(1,811)
Gain on disposal of capital assets	(5)	-
	<b>(671)</b>	<b>(769)</b>
Changes in non-cash operating working capital items:		
Decrease (increase) in amounts receivable	(1,648)	471
Decrease in contributions receivable from donors	613	1,793
Decrease (increase) in prepaid expenses	(157)	77
Decrease in accounts payable and accrued liabilities	(1,164)	(3,145)
Decrease (increase) in government remittances payable	138	(3)
Increase (decrease) in deferred contributions	17,344	(3,892)
	<b>14,455</b>	<b>(5,468)</b>
<b>Investing</b>		
Acquisition of capital assets	(75)	(280)
Proceeds from disposal of capital assets	27	-
Increase in loans receivable	(209)	(80)
Decrease in long-term investments	3	3
	<b>(254)</b>	<b>(357)</b>
<b>Financing</b>		
Repayment of long-term debt	(209)	(192)
Net cash inflow (outflow)	<b>13,992</b>	<b>(6,017)</b>
Cash and cash equivalents, beginning of year	<b>25,092</b>	<b>31,109</b>
<b>Cash and cash equivalents, end of year</b>	<b>39,084</b>	<b>25,092</b>



# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

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### 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

#### *Basis of presentation*

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the seven (2013 - seven) 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.

#### *Controlled entities*

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.

#### *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*

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.

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

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

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### 2. Significant accounting policies (continued)

#### *Revenue recognition (continued)*

Restricted contributions for the Venture and Emergency Fund are recognized as revenue in the Venture and Emergency Fund in the year in which the related expenses are incurred.

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 (the Department of Foreign Affairs, Trade and Development (DFATD)) 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 (2013 - 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.

#### *Financial instruments*

CARE Canada's financial instruments consist of cash and cash equivalents, amounts receivable, contributions receivable from donors, restricted and long-term 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.

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

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### 2. Significant accounting policies (continued)

#### *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 recorded in the statement of operations.

#### *Use of estimates*

The preparation of financial statements in accordance 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.

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 investments and the amount of accrued liabilities.

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

### 3. Capital management

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

- a) 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;
- b) 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;
- c) to maintain the Annual Fund unrestricted reserve to an equivalent of a minimum of six months of operating expenses; and
- d) 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.

	2014	2013
	\$	\$
Balance, beginning of year		
Short-term deferred contributions	22,669	26,561
Contributions receivable from donors	(4,634)	(6,427)
	<b>18,035</b>	20,134
Amounts received during the year		
Cash	107,028	87,814
In-kind (Note 11)	16,415	22,200
	<b>123,443</b>	110,014
Amounts recognized as revenue	(105,486)	(112,113)
	<b>17,957</b>	(2,099)
Balance, end of year	<b>35,992</b>	18,035
Balance, end of year represented by:		
Short-term deferred contributions	40,013	22,669
Contributions receivable from donors	(4,021)	(4,634)
	<b>35,992</b>	18,035

Long-term deferred contributions of \$230 (2013 - \$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.

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

### 5. Long-term investments

	2014		2013	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Annual Fund Bonds	34	34	34	34
Venture and Emergency Fund				
Investment in MicroVest I				
Self-Liquidating Trust	10	10	13	13
Investment in Edyficar	17	167	17	167
	<b>61</b>	<b>211</b>	<b>64</b>	<b>214</b>

Coupon rates on the bonds as at June 30, 2014 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.

### 6. Capital assets

	2014		2013	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	249	-	249	249
Buildings	4,432	789	3,643	3,908
Vehicles	1,020	891	129	237
Leasehold improvements	81	76	5	8
Office equipment	470	410	60	74
Computer equipment	621	479	142	156
Computer software	3,564	3,520	44	559
	<b>10,437</b>	<b>6,165</b>	<b>4,272</b>	<b>5,191</b>

Cost and accumulated amortization as at June 30, 2013 amounted to \$10,410 and \$5,219, respectively.

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

### 7. Long-term debt

	2014	2013
	\$	\$
Mortgage payable in monthly installments of \$21, including principal and interest at an annual rate of 3.80%, secured by land and a building with a net book value of \$3,531 (2013 - \$3,644), maturing in October 2019	1,010	1,219
Less current portion	(219)	(203)
	791	1,016

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

	\$
2015	219
2016	227
2017	236
2018	245
2019	83
	1,010

The fair value of the mortgage approximates the book value.

### 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:

	2014	2013
	\$	\$
Balance, beginning of year	577	2,388
Amount amortized to revenue	(509)	(1,811)
Balance, end of year	68	577

### 9. Invested in capital assets

	2014	2013
	\$	\$
Balance, beginning of year	3,395	3,359
Net acquisitions	53	280
Amortization of capital assets	(972)	(2,247)
Amortization of deferred contributions related to capital assets	509	1,811
Repayment of long-term debt	209	192
Balance, end of year	3,194	3,395

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

### 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 2014, these funds were approved for release into the Unrestricted Annual Fund.

### 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 as follows:

	2014	2013
	\$	\$
Zimbabwe	671	875
Kenya	15,062	21,269
Ethiopia	472	-
Djibouti	63	56
Philippines	147	-
	<b>16,415</b>	<b>22,200</b>

### 12. Interest and investment income

	2014	2013
	\$	\$
Annual Fund - Interest income	229	191
Venture and Emergency Fund - Interest income	-	1
Venture and Emergency Fund - Dividend income	201	25
	<b>430</b>	<b>217</b>

### 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 \$239 (2013 - \$245) during the year. Pension benefits are recorded as an expense in the period incurred.

### 14. Controlled entity

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 \$447 (2013 - \$238).

As at December 31, 2013, CEP Investment Trust had total assets of \$468 (2012 - \$448), total liabilities of \$248 (2012 - \$203) and a capital surplus \$220 (2012 - \$245). Total revenues in 2013 were \$NIL (2012 - \$2) and expenses were \$25 (2012 - \$7). The CEP Investment Trust made a capital distribution of \$200 to CARE Canada in 2014 (2013 - \$NIL).

# CARE Canada

## Notes to the financial statements

June 30, 2014

(in thousands of dollars)

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### 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 2015 to 2018. Minimum annual payments for the next four years are as follows:

	\$
2015	420
2016	80
2017	17
2018	9
	<hr/> 526

#### *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.

#### *Uncertain tax position*

CARE Canada has appealed and is currently negotiating a disputed tax assessment related to expatriate CARE International staff in Kenya. The maximum exposure is currently established at \$4,234 under which CARE Canada's portion is estimated at \$1,105. The final value of any potentially payable amount is not readily estimable and not reflected in these 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, 2014, there was no outstanding balance (2013 - \$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

June 30, 2014

(in thousands of dollars)

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### 17. Allocation of expenses

A portion of program activities are related to administration costs incurred in CARE Canada's seven (2013 - seven) overseas Country Offices (Chad, Cuba, Djibouti, Indonesia, Kenya, Zambia and Zimbabwe). These costs have been allocated as follows:

	2014	2013
	\$	\$
<b>Allocated to:</b>		
Program activities		
Humanitarian and Emergency Assistance	2,077	2,663
Environment and Natural Resource Management	499	604
Health and HIV	1,598	2,175
Multi-Sectoral Integrated Programs	633	571
Enterprise Development	1,349	1,294
	<b>6,156</b>	<b>7,307</b>
<b>Allocated from:</b>		
Support Administration	6,156	7,307

### 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

June 30, 2014

(in thousands of dollars)

### 18. Financial instruments (continued)

Amounts denominated in foreign currencies are as follows:

	2014		2013	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
	\$	\$	\$	\$
Country Offices				
United States Dollars	9,632	10,103	6,027	6,405
Euros	2,739	2,370	2,123	1,045
Chad XAF	1,918	720	301	377
Cuban Pesos	8	-	19	-
Djiboutian Francs	431	297	594	25
Indonesian Rupiah	606	415	1,308	2,174
Kenyan Shilling	1,004	2,610	972	1,617
Zambia Kwacha	705	486	585	1,361
	17,043	17,001	11,929	13,004
Headquarters				
United States Dollars	9,729	3,678	5,130	637
British Pounds	365	-	-	-
Euros	472	1,170	231	255
	27,609	21,849	17,290	13,896

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 \$3,035 (2013 - \$4,490). This figure does not include non-receiptable fundraising revenues received during the year from other charitable organizations.

# CARE Canada

## Program activities according to sectors - Schedule year ended June 30, 2014

(in thousands of dollars)

	Humanitarian and Emergency Assistance	Environment and Natural Resource Management	Health and HIV	Multi-Sectoral Programs	Enterprise Development	2014	2013
	\$	\$	\$	\$	\$	\$	\$
Advocacy	30	262	-	-	89	381	1,046
Agriculture and Natural Resources	662	3,604	-	3,157	(7)	7,416	10,161
Child and Reproductive Health	24	-	8,240	(3)	2,447	10,708	14,846
Education	-	-	-	1,460	(51)	1,409	2,110
Infrastructure	3,598	1	1,860	3	3,266	8,728	6,355
Integrated and Other Health	903	-	8,017	19	-	8,939	7,461
Nutritional Support	31,196	150	1,173	-	218	32,737	44,136
Integrated Projects	7,808	428	1,711	6,076	1,288	17,311	12,743
Small Economic Activity Development	6	22	-	5	2,799	2,832	2,705
Water Supply and Sanitation	9,641	886	412	-	2,151	13,090	10,520
	<b>53,868</b>	<b>5,353</b>	<b>21,413</b>	<b>10,717</b>	<b>12,200</b>	<b>103,551</b>	<b>112,083</b>