
Financial statements of Save the Children Canada

December 31, 2017

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Independent Auditor's Report

To the Members of
Save the Children Canada

We have audited the accompanying financial statements of Save the Children Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2017, the statements of operations and changes in net assets, and of 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 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.

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 judgment, 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 the Organization as at December 31, 2017 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

Save the Children Canada
Statement of financial position
As at December 31, 2017


	Notes	2017	2016
		\$	\$
			(Note 15)
Assets			
Current assets			
Cash	3	15,961,424	16,507,872
Marketable securities	3 and 4	2,091,869	1,626,200
Accounts receivable		753,954	706,772
Advances to partners		4,358,062	8,094,996
Prepaid expenses		146,203	195,315
		23,311,512	27,131,155
Capital assets			
	5	1,215,943	137,840
		24,527,455	27,268,995
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	3,114,685	1,272,509
Deferred revenue	6	17,455,659	21,549,927
Deferred lease inducement		—	42,685
		20,570,344	22,865,121
Commitments			
	7		
Net assets			
General Fund	14	683,311	480,074
Reserve Fund		2,923,800	2,923,800
Strategic Initiatives Fund		350,000	1,000,000
		3,957,111	4,403,874
		24,527,455	27,268,995

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

On behalf of the Board



Director



Director

Save the Children Canada

Statement of operations and changes in net assets

Year ended December 31, 2017

Notes	2017				2016			
	General Fund	Strategic Initiatives Fund	Reserve Fund	Total	General Fund	Strategic Initiatives Fund	Reserve Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
	(Note 14)				(Notes 14 and 15)			(Note 15)
Revenue								
Contributions	21,438,537	—	—	21,438,537	20,232,901	—	—	20,232,901
Global Affairs Canada	27,376,951	—	—	27,376,951	33,114,064	—	—	33,114,064
International grants	4,423,255	—	—	4,423,255	9,076,151	—	—	9,076,151
Interest and other income	66,723	—	—	66,723	5,450	—	54,306	59,756
Amortization of deferred lease inducement	42,685	—	—	42,685	11,260	—	—	11,260
Bequests	103,411	—	585,998	689,409	31,129	—	176,395	207,524
Total revenue	53,451,562	—	585,998	54,037,560	62,470,955	—	230,701	62,701,656
Program expenses								
International	45,430,167	—	—	45,430,167	53,557,820	—	—	53,557,820
Canadian	997,769	—	—	997,769	1,596,045	—	—	1,596,045
Total program expenses	46,427,936	—	—	46,427,936	55,153,865	—	—	55,153,865
Operating and other expenses								
Fundraising	3,992,761	650,000	1,638	4,644,399	4,230,711	—	—	4,230,711
Communication	339,401	—	—	339,401	191,419	—	—	191,419
Unrealized capital loss	—	—	45,683	45,683	1,568	—	21,911	23,479
General administration	2,840,655	—	—	2,840,655	1,923,596	—	12,838	1,936,434
Loss on disposal of assets	728	—	—	728	—	—	—	—
Amortization	132,408	—	—	132,408	81,140	—	—	81,140
Total operating and other expenses	7,305,953	650,000	47,321	8,003,274	6,428,434	—	34,749	6,463,183
Total expenses	53,733,889	650,000	47,321	54,431,210	61,582,299	—	34,749	61,617,048
Excess (deficiency) of revenue over expenses for the year before the undernoted	(282,327)	(650,000)	538,677	(393,650)	888,656	—	195,952	1,084,608
Foreign exchange loss	(53,113)	—	—	(53,113)	(26,338)	—	—	(26,338)
Excess (deficiency) of revenue over expenses for the year	(335,440)	(650,000)	538,677	(446,763)	862,318	—	195,952	1,058,270
Net assets, beginning of year	480,074	1,000,000	2,923,800	4,403,874	421,804	—	2,923,800	3,345,604
Inter-fund transfers	538,677	—	(538,677)	—	(804,048)	1,000,000	(195,952)	—
Net assets, end of year	683,311	350,000	2,923,800	3,957,111	480,074	1,000,000	2,923,800	4,403,874

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

Save the Children Canada

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	\$	\$
		(Note 15)
Operating activities		
(Deficiency) excess of revenue over expenses	(446,763)	1,058,270
Items not affecting cash flows		
Amortization	132,408	81,140
Amortization of deferred lease inducement	(42,685)	(11,260)
	(357,040)	1,128,150
Changes in working capital items		
Accounts receivable	(47,182)	1,132,246
Advances to partners	3,736,934	(257,962)
Prepaid expenses	49,112	(60,981)
Accounts payable and accrued liabilities	1,842,176	(3,533,111)
Deferred revenue	(4,094,268)	1,493,975
	1,129,732	(97,683)
Investing activities		
Net change in marketable securities	(465,669)	3,526,694
Purchases of capital assets	(1,210,511)	(61,492)
	(1,676,180)	3,465,202
Net (decrease) increase in cash for the year	(546,448)	3,367,519
Cash, beginning of year	16,507,872	13,140,353
Cash, end of year	15,961,424	16,507,872

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

1. Nature of operations

As a member of the world's leading independent child rights organization, Save the Children Canada's (the "Organization") mission is to inspire breakthroughs in the way the world treats children, and to achieve immediate and lasting change in their lives. The Organization works to create a world in which every child attains the right to survival, protection, development and participation.

The Organization is a registered charitable organization under the Canadian Income Tax Act, was incorporated in 1946 under Part II of the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act on March 4, 2014. The Organization is at the same time a member of a federated model called Save the Children Association ("Save the Children"), a Swiss Membership organization.

Save the Children consists of 28 independent non-profit organization members (26 full members and two associate members). In 2011, members of the association created a global implementing structure called Save the Children International ("SCI"), a United Kingdom based charitable entity. All the members of Save the Children are working to deliver a shared strategy, including vision, mission, values and theory of change. While each member continues to direct and support its own programs, internationally these have been transitioned to SCI to be delivered through a merged operation with approximately 14,000 staff, managed through seven regional hubs and reporting to a relatively small central office.

All members have joined the Every Last Child integrated campaign (program, policy, and fundraising). To ensure that children survive, learn and are protected, we must end discriminatory and financial barriers to education, health and child protection services for all children. The Organization's campaign and program delivery is supported by five Global Thematic groups - in health and nutrition, education, child poverty, child protection and child rights governance.

The Organization continues to design programs, coordinate with donors and provide technical assistance to ensure program quality, monitoring and reporting. The costs of implementing programs through the SCI structure and administrative costs allocated among members are covered by program funds raised by the Organization.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of reporting restricted contributions, and reflect the following significant accounting policies:

Financial instruments

The Organization's financial assets comprise cash, marketable securities, accounts receivable and advances to partners. Financial liabilities comprise accounts payable and accrued liabilities.

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instruments. Subsequently, all financial instruments are measured at amortized cost, except for investments quoted in active markets, which are carried at fair value. Any subsequent changes in fair value are recorded in the Statement of operations.

The fair value of investments is determined directly from published bid quotations in an active market.

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Marketable securities

Marketable securities comprise mutual funds traded in active markets.

Advances to partners

Advances to partners, represent funding advanced to SCI and project partners for international and domestic projects and are recognized as program expenses when the underlying costs are incurred.

Capital assets

Capital assets are recorded at cost. Amortization is recorded on the straight-line basis as follows:

Furniture, fixtures and equipment	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	Term of lease

Impairment of long-lived assets

Any impairment loss is recorded in the period in which the impairment occurs.

Deferred lease inducement

Deferred lease inducements, consisting of leasehold improvement allowance, are amortized on the straight-line basis over the term of the lease.

Revenue recognition

The Organization uses the deferral method of accounting for contributions. Under this method, restricted contributions and grants are deferred and recognized as revenue when the related program expenses are incurred.

Interest and other income includes dividend and interest income and realized investment gains and losses.

Donated services

The Organization's activities include time donated by a number of volunteers. Since no objective basis exists for recording and assigning values to these donated services, they are not reflected in these financial statements.

Expenses

Program expenses are recorded on the accrual basis. General administration and fundraising expenses are recorded on the accrual basis and represent expenses incurred in Canada.

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Allocation of expenses

The Organization allocates general support costs consisting of rent and utilities, and administration expenses, to program and fundraising expenses based on headcount as at December 31, 2017.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect on the reporting dates, and revenue and expenses are translated at rates which approximate those in effect on the transaction dates. Net translation gains and losses are included in the Statement of operations.

Reserve Fund

The Reserve Fund was established to provide a reserve of approximately six months of operating expenses to protect the Board of Directors and the Organization in adverse circumstances. It is funded by an allocation of bequest revenue and any general revenue, as necessary. Funding in excess of the Reserve Fund target is transferred to the General Fund or may be used for other specific expenses as determined by the Board of Directors.

Strategic Initiatives Fund

The Strategic Initiatives Fund was established in 2016 to be funded from transfers from the General Fund and used for specific purposes in building the capacity of the Organization and funding longer term initiatives as determined by the Board of Directors.

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 the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include marketable securities and deferred revenue.

3. Restricted assets

Certain of the Organization's cash and marketable securities are restricted as follows:

	2017			2016		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
	\$	\$	\$	\$	\$	\$
						(Note 15)
Deferred revenue (Note 6)	17,455,659	-	17,455,659	21,549,927	-	21,549,927
Reserve Fund	-	2,923,800	2,923,800	-	2,923,800	2,923,800
Strategic Initiatives Fund	-	350,000	350,000	-	1,000,000	1,000,000
	17,455,659	3,273,800	20,729,459	21,549,927	3,923,800	25,473,727
Add payable to partners	1,379,579	-	1,379,579	82,639	-	82,639
Less advances to partners	(4,358,062)	-	(4,358,062)	(8,094,996)	-	(8,094,996)
Total restricted	14,477,176	3,273,800	17,750,976	13,537,570	3,923,800	17,461,370
Unrestricted			302,317			672,702
Total cash and marketable securities			18,053,293			18,134,072
Consisting of						
Cash			15,961,424			16,507,872
Marketable securities (Note 4)			2,091,869			1,626,200
			18,053,293			18,134,072

4. Marketable securities

Marketable securities in the amount of \$2,091,869 (\$1,626,200 in 2016) are comprised of mutual funds.

5. Capital assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	294,318	13,754	280,564	5,587
Computer hardware	516,837	474,714	42,123	38,120
Computer software	538,368	503,232	35,136	35,136
Leasehold improvements	880,630	22,510	858,120	58,997
	2,230,153	1,014,210	1,215,943	137,840

6. Deferred revenue

Deferred revenue consists of the following:

	2017	2016
	\$	\$
Global Affairs Canada grants	9,844,581	12,058,419
Donations	1,532,753	2,194,882
Other International Organizations	444,495	2,674,763
Foundations	5,633,830	4,621,863
	17,455,659	21,549,927

7. Commitments

The Organization has entered into operating commitments and rental leases with various expiry dates to March 2025. The annual payments are as follows:

	\$
2018	569,791
2019	583,576
2020	588,171
2021	601,956
2022	606,552
Thereafter	1,401,501
	4,351,547

8. Inter-fund transfers

During 2016, the Board of Directors approved the transfer of \$804,048 from the General Fund and \$195,952 from the Reserve Fund to the Strategic Initiatives Fund.

During 2017, the Board of Directors approved the transfer of \$538,677 from the Reserve Fund to the General Fund.

9. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to disclosure are as follows:

- (a) The Organization has provided indemnities under a lease agreement for the use of an operating facility. Under the terms of this agreement, the Organization agrees to indemnify the counter parties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after, the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) The Organization indemnifies all directors and volunteers for various items, including but not limited to, all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

There were no known actions as at December 31, 2017 and 2016.

10. Allocation of expenses

The Organization has allocated its common expenses as follows:

				2017
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	116,047	232,094	128,730	476,871
Shared cost	80,460	160,920	89,254	330,634
	196,507	393,014	217,984	807,505
				2016
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	73,429	162,592	125,878	361,899
Shared cost	58,289	129,070	99,925	287,284
	131,718	291,662	225,803	649,183

11. Accounts payable and accrued liabilities

There are no outstanding government remittances as at December 31, 2017 and 2016.

12. Additional information

The Organization is a member of Imagine Canada and has been accredited under its Standards Program, which requires disclosure of the amount of donations received for income tax purposes.

During the year, the Organization issued donation receipts for income tax purposes in the amount of \$8,306,195 (\$7,132,309 in 2016).

13. International program expenses

	2017	2016
	\$	\$
		(Note 15)
East Africa	19,120,027	17,550,233
Middle East	7,528,926	12,536,100
Program management	7,393,726	7,848,251
West Africa	5,938,202	6,446,270
South America	4,416,398	5,435,047
India/Asia	1,032,888	3,426,348
North America	—	260,459
Central America	—	55,112
	45,430,167	53,557,820

14. General Fund

	2017		
	Operations	Invested in capital assets	Total
	\$	\$	\$
Balance, beginning of year	384,919	95,155	480,074
Deficiency of revenue over expenses	(245,717)	(89,723)	(335,440)
Inter-fund transfer (Note 8)	538,677	—	538,677
Purchases of capital assets	(1,210,511)	1,210,511	—
	(532,632)	1,215,943	683,311

14. General Fund (continued)

	2016		
	Operations	Invested in capital assets	Total
	\$	\$	\$
Balance, beginning of year	318,261	103,543	421,804
Excess (deficiency) of revenue over expenses	932,198	(69,880)	862,318
Inter-fund transfer (Note 8)	(804,048)	—	(804,048)
Purchases of capital assets	(61,492)	61,492	—
	<u>384,919</u>	<u>95,155</u>	<u>480,074</u>

15. Comparative amounts

The following comparative amounts have been reclassified to conform to the current year's financial statement presentation:

	2016	
	As amended	As previously presented
	\$	\$
Statement of financial position		
Assets		
Cash	16,507,872	16,123,732
Accounts receivable	706,772	1,294,948
Advances to partners	8,094,996	11,403,083
Liabilities		
Accounts payable and accrued liabilities	1,272,509	4,784,632
	<u>24,037,131</u>	<u>24,037,131</u>

	2016	
	As amended	As previously presented
	\$	\$
Statement of operations and changes in net assets		
Program expenses – General Fund		
International	53,557,820	52,365,416
Canadian	1,596,045	1,545,522
Operating and other expenses – General Fund		
Fundraising	4,230,711	2,391,693
Communication	191,419	—
Marketing	—	2,873,856
General administration	1,923,596	2,323,104
	<u>61,499,591</u>	<u>61,499,591</u>

The statement of cash flows was amended accordingly.