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# Financial statements of CARE Canada

June 30, 2020

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Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in fund balances	5
Statement of cash flows	6
Notes to the financial statements	7-17

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## Independent Auditor's Report

To the Board of Directors of  
CARE Canada

### Opinion

We have audited the financial statements of CARE Canada (the "Organization"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2020, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
December 9, 2020

**CARE Canada****Statement of financial position**

As at June 30, 2020

(In thousands of dollars)

	Notes	2020 \$	2019 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		<b>23,995</b>	32,329
Amounts receivable	4	<b>7,591</b>	2,923
Contributions receivable from donors	5	<b>7,123</b>	6,093
Prepaid expenses		<b>515</b>	455
		<b>39,224</b>	41,800
Restricted investments	5	<b>237</b>	245
Loans receivable	9	<b>223</b>	331
Capital assets	6	<b>4,092</b>	3,587
		<b>43,776</b>	45,963
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		<b>12,430</b>	7,568
Government remittances payable		<b>334</b>	157
Deferred contributions	5	<b>25,033</b>	31,933
		<b>37,797</b>	39,658
Deferred contributions	5	<b>230</b>	230
		<b>38,027</b>	39,888
Commitments, contingent liabilities and guarantees	10 and 11		
<b>Fund balances</b>			
Annual Fund			
Unrestricted		<b>1,657</b>	2,409
Invested in capital assets		<b>4,092</b>	3,587
Venture and Emergency Fund		<b>—</b>	79
		<b>5,749</b>	6,075
		<b>43,776</b>	45,963

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

 \_\_\_\_\_, Director

 \_\_\_\_\_, Director

**CARE Canada**  
**Statement of operations**  
Year ended June 30, 2020  
(In thousands of dollars)

	Notes	2020 \$	2019 \$
<b>Support and revenue</b>			
Fundraising		5,534	6,335
Canadian funded		45,162	51,206
Globally funded		18,331	18,195
CARE International members		27,525	30,516
Miscellaneous and investment revenue		1,942	1,499
		<b>98,494</b>	107,751
<b>Expenses</b>			
Program activities			
Humanitarian programs		52,066	53,685
Development programs			
Food & Nutrition Security and Resilience to Climate Change		18,847	22,116
A Life Free from Violence		44	94
Sexual, Reproductive and Maternal Health		4,111	6,591
Women's Economic Empowerment		7,962	6,990
Other		4,824	7,247
Country office management and international programming		3,415	3,187
		<b>91,269</b>	99,910
<b>Support services</b>			
Management and general		5,651	6,031
Fundraising, public and donor relations		1,163	1,701
Membership in CARE International		718	739
		<b>7,532</b>	8,471
		<b>98,801</b>	108,381
Deficiency of revenue over expenses			
from continued operations		(307)	(630)
Discontinued operations	15	(19)	(3)
<b>Deficiency of revenue over expenses</b>		<b>(326)</b>	(633)

The accompanying notes are an integral part of the financial statements.

**CARE Canada****Statement of changes in fund balances**

Year ended June 30, 2020

(In thousands of dollars)

	Notes	Venture and	Annual Fund		Total	Total
		Emergency Fund	Invested in	Unrestricted	2020	2019
		\$	\$	\$	\$	\$
Fund balances, beginning of year		79	3,587	2,409	6,075	6,708
Deficiency of revenue over expenses		—	—	(326)	(326)	(633)
Interfund transfer	3	(79)	—	79	—	—
Net change in invested in capital assets <sup>1</sup>		—	505	(505)	—	—
Fund balances, end of year		—	4,092	1,657	5,749	6,075

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

Acquisition of capital assets

665

Amortization of capital assets

(160)505

The accompanying notes are an integral part of the financial statements.

**CARE Canada****Statement of cash flows**

Year ended June 30, 2020

(In thousands of dollars)

	<b>2020</b>	2019
	<b>\$</b>	\$
<b>Operating activities</b>		
Deficiency of revenue over expenses	<b>(326)</b>	(633)
Item not affecting cash		
Amortization of capital assets	<b>160</b>	53
	<b>(166)</b>	(580)
Changes in non-cash operating working capital items		
(Increase) decrease in amounts receivable	<b>(4,668)</b>	824
Increase in contributions receivable from donors	<b>(1,030)</b>	(441)
Increase in prepaid expenses	<b>(60)</b>	(212)
Increase (decrease) in accounts payable and accrued liabilities	<b>4,862</b>	(994)
Increase (decrease) in government remittances payable	<b>177</b>	(57)
Decrease in deferred contributions	<b>(6,900)</b>	(2,438)
	<b>(7,785)</b>	(3,898)
<b>Investing activities</b>		
Acquisition of capital assets	<b>(665)</b>	(167)
Decrease (increase) in loans receivable	<b>108</b>	(3)
Decrease in restricted investments	<b>8</b>	1
	<b>(549)</b>	(169)
<b>Financing activities</b>		
Repayment of long-term debt	<b>—</b>	(84)
Net decrease in cash	<b>(8,334)</b>	(4,151)
Cash and cash equivalents, beginning of year	<b>32,329</b>	36,480
<b>Cash and cash equivalents, end of year</b>	<b>23,995</b>	32,329

The accompanying notes are an integral part of the financial statements.

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

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#### 1. Description of the organization

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. Accounting Policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

##### *Adoption of Section 4433, Tangible capital assets held by not-for-profit organizations*

Effective July 1, 2019, the Organization adopted Handbook Section 4433, Tangible capital assets held by not-for-profit organizations ("Section 4433") replacing Section 4431 on the same topic. Section 4433 provides additional guidance related to componentization of tangible capital assets consisting of significant separable component parts, the recognition of partial impairments when the conditions indicate a tangible capital asset is impaired and related impairment disclosures. In accordance with the transition provisions, the Organization has applied Section 4433 prospectively with no impact on the disclosures or amounts recorded in the financial statements of the Organization.

##### *Adoption of Section 4434, Intangible assets held by not-for-profit organizations*

Effective July 1, 2019, the Organization adopted Handbook Section 4434, Intangible assets held by not-for-profit organizations ("Section 4434") replacing Section 4432 on the same topic. Section 4434 provides additional guidance including the recognition of partial impairments when conditions indicate that an intangible asset is impaired, along with related impairment disclosures. In accordance with the transition provisions, the Organization has applied Section 4434 prospectively with no significant impact on the disclosures or amounts recorded in the financial statements of the Organization.

##### *Basis of presentation*

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the five (six in 2019) overseas country offices (Chad, Cuba, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenues and expenses for which CARE Canada and its five overseas country offices enter into contracts with donors for the funding of projects. On September 30, 2019, CARE Canada ceased operating its CARE Indonesia country office transitioning it to an affiliate member of CARE International as described in Note 15.

Care Canada's country office in Kenya includes operations from CARE Somalia and CARE East and Central Africa Regional Management Unit (ECARMU) for which CARE USA is the lead member firm. In 2008, a memorandum of understanding (MOU) was signed between CARE Canada and CARE USA which limits CARE Canada's liabilities and provides CARE Canada indemnity over CARE Somalia and ECARMU's operations.

In 2019, CARE Canada established a Board of Directors for CARE International in Kenya to provide direction and oversight of the Organization's affairs as per the Kenya Government requirements. CARE Canada has the exclusive right to appoint the directors of the Board.

## **CARE Canada**

### **Notes to the financial statements**

June 30, 2020

(In thousands of dollars)

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## **2. Accounting policies (continued)**

### *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 the CEP Investment Trust. The CEP Investment Trust's 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 programs and administrative activities. This fund reports unrestricted resources and restricted contributions.

The Venture and Emergency Fund includes donations and contributions of which the use 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.

Investment income earned in 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 revenue is recognized as revenue of the Annual Fund when earned.

### *Canadian funded and globally 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 cost recovery, management fee or procurement fee that are applicable to CARE Canada are 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 in which the contributions are spent. Any contribution expended in excess of the contributions received from the donors is shown in the statement of financial position as contributions receivable from donors.

## **2. Accounting policies (continued)**

### *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 toward 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. CARE Canada 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 and international programming, 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 five (six in 2019) 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 investments, loans receivable, accounts payable and accrued liabilities, government remittances payable and long-term debt.

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

Transaction costs related to financial assets measured at fair value are expensed as incurred. Transaction costs related to other financial assets and liabilities are included or deducted in the initial measurement of the asset or liability.

### *Cash and cash equivalents*

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents. 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.

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

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## 2. Accounting policies (continued)

### *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 life. 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 the 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
Office equipment	5 years
Computer equipment	3 years
Computer software	1 to 7 years

### *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 net 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 for CARE USA projects are translated using average monthly rates. All other revenue and expense items are translated using daily 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.

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 allowance for doubtful amounts receivable, the useful life of capital assets, the fair value of restricted investments, the amount of certain accrued liabilities and the fair value of contributions in kind. Actual results could differ from management's best estimates as additional information becomes available in the future.

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

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### 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's 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 the 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.

During the year, CARE Canada transferred an amount of \$79 (\$165 in 2019) of the Venture and Emergency Fund into the unrestricted Annual Fund to cover the education, training and logistics of the emergency relief through CARE Canada's rapid response team.

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

### 4. Amounts receivable

	<b>2020</b>	2019
	<b>\$</b>	\$
General funding receivable	<b>7,922</b>	3,430
Allowance for doubtful accounts	<b>(582)</b>	(554)
	<b>7,195</b>	2,876
Government remittances	<b>251</b>	47
	<b>7,591</b>	2,923

**CARE Canada**  
**Notes to the financial statements**

June 30, 2020  
(In thousands of dollars)

**5. Deferred contributions**

Short-term deferred contributions represent externally restricted contributions to fund program expenses for the next twelve months.

	<b>2020</b>	2019
	\$	\$
Balance, beginning of year		
Short-term deferred contributions	<b>31,933</b>	34,371
Contributions receivable from donors	<b>(6,093)</b>	(5,652)
	<b>25,840</b>	28,719
Amounts received during the year		
Cash	<b>67,951</b>	89,268
In-kind (Note 7)	<b>8,459</b>	7,137
	<b>76,410</b>	96,405
Amounts recognized as revenue	<b>(84,340)</b>	(99,284)
	<b>(7,930)</b>	(2,879)
Balance, end of year	<b>17,910</b>	25,840
Balance, end of year represented by:		
Short-term deferred contributions	<b>25,033</b>	31,933
Contributions receivable from donors	<b>(7,123)</b>	(6,093)
	<b>17,910</b>	25,840

Contributions receivable include \$3,045 (\$1,685 in 2019) associated with projects held with GAC.

Short-term deferred contributions include \$2,381 (\$1,772 in 2019) of advances to partners that are unspent as at June 30, 2020. This amount is included in amounts receivable in the statement of financial position.

Amounts recognized as revenue totaling \$84,340 (\$99,284 in 2019) are allocated between fundraising, Canadian funded, globally funded, CARE International members and miscellaneous and investment revenue.

*Restricted investments*

Long-term deferred contributions of \$230 (\$230 in 2019) 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 is \$237 (\$245 in 2019) which consists of Canadian bonds. Coupon rates on the bonds as at June 30, 2020, range between 2.38% and 3.05% (between 2.48% and 3.05% in 2019) and will mature between April 2023 and January 2025 (December 2019 and June 2024 in 2018).

**CARE Canada**  
**Notes to the financial statements**

June 30, 2020  
(In thousands of dollars)

**6. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2020 Net book value</b>	2019 Net book value
	\$	\$	\$	\$
Land	249	—	249	249
Buildings	4,533	1,869	2,664	2,801
Vehicles	955	804	151	40
Office equipment	537	509	28	20
Computer equipment	936	868	68	128
Computer software	5,434	4,502	932	349
	<b>12,644</b>	<b>8,552</b>	<b>4,092</b>	<b>3,587</b>

Cost and accumulated amortization as at June 30, 2019, amounted to \$11,950 and \$8,363 respectively.

**7. 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:

	<b>2020</b>	2019
	\$	\$
Country Offices		
Zimbabwe	2,087	339
Kenya	6,372	6,798
	<b>8,459</b>	<b>7,137</b>

**8. 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 \$328 (\$261 in 2019) during the year.

**9. Controlled entity**

CARE Canada has committed to provide funds to the CEP Investment Trust to fund certain investment activities. The loans are unsecured and without any established term of repayment. The fair value of the loan's receivable is approximately \$223 (\$331 in 2019).

As at December 31, 2019, the CEP Investment Trust had total assets of \$200 (\$316 in 2018), total liabilities of \$220 (\$333 in 2018) and a capital deficit of \$20 (deficit of \$17 in 2018). Total revenues in 2019 were nil (nil in 2018) and expenses were \$118 (\$6 in 2018).

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

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#### 10. Commitments and contingent liabilities

##### *Leases*

CARE Canada is committed under operating leases in country offices and in Canada which mature between 2020 and 2021. The annual minimum payments are as follows:

	\$
2020	394
2021	54

##### *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 expatriating CARE International's staff in Kenya. In 2020, the courts have ruled in favour of CARE Canada, but the Kenya Revenue Agency has appealed the ruling. The maximum exposure is currently established at \$3,010 (\$3,010 in 2019) under which CARE Canada's portion is estimated at \$624 (\$624 in 2019). A portion of CARE Canada's estimated exposure has been reflected in these financial statements and is included in accounts payable and accrued liabilities.

##### *Credit facility*

An unsecured line of credit of \$2,000 (\$2,000 in 2019), 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, 2020, there was no outstanding balance (nil in 2019). A funded project in Cuba by GAC required a letter of guarantee of \$500. This reduces the amount of available credit.

#### 11. Government contributions

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, 2020

(In thousands of dollars)

## 12. Allocation of expenses

A portion of program activities is related to administration costs incurred in CARE Canada's five (six in 2019) overseas country offices. These costs have been allocated as follows:

	2020	2019
	\$	\$
<b>Allocated to:</b>		
Program activities	<b>1,785</b>	1,646
Humanitarian programs		
Development programs		
Food & Nutrition Security and Resilience to Climate Change	<b>557</b>	860
A Life Free from Violence	<b>3</b>	7
Sexual, Reproductive and Maternal Health	<b>106</b>	146
Women's Economic Empowerment	<b>90</b>	199
Other	<b>760</b>	623
	<b>3,301</b>	3,481
<b>Allocated from:</b>		
Support services	<b>3,301</b>	3,481

## 13. 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 values due to the relatively short periods to maturity of the instruments.

Refer to Notes 5 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.

### *Market risk*

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk. CARE Canada is mainly exposed to currency risk and interest rate risk.

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

### 13. Financial instruments (continued)

#### *Currency 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.

Amounts denominated in foreign currencies are as follows:

	<b>Monetary assets</b>	<b>2020 Monetary liabilities</b>	Monetary assets	2019 Monetary liabilities
	\$	\$	\$	\$
United States dollars	<b>14,346</b>	<b>14,253</b>	8,766	3,971
British pounds	<b>1,020</b>	<b>750</b>	312	277
Euros	<b>2,985</b>	<b>4,374</b>	1,513	644
Chad XAF	<b>4,581</b>	<b>2,629</b>	2,073	3,312
Cuban pesos	—	—	8	3
Indonesian rupiahs	—	—	353	430
Kenyan shillings	<b>1,266</b>	<b>785</b>	910	1,498
Zambian kwachas	<b>1,112</b>	<b>900</b>	246	606
	<b>25,310</b>	<b>23,691</b>	14,181	10,741

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.

#### *Interest rate risk*

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

#### *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 restricted investments and all receivables as presented in the statement of financial position.

### 14. 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 \$3,840 (\$4,263 in 2019). This figure does not include non-receiptable fundraising revenues received during the year from other charitable organizations.

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

#### 15. Discontinued operations

On September 30, 2019, CARE Canada ceased operating its CARE Indonesia country office transitioning it to Yayasan CARE Peduli, an affiliate member of CARE International. The results of the discontinued operations, are included in deficiency of revenue over expenses in the statement of operations. CARE Canada received no proceeds from the abovementioned transition.

Support and revenue and expenses from discontinued operations amounts to \$1,308 (\$5,178 in 2019) and \$1,327 (\$5,181 in 2019), respectively and are detailed as follows:

	2020	2019
	\$	\$
<b>Support and revenue</b>		
Canadian funded	—	477
Globally funded	325	28
CARE International members	851	4,545
Miscellaneous and investment revenue	132	128
	<b>1,308</b>	<b>5,178</b>
<b>Expenses</b>		
Program activities		
Humanitarian programs	791	3,593
Development programs		
Food & Nutrition Security and Resilience to Climate Change	198	974
Women's Economic Empowerment	182	296
Other	156	316
Country office management and international programming	—	2
	<b>1,327</b>	<b>5,181</b>
<b>Deficiency of revenue over expenses</b>	<b>(19)</b>	<b>(3)</b>

#### 16. Subsequent events

Subsequent to year-end, CARE Canada secured financing in the amount of \$1,000,000 repayable in monthly installments of \$12,984 including capital and interest. The debt bears interest at 2.49%, matures in September 2027 and is secured by land and building located at 9 Gurdwara Road, Ottawa, Ontario.

## CARE Canada

### Notes to the financial statements

June 30, 2020

(In thousands of dollars)

#### 16. Subsequent events (continued)

In addition, CARE Canada is working with CARE International to transition country offices platforms managed by CARE Canada (Kenya, Chad, Zambia and Zimbabwe) to other confederation members. It is anticipated that the transition will be completed by June 2021.

Support and revenue and Expenses from discontinued operations, relating to the five country offices being transitioned to other confederation members, amounts to \$49,318 (\$53,042 2019) and \$49,383 (\$53,318 in 2019) respectively and are detailed as follows:

	2020	2019
	\$	\$
<b>Support and revenue</b>		
Canadian funded	3,049	3,815
Globally funded	17,902	17,073
CARE International members	26,953	30,497
Miscellaneous and investment revenue	1,414	1,657
	<b>49,318</b>	53,042
<b>Expenses</b>		
Program activities		
Humanitarian programs	32,495	31,745
Development programs		
Food & Nutrition Security and Resilience to Climate Change	9,146	9,475
A Life Free from Violence	44	94
Sexual, Reproductive and Maternal Health	873	2,064
Women's Economic Empowerment	796	1,908
Other	4,690	6,113
Country office management and international programming	1,339	1,919
	<b>49,383</b>	53,318
<b>Deficiency of revenue over expenses</b>	<b>(65)</b>	<b>(276)</b>

#### 17. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.

#### 18. Comparative figures

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