

**CANADIAN FEED THE CHILDREN**

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**2010 FINANCIAL STATEMENTS**

**NETHERCOTT & COMPANY**

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Chartered Accountants

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**INDEPENDENT AUDITORS' REPORT**

To the Directors  
Canadian Feed The Children

We have audited the accompanying financial statements of CANADIAN FEED THE CHILDREN, which comprise the statement of financial position as at December 31, 2010, and the statements of changes in fund balances, revenue and expenditure 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 generally accepted accounting principles, 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.

*Auditors' 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 qualified audit opinion.

*Basis for Qualified Opinion*

In common with many charitable organizations, the organization derives income from contributions the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this income was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of income over expenditure, current assets and net assets.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of CANADIAN FEED THE CHILDREN as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

North York, Ontario  
June 13, 2011



**CANADIAN FEED THE CHILDREN  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31**

	2010				2009	
	RESTRICTED		UNRESTRICTED		TOTAL	
	BUILDING	PROGRAM ENHANCEMENT	WORKING CAPITAL	INVESTED IN CAPITAL ASSETS	GENERAL	Restated
<b>FUND BALANCES, BEGINNING OF YEAR</b>						
As previously reported	\$ 1,227,207	\$ 181,797	\$ 400,000	\$ 1,220,168	\$ 142,287	\$ 3,171,459
Changes in accounting policies (Note 3)	-	-	-	(1,201,877)	(59,688)	(1,261,565)
As restated	<u>1,227,207</u>	<u>181,797</u>	<u>400,000</u>	<u>18,291</u>	<u>82,599</u>	<u>1,909,894</u>
Excess revenue (expenditure) for the year	<u>24,413</u>	<u>1,364</u>	<u>-</u>	<u>(11,083)</u>	<u>309,279</u>	<u>323,973</u>
Interfund transfers (Note 2)						
GST/HST transfers	(266)	(43)	-	-	309	-
Asset capitalization	-	-	-	7,283	(7,283)	-
Total interfund transfers	<u>(266)</u>	<u>(43)</u>	<u>-</u>	<u>7,283</u>	<u>(6,974)</u>	<u>-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 1,251,354</u>	<u>\$ 183,118</u>	<u>\$ 400,000</u>	<u>\$ 14,491</u>	<u>\$ 384,904</u>	<u>\$ 2,233,867</u>
						<u>\$ 1,909,894</u>

**CANADIAN FEED THE CHILDREN  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED DECEMBER 31**

	2010						2009 TOTAL Restated
	RESTRICTED			UNRESTRICTED			
	BUILDING	PROGRAM ENHANCEMENT	WORKING CAPITAL	INVESTED IN CAPITAL ASSETS	GENERAL	TOTAL	
<b>REVENUE</b>							
Contributions and events	\$ -	\$ -	\$ -	\$ -	\$ 6,820,519	\$ 6,820,519	\$ 6,780,043
Medicines / Gifts-in-kind	-	-	-	-	9,164,112	9,164,112	11,884,245
Grants	-	-	-	-	-	-	21,496
Investment income	24,413	1,364	-	-	3,342	29,119	148,620
Other income	-	-	-	-	5,206	5,206	11,301
	<u>24,413</u>	<u>1,364</u>	<u>-</u>	<u>-</u>	<u>15,993,179</u>	<u>16,018,956</u>	<u>18,845,705</u>
<b>EXPENDITURE (Schedule 1)</b>							
Program	-	-	-	2,380	12,964,491	12,966,871	15,699,782
Fundraising	-	-	-	-	1,979,076	1,979,076	2,426,025
Administrative	-	-	-	8,703	740,333	749,036	791,630
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,083</u>	<u>15,683,900</u>	<u>15,694,983</u>	<u>18,917,437</u>
<b>EXCESS REVENUE (EXPENDITURE) FOR THE YEAR</b>	<u>\$ 24,413</u>	<u>\$ 1,364</u>	<u>\$ -</u>	<u>\$ (11,083)</u>	<u>\$ 309,279</u>	<u>\$ 323,973</u>	<u>\$ (71,732)</u>

**CANADIAN FEED THE CHILDREN  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31**

	<u>2010</u>	<u>2009</u> <b>Restated</b>
<b>CASH PROVIDED BY (USED FOR)</b>		
Operating activities		
Excess revenue (expenditure) for the year	\$ 323,973	\$ (71,732)
Add: Item not involving cash		
Amortization	<u>11,083</u>	<u>13,554</u>
	335,056	(58,178)
Net change in non-cash working capital balances related to operations:		
Accounts receivable and prepaids	(4,744)	62,720
Accounts payable	<u>(31,464)</u>	<u>(86,137)</u>
	<u>298,848</u>	<u>(81,595)</u>
Investing activities		
Increase in portfolio investments	(25,314)	(97,698)
Purchase of capital assets, net of disposals	<u>(7,283)</u>	<u>(9,575)</u>
	<u>(32,597)</u>	<u>(107,273)</u>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING YEAR</b>	266,251	(188,868)
Cash and equivalents, beginning of year	<u>438,855</u>	<u>627,723</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 705,106</u>	<u>\$ 438,855</u>

**CANADIAN FEED THE CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. Purpose and Nature of the Organization**

Canadian Feed The Children™ (CFTC) is an international development and relief agency formed in 1986 and dedicated to:

- i) alleviating the impact of poverty on children and their families and communities;
- ii) supporting initiatives that enable families and communities to effectively satisfy the basic needs of their children on a sustainable basis;
- iii) raising the level of public awareness on issues related to child poverty, and
- iv) advocating for the basic human rights of children.

Organization objectives are reached by working with both its own resources and in conjunction with local partners in Canada and foreign countries. CFTC is a not-for-profit corporation incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act (Canada).

**2. Significant Accounting Policies**

***Basis of presentation***

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants using the restricted fund method of reporting revenues.

Contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

***Description of funds***

The *Building Fund* was established by the Board of Directors of CFTC in 2004 with an initial contribution of \$1,000,000 received from the proceeds of the sale of CFTC's head office at 174 Bartley Drive, Toronto. These funds have been set aside and invested to earn income and are intended to be used for the acquisition of a head office building at some point in the future at the discretion of the Board. The balance at December 31, 2010 was \$1,251,354 (December 31, 2009 - \$1,227,207).

The *Program Enhancement Fund* was established by the Board of Directors of CFTC in 2004 with an initial contribution of \$1,000,000 received from the proceeds of the sale of CFTC's head office. These funds have been set aside and invested to earn income and are to be used to support specific ongoing initiatives, approved in advance by the Board of Directors of CFTC, which are consistent with CFTC's objective to create long-term enhancements to its work throughout the world. The balance in the fund at December 31, 2010 was \$183,118 (December 31, 2009 - \$181,797).

CFTC's Board of Directors has adopted a policy whereby at all times there shall be a sufficient *Working Capital Fund* within the organization to finance three months operations which is approximately \$400,000. In order to initially establish this reserve, funds have been transferred from the General Fund. The balance of this fund at December 31, 2010 was \$400,000 (December 31, 2009 - \$400,000).

The *Invested in Capital Assets Fund* records transactions related to CFTC's capital assets, specifically acquisitions, amortization and disposals. As at December 31, 2010 the balance was \$14,491 (December 31, 2009 as restated - \$18,291).

**CANADIAN FEED THE CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**2. Significant Accounting Policies (continued)**

The *General Fund* accounts for CFTC's program delivery, development and administrative activities. This fund reports unrestricted resources.

***Cash and short-term investments***

Cash and short-term investments are amounts on deposit and invested in short-term investment vehicles according to CFTC's investment policy. Short-term investments are stated at market value. Investment income, except income on funds held for specific purposes, is retained in and reported by the General Fund.

***Portfolio investments***

Portfolio investments, classified as "Held for Trading" are stated at market value. They are Managed by a third party investment manager reporting directly to the Investment Committee established by the Board of Directors. Investments are made in accordance with CFTC's investment policy for the Building Fund and Program Enhancement Fund. The principal of the Building Fund is to remain intact with income earned rolling into the fund to increase its value. Income earned from the Program Enhancement Fund may be used for annual operating expenditure or to enhance programming initiatives at the Board's discretion.

***Financial Instruments***

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

The financial instruments including cash, accounts receivable and accounts payable are reported at cost, which approximates their respective fair values. As stated above short-term and portfolio investments are stated at fair market value.

***Capital assets***

Assets are capitalized and subject to amortization when they have a minimum acquisition cost of \$1,500 and are determined to have a minimum useful life of three years. Capital assets are presented net of accumulated amortization. Amortization is charged to expenditure on a straight-line basis over the estimated useful lives of the assets as follows:

Computers and software	3 years
Furniture and equipment	5 years

***Medicines / Gifts-in-Kind***

Medicines, as gifts-in-kind, are recorded in the financial statements at estimated fair value using the Average Wholesale Price as found in the most current World Health Organization (WHO) Red Book, or other similar acceptable reference when it does not have the particular medicine in question listed. Medicines are recognized as revenue at the time of taking constructive title which occurs at the point of shipment from the suppliers warehouse. The corresponding expense is recorded when the goods have been approved for entry into the destination country.

**CANADIAN FEED THE CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**2. Significant Accounting Policies** *(continued)*

***Government assistance***

From time to time CFTC receives grants from the Canadian International Development Agency (CIDA) and from various provincial and municipal agencies. Certain conditions are often attached to these grants and may require CFTC to completely segregate these funds or match a proportionate share of these funds with funds from general donations.

***Foreign currencies***

At the transaction date, asset, liability, revenue and expenditure items are translated into Canadian dollars utilizing the rate of exchange in effect at that date. At year end assets and liabilities are stated at the rate of exchange at the year end. Exchange rate gains or losses are included in revenues or expenditure in the current period.

***Volunteer service***

The work of CFTC is accomplished by a significant contribution of voluntary services. These services are received gratuitously, therefore, no value has been included in these financial statements.

***Measurement uncertainty***

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that may affect the reported amount of certain assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditure during the reporting period. Actual results could differ from those estimates.

***Comparative figures***

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

**3. Changes in Accounting Policies**

***Capitalization and amortization of donor acquisition costs***

In 2010 CFTC changed its policy with regard to donor acquisition costs. Previously, certain donor acquisition costs were capitalized and amortized over a period of 5 years. Under the new policy, these costs are expensed when incurred. CFTC believes that this change in accounting policy represents a more appropriate asset recognition policy and one which, importantly, aligns with current industry practice, thereby making CFTC's statements more comparable. This change has been applied retroactively. The 2009 comparative figures have been adjusted accordingly to reflect this change.

***Pledges receivable***

In 2010 CFTC changed its policy with regard to recognition of pledges made by donors. Previously, CFTC recorded such pledges as revenue and a receivable based on its past fulfillment performance. Under the new policy, pledged revenue will only be recognized once the funds are received. CFTC believes that this change in policy represents a more appropriate and conservative revenue recognition policy for pledged funds. This change has been applied retroactively. The 2009 comparative figures have been adjusted accordingly to reflect this change.

**CANADIAN FEED THE CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**3. Changes in Accounting Policies (Continued)**

	<b>Effect on 2009</b>	<b>Cumulative effect on periods prior to 2009</b>
Increase in fundraising expense	\$ 129,001	\$ 1,072,876
Decrease in contributions and events revenue	<u>18,299</u>	<u>41,389</u>
Decrease in excess revenue for the year	<u>\$ 147,300</u>	<u>\$ 1,114,265</u>
Decrease in donor data base	\$ 129,001	\$ 1,072,876
Decrease in pledges receivable	<u>18,299</u>	<u>41,389</u>
Decrease in fund balances, end of year	<u>\$ 147,300</u>	<u>\$ 1,114,265</u>

**4. Capital Assets**

Capital assets are comprised as follows:

	<b>2010</b>			<b>2009</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computers and software	\$ 21,897	\$ 18,525	\$ 3,372	\$ 6,628
Furniture and equipment	<u>39,648</u>	<u>28,528</u>	<u>11,119</u>	<u>11,663</u>
	<u>\$ 61,545</u>	<u>\$ 47,053</u>	<u>\$ 14,491</u>	<u>\$ 18,291</u>

**5. Commitments**

CFTC is committed to lease payments for property and equipment under leases with varying terms. Aggregate annual payments are as follows:

<b>Year</b>	<b>Amount</b>
2011	\$ 167,270
2012	28,070
2013	28,070
2014	3,129
2015 and beyond	<u>-</u>
	<u>\$ 226,539</u>

**6. Future Accounting Changes**

The AcSB has approved the incorporation of the standards set out in Part III of the Handbook as the accounting standards for not-for-profit organizations. The new principles are not substantially different from the current accounting policies for not-for-profit organizations. These new standards are effective for financial years beginning on or after January 1, 2012. The current standards applicable to not-for-profit organizations will remain in effect until organizations have adopted the new standards.

CANADIAN FEED THE CHILDREN  
 SCHEDULE OF EXPENDITURE  
 FOR THE YEAR ENDED DECEMBER 31

Schedule 1

PROGRAM	2010						2009 TOTAL Restated
	RESTRICTED			UNRESTRICTED			
	BUILDING	PROGRAM ENHANCEMENT	WORKING CAPITAL	INVESTED IN CAPITAL ASSETS	GENERAL	TOTAL	
Medicines/Gifts-in-kind	\$ -	\$ -	\$ -	\$ -	\$ 9,164,112	\$ 9,164,112	\$ 11,884,245
Relief and development	-	-	-	-	2,928,688	2,928,688	2,832,821
Salaries and benefits	-	-	-	-	755,886	755,886	852,800
Education and public engagement	-	-	-	-	115,805	115,805	127,065
Amortization	-	-	-	2,380	-	2,380	2,851
	\$ -	\$ -	\$ -	\$ 2,380	\$ 12,964,491	\$ 12,966,871	\$ 15,699,782
<b>FUNDRAISING</b>							
Sponsorship and monthly program	\$ -	\$ -	\$ -	\$ -	\$ 315,961	\$ 315,961	\$ 459,250
Direct mail	-	-	-	-	258,495	258,495	467,127
Major gifts, foundation, gift catalogue and corporation	-	-	-	-	136,203	136,203	67,194
Events, television and other activities	-	-	-	-	70,513	70,513	23,361
Telemarketing	-	-	-	-	612,291	612,291	883,279
Salaries and benefits	-	-	-	-	302,099	302,099	240,310
Database system management and processing fees	-	-	-	-	166,599	166,599	184,141
Office expenses and miscellaneous	-	-	-	-	116,915	116,915	101,363
	\$ -	\$ -	\$ -	\$ -	\$ 1,979,076	\$ 1,979,076	\$ 2,426,025
<b>ADMINISTRATIVE</b>							
Salaries, benefits and consulting	\$ -	\$ -	\$ -	\$ -	\$ 511,388	\$ 511,388	\$ 575,488
Professional fees	-	-	-	-	19,586	19,586	14,679
Automotive and travel	-	-	-	-	1,424	1,424	2,117
Bank charges and interest	-	-	-	-	24,580	24,580	23,767
Rental, repairs and maintenance	-	-	-	-	37,819	37,819	37,297
Insurance	-	-	-	-	28,088	28,088	32,131
Postage and courier	-	-	-	-	15,622	15,622	1,866
Telephone and fax	-	-	-	-	9,263	9,263	10,171
Office equipment rental	-	-	-	-	18,813	18,813	17,051
Office equipment purchase	-	-	-	-	3,771	3,771	5,168
Office supplies and other expenses	-	-	-	-	50,011	50,011	41,363
Utilities	-	-	-	-	19,968	19,968	19,829
Amortization	-	-	-	8,703	-	8,703	10,703
	\$ -	\$ -	\$ -	\$ 8,703	\$ 740,333	\$ 749,036	\$ 791,630