

# **Canadian Feed The Children**

Financial Statements  
**December 31, 2011**



June 12, 2012

## **Independent Auditor's Report**

### **To the Directors of 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, 2011 and the statements of revenue and expenditure, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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.

#### **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 qualified audit opinion.

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**Basis for qualified opinion**

In common with many charitable organizations, Canadian Feed The Children derives revenues from contributions and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Canadian Feed The Children. Therefore, we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenditure (expenditure over revenue) and cash flows from operations for the years ended December 31, 2011 and December 31, 2010, current assets as at December 31, 2011 and December 31, 2010, and fund balances at both the beginning and end of the December 31, 2011 and December 31, 2010 years.

**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, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Other matter**

The financial statements of Canadian Feed The Children for the year ended December 31, 2010 were audited by another auditor who expressed a qualified opinion for the completeness of contributions on those financial statements on June 13, 2011.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Canadian Feed The Children

Statement of Financial Position

As at December 31, 2011

|   | 2011                  |                       | 2010                   |            |
|---|-----------------------|-----------------------|------------------------|------------|
|   | Externally restricted | Internally restricted | Unrestricted           | Total      |
|   | CIDA \$               | Building \$           | Program Enhancement \$ | General \$ |
|   |                       |                       |                        | Total \$   |
| <b>Assets</b>                               |                       |                       |                        |            |
| <b>Current assets</b>                       |                       |                       |                        |            |
| Cash and short-term investments (note 5(b)) | 6,694                 | -                     | -                      | 491,777    |
| Accounts receivable and prepaid expenses    | -                     | -                     | -                      | 362,000    |
|   | 6,694                 | -                     | -                      | 853,777    |
| <b>Investments (note 3)</b>                 | -                     | 1,303,069             | 187,724                | -          |
| <b>Capital assets (note 4)</b>              | -                     | -                     | -                      | 44,482     |
|   | 6,694                 | 1,303,069             | 187,724                | 898,259    |
|   |                       |                       |                        | 2,395,746  |
|   |                       |                       |                        | 2,545,353  |
| <b>Liabilities</b>                          |                       |                       |                        |            |
| <b>Current liabilities</b>                  |                       |                       |                        |            |
| Accounts payable and accrued liabilities    | -                     | -                     | -                      | 333,012    |
|   |                       |                       |                        | 333,012    |
| <b>Fund Balances</b>                        |                       |                       |                        |            |
| Externally restricted                       | 6,694                 | -                     | -                      | -          |
| CIDA  | -                     | -                     | -                      | 6,694      |
| Internally restricted                       | -                     | 1,303,069             | -                      | 1,303,069  |
| Building                                    | -                     | -                     | 187,724                | 187,724    |
| Program Enhancement                         | -                     | -                     | -                      | 183,118    |
| Working Capital                             | -                     | -                     | -                      | 400,000    |
| Unrestricted                                | -                     | -                     | -                      | -          |
| General                                     | -                     | -                     | -                      | 565,247    |
|   | 6,694                 | 1,303,069             | 187,724                | 565,247    |
|   |                       |                       |                        | 2,062,734  |
|   | 6,694                 | 1,303,069             | 187,724                | 898,259    |
|   |                       |                       |                        | 2,395,746  |
|   |                       |                       |                        | 2,545,353  |

Approved by the Board of Directors



Director



Director

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

**Canadian Feed The Children**  
 Statement of Changes in Fund Balances  
 For the year ended December 31, 2011

|  | 2011                  |             |                        |                       |              | 2010      |
|--|-----------------------|-------------|------------------------|-----------------------|--------------|-----------|
|  | Externally restricted | Building \$ | Program Enhancement \$ | Internally restricted | Unrestricted | Total \$  |
| <b>Fund balances - Beginning of year</b>                                   | CIDA \$               | 1,251,354   | 183,118                | 400,000               | 399,395      | 1,909,894 |
| Excess of revenue over expenditure (expenditure over revenue) for the year | 6,694                 | 53,176      | 4,818                  | -                     | (235,821)    | 323,973   |
| Interfund transfers (note 7)   | -                     | (1,461)     | (212)                  | (400,000)             | 401,673      | -         |
| <b>Fund balances - End of year</b>   | 6,694                 | 1,303,069   | 187,724                | -                     | 565,247      | 2,233,867 |

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

# Canadian Feed The Children

## Statement of Revenue and Expenditure

For the year ended December 31, 2011

|   | 2011                  |                       |                        | 2010                  |                       |              |
|---|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|--------------|
|   | Externally restricted | Internally restricted | Unrestricted           | Externally restricted | Internally restricted | Unrestricted |
|   | CIDA \$               | Building \$           | Program Enhancement \$ | General \$            | Total \$              | Total \$     |
| <b>Revenue</b>  |                       |                       |                        |                       |                       |              |
| Contributions and events  | -                     | -                     | -                      | 6,196,748             | 6,196,748             | 6,820,519    |
| Medicines/gifts-in-kind   | -                     | -                     | -                      | 8,319,880             | 8,319,880             | 9,164,112    |
| Grants  | 350,756               | -                     | -                      | -                     | 350,756               | -            |
| Investment income   | -                     | 53,176                | 4,818                  | 4,789                 | 62,783                | 29,119       |
| Other income  | -                     | -                     | -                      | 38,080                | 38,080                | 5,206        |
|   | 350,756               | 53,176                | 4,818                  | 14,559,497            | 14,968,247            | 16,018,956   |
| <b>Expenditure</b>  |                       |                       |                        |                       |                       |              |
| Programs  | 344,062               | -                     | -                      | 12,002,217            | 12,346,279            | 12,966,871   |
| Fundraising   | -                     | -                     | -                      | 1,958,171             | 1,958,171             | 1,979,076    |
| Administration  | -                     | -                     | -                      | 834,930               | 834,930               | 749,036      |
|   | 344,062               | -                     | -                      | 14,795,318            | 15,139,380            | 15,694,983   |
| <b>Excess of revenue over expenditure (expenditure over revenue) for the year</b> | 6,694                 | 53,176                | 4,818                  | (235,821)             | (171,133)             | 323,973      |

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

# Canadian Feed The Children

## Statement of Cash Flows

For the year ended December 31, 2011

|  | 2011<br>\$       | 2010<br>\$      |
|--|------------------|-----------------|
| <b>Cash provided by (used in)</b>  |                  |                 |
| <b>Operating activities</b>  |                  |                 |
| Excess of revenue over expenditure (expenditure over revenue) for the year | (171,133)        | 323,973         |
| Add: Item not involving cash   |                  |                 |
| Amortization   | 29,065           | 11,083          |
|  | <u>(142,068)</u> | <u>335,056</u>  |
| Net change in non-cash working capital balances related to operations      |                  |                 |
| Accounts receivable and prepaid expenses                                   | 29,748           | (4,744)         |
| Accounts payable and accrued liabilities                                   | 21,526           | (31,464)        |
|  | <u>(90,794)</u>  | <u>298,848</u>  |
| <b>Investing activities</b>  |                  |                 |
| Change in investments  | (56,785)         | (25,314)        |
| Purchase of capital assets   | (59,056)         | (7,283)         |
|  | <u>(115,841)</u> | <u>(32,597)</u> |
| <b>Change in cash and short-term investments during the year</b>           | (206,635)        | 266,251         |
| <b>Cash and short-term investments - Beginning of year</b>                 | 705,106          | 438,855         |
| <b>Cash and short-term investments - End of year</b>                       | <u>498,471</u>   | <u>705,106</u>  |

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

# Canadian Feed The Children

Notes to Financial Statements

December 31, 2011

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## 1 Purpose and nature of the organization

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

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

The organization's 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 designated as a charitable organization under the Income Tax Act (Canada) and is exempt from income tax under paragraph 149(1)(f).

## 2 Summary of significant accounting policies

### Basis of presentation

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

### Revenue recognition

Contributions and grants 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.

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.

Investment income is recognized as revenue in the appropriate fund in the year it is earned.



# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2011

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### Description of funds

- CIDA Fund

The CIDA Fund records transactions related to projects specifically approved for funding by the Canadian International Development Agency (CIDA), an agency of the Government of Canada.

- Building Fund

The Building Fund was established by the Board of Directors of CFTC in 2004. 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.

- Program Enhancement Fund

The Program Enhancement Fund was established by the Board of Directors of CFTC in 2004. 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.

- Working Capital Fund

In 2005, CFTC's Board of Directors determined the organization should maintain a cash balance equivalent to approximately three months of operating expenses - estimated as \$400,000. This reserve is to be available to manage short-term working capital requirements as timing of receipt of donations does not always match the timing of expenses. When excess funds are available, these funds may be invested in low risk, highly liquid assets. As at December 31, 2011, the Board determined it was advisable to transfer these funds to the general fund to support near term operations.

- General Fund

The General Fund accounts for CFTC's program delivery, development and administrative activities. It also records transactions related to CFTC's capital assets, specifically acquisitions, amortization and disposals. 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 that mature in less than one year. Short-term investments are stated at fair value.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2011

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### Investments

Investments are managed by a third party investment manager reporting directly to the Finance and Audit Committee established by the Board of Directors. The investments are a mix of government and corporate bonds. 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. Principal and 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

The organization's financial instruments included in the statement of financial position are comprised of cash and short-term investments (classified as held-for-trading), accounts receivable (classified as loans and receivables), investments (classified as held-for-trading) and accounts payable and accrued liabilities (classified as other liabilities).

### Capital assets

Capital assets are presented at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

|                         |         |
|-------------------------|---------|
| Vehicle                 | 3 years |
| Computer equipment      | 3 years |
| Furniture and equipment | 5 years |

### Allocation of expenses

CFTC engages in providing international and Canadian program services that include Nutrition, Education, Health and Livelihood.

Expenses are classified and reported as programs, fundraising and administration based on the level of benefit received by each function.

For employees who perform a combination of program, fundraising and administrative activities, their salaries, benefits and all other payroll related costs are allocated based on the percentage of time dedicated to the activity.

Premises costs are then allocated based on the percentage of the staff salaries allocated to each function.

Other shared costs such as information technology, insurance and equipment rental are substantially allocated based on headcount.

CFTC also classifies its communications, education and marketing costs the same way based on the extent of time and content applicable to program, fundraising and administrative effort.

# Canadian Feed The Children

Notes to Financial Statements

December 31, 2011

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Such allocations are reviewed annually, updated and applied on a prospective basis.

Allocations are detailed in note 6.

## **Government assistance**

From time to time CFTC receives grants from 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 currency transactions**

Transactions denominated in foreign currencies are translated as follows:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using year-end exchange rates. Revenue and expenses are translated throughout the year at the prevailing exchange rate on the date of the transaction. Exchange gains and losses are recorded in the statement of revenue and expenditure.

## **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.

## **Use of estimates**

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 and the disclosure of contingent 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.

## **3 Investments**

Investments consist of investments in government and corporate bonds. The investments have various maturity dates and coupon rates range from 1.75% to 6.38%. During the year, interest income earned was \$62,783 (2010 - \$29,119).

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2011

### 4 Capital assets

Capital assets are comprised as follows:

|                         | 2011           |                                   |               |
|-------------------------|----------------|-----------------------------------|---------------|
|                         | Cost<br>\$     | Accumulated<br>amortization<br>\$ | Net<br>\$     |
| Vehicle                 | 31,865         | 10,622                            | 21,243        |
| Computer equipment      | 50,181         | 30,779                            | 19,402        |
| Furniture and equipment | 36,915         | 33,078                            | 3,837         |
|                         | <u>118,961</u> | <u>74,479</u>                     | <u>44,482</u> |
|                         | 2010           |                                   |               |
|                         | Cost<br>\$     | Accumulated<br>amortization<br>\$ | Net<br>\$     |
| Computer equipment      | 21,897         | 18,525                            | 3,372         |
| Furniture and equipment | 39,648         | 28,529                            | 11,119        |
|                         | <u>61,545</u>  | <u>47,054</u>                     | <u>14,491</u> |

### 5 Commitments

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

|                     | \$             |
|---------------------|----------------|
| 2012                | 159,500        |
| 2013                | 69,400         |
| 2014                | 23,300         |
| 2015                | 17,900         |
| 2016 and thereafter | <u>8,050</u>   |
|                     | <u>278,150</u> |

- b) CFTC has access to a revolving line of credit with CIBC in the amount of \$300,000. It bears interest at prime plus 1.5%. As at December 31, 2011, \$nil (2010 - \$nil) of this line was utilized. All assets of CFTC are pledged as security, except for assets held within the Building and Program Enhancement funds.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2011

### 6 Allocation of expenses

As described in note 2, marketing, education, communication, development, donor relations and administration costs have been allocated as follows:

|   |                |                   |                      | 2011        |
|---|----------------|-------------------|----------------------|-------------|
|   | Programs<br>\$ | Fundraising<br>\$ | Administration<br>\$ | Total<br>\$ |
| Marketing, education,<br>communication and<br>development | 61,188         | 1,547,758         | 16,983               | 1,625,929   |
| Donor relations and<br>administration                     | 477,831        | 410,412           | 817,947              | 1,706,190   |
|   | 539,019        | 1,958,170         | 834,930              | 3,332,119   |

  

|   |                |                   |                      | 2010        |
|---|----------------|-------------------|----------------------|-------------|
|   | Programs<br>\$ | Fundraising<br>\$ | Administration<br>\$ | Total<br>\$ |
| Marketing, education,<br>communication and<br>development | 105,133        | 1,676,977         | -                    | 1,782,110   |
| Donor relations and<br>administration                     | 613,837        | 302,098           | 749,036              | 1,664,971   |
|   | 718,970        | 1,979,075         | 749,036              | 3,447,081   |

### 7 Interfund transfers

During the year, amounts that had previously been subject to internal restrictions were transferred to the unrestricted fund. This transfer was approved by the Board of Directors.

### 8 Capital management

The organization defines its capital as the amounts included in its fund balances.

The organization's objective when managing its capital is to safeguard the organization's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services for children in developing countries.

In managing capital, the organization focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating in the event of adverse circumstances with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at December 31, 2011, the organization has met its objective of having sufficient liquid resources to meet its current obligations.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2011

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### 9 Financial instruments

The carrying values of the organization's cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term maturities.

Investments are carried at fair value, with the changes in fair value recorded in the statement of revenue and expenditure. Fair value is determined by reference to bid prices in active markets.

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

### 10 Comparative figures

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

### 11 Future accounting changes

The Accounting Standards Board has approved the incorporation of the standards set out in Part III of The Canadian Institute of Chartered Accountants Handbook as the Accounting Standards for Not-for-Profit Organizations. These new standards are effective for fiscal 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.