

Financial statements of

**CARE Canada**

June 30, 2016

# CARE Canada

June 30, 2016

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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, 2016, 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 audit 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, 2016, 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  
Licensed Public Accountants

November 30, 2016

# CARE Canada

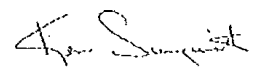
## Statement of financial position

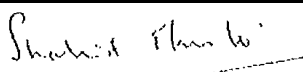
as at June 30, 2016

(in thousands of dollars)

|  | 2016          | 2015          |
|--|---------------|---------------|
|  | \$            | \$            |
| <b>Assets</b>  |               |               |
| Current assets   |               |               |
| Cash and cash equivalents  | 38,539        | 35,157        |
| Amounts receivable   | 6,725         | 4,120         |
| Contributions receivable from donors (Note 4)                        | 5,779         | 4,733         |
| Prepaid expenses   | 434           | 222           |
|  | <b>51,477</b> | <b>44,232</b> |
| Restricted investments (Note 4)                                      | 230           | 230           |
| Loans receivable (Note 10)   | 343           | 341           |
| Long-term investments (Note 5)                                       | 10            | 6             |
| Capital assets (Note 6)  | 3,690         | 3,866         |
| <b>Total assets</b>  | <b>55,750</b> | <b>48,675</b> |
| <b>Liabilities</b>   |               |               |
| Current liabilities  |               |               |
| Accounts payable and accrued liabilities                             | 5,645         | 4,961         |
| Government remittances payable                                       | 181           | 312           |
| Deferred contributions (Note 4)                                      | 42,814        | 36,143        |
| Current portion of long-term debt (Note 7)                           | 236           | 228           |
|  | <b>48,876</b> | <b>41,644</b> |
| Long-term debt (Note 7)  | 329           | 565           |
| Deferred contributions (Note 4)                                      | 230           | 230           |
| Deferred contributions related to capital assets                     | -             | 23            |
| <b>Total liabilities</b>   | <b>49,435</b> | <b>42,462</b> |
| Commitments, contingent liabilities and guarantees (Notes 11 and 12) |               |               |
| <b>Fund balances</b>   |               |               |
| Annual Fund  |               |               |
| Unrestricted   | 2,276         | 2,249         |
| Invested in capital assets   | 3,125         | 3,050         |
| Venture and Emergency Fund   | 914           | 914           |
| <b>Total fund balances</b>   | <b>6,315</b>  | <b>6,213</b>  |
| <b>Total liabilities and fund balances</b>                           | <b>55,750</b> | <b>48,675</b> |

On behalf of the Board

  
Director

  
Director

# CARE Canada

## Statement of operations year ended June 30, 2016 (in thousands of dollars)

|   | 2016           | 2015           |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>Support and revenue</b>                  |                |                |
| Fundraising                                 | 9,201          | 9,656          |
| Canadian funded                             | 35,442         | 37,170         |
| Globally funded                             | 36,902         | 38,022         |
| CARE International Members                  | 56,566         | 34,755         |
| Miscellaneous and investment revenue        | 2,499          | 2,020          |
| <b>Total support and revenue</b>            | <b>140,610</b> | <b>121,623</b> |
| <b>Expenses</b>                             |                |                |
| Program activities (Schedule)               |                |                |
| Humanitarian and Emergency Assistance       | 69,073         | 52,102         |
| Environment and Natural Resource Management | 10,150         | 8,164          |
| Health and HIV                              | 25,138         | 25,166         |
| Multi-Sectoral Programs                     | 18,006         | 15,899         |
| Enterprise Development                      | 8,275          | 9,451          |
| Country office management                   | 2,118          | 1,840          |
| International programs                      | 1,268          | 1,287          |
|   | <b>134,028</b> | <b>113,909</b> |
| Support services                            |                |                |
| Management and general                      | 3,883          | 3,559          |
| Fundraising, public and donor relations     | 1,399          | 2,644          |
| Membership in CARE International            | 1,198          | 1,040          |
|   | <b>6,480</b>   | <b>7,243</b>   |
| <b>Total expenses</b>                       | <b>140,508</b> | <b>121,152</b> |
| <b>Excess of revenue over expenses</b>      | <b>102</b>     | <b>471</b>     |

# CARE Canada

## Statement of changes in fund balances year ended June 30, 2016

(in thousands of dollars)

|   | Venture and<br>Emergency Fund | Annual Fund                   |              | Total        |       |
|---|-------------------------------|-------------------------------|--------------|--------------|-------|
|   |                               | Invested in<br>capital assets | Unrestricted | 2016         | 2015  |
|   | \$                            | \$                            | \$           | \$           | \$    |
| <b>Fund balances, beginning of year</b>               | <b>914</b>                    | <b>3,050</b>                  | <b>2,249</b> | <b>6,213</b> | 5,742 |
| Excess of revenue over expenses                       | -                             | -                             | 102          | 102          | 471   |
| Net change in invested in capital assets <sup>1</sup> | -                             | 75                            | (75)         | -            | -     |
| <b>Fund balances, end of year</b>                     | <b>914</b>                    | <b>3,125</b>                  | <b>2,276</b> | <b>6,315</b> | 6,213 |

<sup>1</sup> Net change in invested in capital assets

|  |           |
|--|-----------|
| Acquisitions of capital assets                                   | 174       |
| Amortization of capital assets                                   | (350)     |
| Amortization of deferred contributions related to capital assets | 23        |
| Repayment of long-term debt                                      | 228       |
|  | <b>75</b> |

**CARE Canada**  
Statement of cash flows  
year ended June 30, 2016  
(in thousands of dollars)

|   | 2016          | 2015           |
|---|---------------|----------------|
|   | \$            | \$             |
| Net inflow (outflow) of cash related to the following activities: |               |                |
| <b>Operating</b>  |               |                |
| Excess of revenue over expenses                                   | 102           | 471            |
| Items not affecting cash:   |               |                |
| Amortization of capital assets                                    | 350           | 504            |
| Amortization of deferred contributions related to capital assets  | (23)          | (45)           |
|   | <b>429</b>    | <b>930</b>     |
| Changes in non-cash operating working capital items:              |               |                |
| Increase in amounts receivable                                    | (2,605)       | (138)          |
| Increase in contributions receivable from donors                  | (1,046)       | (712)          |
| Decrease (increase) in prepaid expenses                           | (212)         | 328            |
| Increase (decrease) in accounts payable and accrued liabilities   | 684           | (351)          |
| Decrease in government remittances payable                        | (131)         | (110)          |
| Increase (decrease) in deferred contributions                     | 6,671         | (3,870)        |
|   | <b>3,790</b>  | <b>(3,923)</b> |
| <b>Investing</b>  |               |                |
| Acquisition of capital assets                                     | (174)         | (98)           |
| Decrease (increase) in loans receivable                           | (2)           | 106            |
| Decrease (increase) in long-term investments                      | (4)           | 205            |
|   | <b>(180)</b>  | <b>213</b>     |
| <b>Financing</b>  |               |                |
| Repayment of long-term debt                                       | (228)         | (217)          |
| Net cash inflow (outflow)   | <b>3,382</b>  | <b>(3,927)</b> |
| Cash and cash equivalents, beginning of year                      | <b>35,157</b> | 39,084         |
| <b>Cash and cash equivalents, end of year</b>                     | <b>38,539</b> | <b>35,157</b>  |



# CARE Canada

## Notes to the financial statements

June 30, 2016

(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. In 2014, CARE Canada received a Certificate of Continuance under the Canada Not-for-Profit 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 presentation*

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the six (2015 - six) overseas Country Offices (Chad, Cuba, Indonesia, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenue and expenses for which CARE Canada and its six 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.

# CARE Canada

## Notes to the financial statements

June 30, 2016

(in thousands of dollars)

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### 2. Significant accounting policies (continued)

#### *Revenue recognition (continued)*

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 Global Affairs Canada (GAC)) 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, the Canadian Government 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 revenue 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 six (2015 - six) 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, 2016

(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 internally used 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 reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual 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, the amount of accrued liabilities and the fair value of contributions-in-kind.

# CARE Canada

## Notes to the financial statements

June 30, 2016

(in thousands of dollars)

### 3. Capital management

CARE Canada's objectives in managing capital 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 its 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 for the next twelve months.

|                                      | <b>2016</b>      | 2015      |
|--------------------------------------|------------------|-----------|
|                                      | \$               | \$        |
| Balance, beginning of year           |                  |           |
| Short-term deferred contributions    | <b>36,143</b>    | 40,013    |
| Contributions receivable from donors | <b>(4,733)</b>   | (4,021)   |
|                                      | <b>31,410</b>    | 35,992    |
| Amounts received during the year     |                  |           |
| Cash                                 | <b>126,805</b>   | 91,876    |
| In-kind (Note 8)                     | <b>13,322</b>    | 18,776    |
|                                      | <b>140,127</b>   | 110,652   |
| Amounts recognized as revenue        | <b>(134,502)</b> | (115,234) |
|                                      | <b>5,625</b>     | (4,582)   |
| Balance, end of year                 | <b>37,035</b>    | 31,410    |
| Balance, end of year represented by: |                  |           |
| Short-term deferred contributions    | <b>42,814</b>    | 36,143    |
| Contributions receivable from donors | <b>(5,779)</b>   | (4,733)   |
|                                      | <b>37,035</b>    | 31,410    |

Contributions receivable includes \$1,298 (2015 - \$1,473) associated with projects held with GAC.

Short-term deferred contributions includes \$4,427 (2015 - \$4,525) of unliquidated advances. This amount is included in amounts receivable on the balance sheet.

Long-term deferred contributions of \$230 (2015 - \$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, 2016

(in thousands of dollars)

### 5. Long-term investments

|   | 2016      |            | 2015     |            |
|---|-----------|------------|----------|------------|
|   | Cost      | Fair value | Cost     | Fair value |
|   | \$        | \$         | \$       | \$         |
| Annual Fund Bonds   | 9         | 9          | 3        | 3          |
| Venture and Emergency Fund<br>Investment in MicroVest I<br>Self-Liquidating Trust | 1         | 1          | 3        | 3          |
|   | <b>10</b> | <b>10</b>  | <b>6</b> | <b>6</b>   |

Coupon rates on the bonds as at June 30, 2016 range between 2.12% and 2.57% (2015 - between 2.12% and 2.57%) and will mature between December 2017 and December 2019 (2015 - December 2017 and December 2019).

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.

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 ending in 2016.

### 6. Capital assets

|                        | 2016          |                          |                | 2015           |
|------------------------|---------------|--------------------------|----------------|----------------|
|                        | Cost          | Accumulated amortization | Net book value | Net book value |
|                        | \$            | \$                       | \$             | \$             |
| Land                   | 249           | -                        | 249            | 249            |
| Buildings              | 4,478         | 1,270                    | 3,208          | 3,397          |
| Vehicles               | 1,283         | 1,129                    | 154            | 97             |
| Leasehold improvements | 86            | 86                       | -              | 3              |
| Office equipment       | 521           | 487                      | 34             | 36             |
| Computer equipment     | 652           | 607                      | 45             | 54             |
| Computer software      | 3,649         | 3,649                    | -              | 30             |
|                        | <b>10,918</b> | <b>7,228</b>             | <b>3,690</b>   | <b>3,866</b>   |

Cost and accumulated amortization as at June 30, 2015 amounted to \$10,535 and \$6,669, respectively.

# CARE Canada

## Notes to the financial statements

June 30, 2016

(in thousands of dollars)

### 7. Long-term debt

|   | 2016       | 2015       |
|---|------------|------------|
|   | \$         | \$         |
| 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 \$3,457 (2015 - \$3,417), maturing in October 2018 | 565        | 793        |
| Less current portion  | (236)      | (228)      |
|   | <b>329</b> | <b>565</b> |

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

|      | \$         |
|------|------------|
| 2017 | 236        |
| 2018 | 245        |
| 2019 | 84         |
|      | <b>565</b> |

The fair value of the mortgage approximates its book value.

### 8. 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:

|          | 2016          | 2015          |
|----------|---------------|---------------|
|          | \$            | \$            |
| Zimbabwe | 2,248         | 1,715         |
| Kenya    | 11,059        | 15,781        |
| Zambia   | 10            | 1,006         |
| Djibouti | -             | 50            |
| Nepal    | 5             | 225           |
|          | <b>13,322</b> | <b>18,777</b> |

### 9. 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 \$242 (2015 - \$225) during the year.

# CARE Canada

## Notes to the financial statements

June 30, 2016

(in thousands of dollars)

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### 10. 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 \$343 (2015 - \$341).

As at December 31, 2015, CEP Investment Trust had total assets of \$334 (2014 - \$468), total liabilities of \$343 (2014 - \$454) and a capital deficit of \$9 (2014 - surplus of \$14). Total revenues in 2015 were \$5 (2014 - \$Nil) and expenses were \$28 (2014 - \$6). The CEP Investment Trust made a capital distribution of \$113 to CARE Canada in 2016 (2015 - \$Nil).

### 11. 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 2017 to 2021. Minimum annual payments for the next five years are as follows:

|      | \$        |
|------|-----------|
| 2017 | 477       |
| 2018 | 26        |
| 2019 | 5         |
| 2020 | 5         |
| 2021 | 1         |
|      | <hr/> 514 |

#### *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 \$3,010 (2015 - \$4,909) under which CARE Canada's portion is estimated at \$660 (2015 - \$1,694). A portion of CARE Canada's estimated exposure has been reflected in these 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, 2016, there was no outstanding balance (2015 - \$Nil). A funded project in Cuba by GAC required a letter of guarantee of \$500. This reduces the amount of available credit.

### 12. Guarantees

As stated in Note 2, the contributions from GAC 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 GAC 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, 2016

(in thousands of dollars)

### 13. Allocation of expenses

A portion of program activities are related to administration costs incurred in CARE Canada's six (2015 - six) overseas Country Offices. These costs have been allocated as follows:

|   | 2016         | 2015         |
|---|--------------|--------------|
|   | \$           | \$           |
| <b>Allocated to:</b>                        |              |              |
| Program activities                          |              |              |
| Humanitarian and Emergency Assistance       | 1,145        | 1,580        |
| Environment and Natural Resource Management | 729          | 695          |
| Health and HIV                              | 1,157        | 1,147        |
| Multi-Sectoral Integrated Programs          | 152          | 287          |
| Enterprise Development                      | 872          | 1,527        |
|   | <b>4,055</b> | <b>5,236</b> |
| <b>Allocated from:</b>                      |              |              |
| Support services                            | 4,055        | 5,236        |

### 14. 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 and 7 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 the 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 may be a party to derivative financial instruments to mitigate its foreign exchange risk. CARE Canada has elected not to apply hedge accounting. However, CARE Canada believes that these derivatives hedge the related foreign currency risk in these transactions.



# CARE Canada

## Notes to the financial statements

June 30, 2016

(in thousands of dollars)

### 14. Financial instruments (continued)

Amounts denominated in foreign currencies are as follows:

|                       | 2016            |                      | 2015            |                      |
|-----------------------|-----------------|----------------------|-----------------|----------------------|
|                       | Monetary assets | Monetary liabilities | Monetary assets | Monetary liabilities |
|                       | \$              | \$                   | \$              | \$                   |
| United States Dollars | 18,888          | 8,934                | 8,553           | 11,466               |
| Euros                 | 3,619           | 394                  | 2,655           | 1,798                |
| Chad XAF              | 963             | 695                  | 1,937           | 1,867                |
| Cuban Pesos           | 2,466           | 2,973                | 11              | -                    |
| Djiboutian Francs     | 6               | 2                    | -               | -                    |
| Indonesian Rupiah     | 66              | 357                  | 230             | 388                  |
| Kenyan Shilling       | 1,768           | 1,909                | 1,973           | 2,245                |
| Zambia Kwacha         | 110             | 445                  | 949             | 837                  |
|                       | <b>27,886</b>   | <b>15,709</b>        | 16,308          | 18,601               |

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.

### 15. 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 \$4,324 (2015 - \$4,340). This figure does not include non-receiptable fundraising revenues received during the year from other charitable organizations.

### 16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

# CARE Canada

## Program activities according to sectors - Schedule year ended June 30, 2016

(in thousands of dollars)

|                                     | Humanitarian<br>and<br>Emergency<br>Assistance | Environment<br>and Natural<br>Resource<br>Management | Health and HIV | Multi-Sectoral<br>Programs | Enterprise<br>Development | 2016           | 2015           |
|-------------------------------------|--|--|----------------|----------------------------|---------------------------|----------------|----------------|
|                                     | \$   | \$   | \$             | \$                         | \$                        | \$             | \$             |
| Advocacy                            | -  | 351  | -              | -                          | 239                       | 590            | 552            |
| Agriculture and Natural Resources   | 2,718  | 2,500  | -              | 3,979                      | -                         | 9,197          | 9,965          |
| Child & Reproductive Health         | -  | -  | 433            | -                          | -                         | 433            | 7,206          |
| Education                           | -  | -  | -              | 2,236                      | -                         | 2,236          | 2,612          |
| Infrastructure                      | 5,745  | 242  | 2,229          | -                          | 199                       | 8,415          | 7,871          |
| Integrated and Other Health         | 32,054   | 820  | 9,031          | 11,686                     | 1,344                     | 54,935         | 25,500         |
| Nutritional Support                 | 25,613   | -  | 13,445         | 105                        | -                         | 39,163         | 38,008         |
| Small Economic Activity Development | -  | -  | -              | -                          | 5,919                     | 5,919          | 5,082          |
| Water Supply and Sanitation         | 2,943  | 6,237  | -              | -                          | 574                       | 9,754          | 13,986         |
|                                     | <b>69,073</b>                                  | <b>10,150</b>  | <b>25,138</b>  | <b>18,006</b>              | <b>8,275</b>              | <b>130,642</b> | <b>110,782</b> |