

Canadian Feed The Children

Financial Statements
**December 31, 2012 and
December 31, 2011**



June 11, 2013

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 statements of financial position as at December 31, 2012 and December 31, 2011 and the statements of revenue and expenditure, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership



Basis for qualified opinion

In common with many not-for-profit organizations, Canadian Feed The Children derives revenue from contributions and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue 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 and events, excess of revenue over expenditure (expenditure over revenue) and cash flows from operations for the years ended December 31, 2012 and December 31, 2011, current assets and fund balances as at December 31, 2012, December 31, 2011 and January 1, 2011.

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, 2012 and December 31, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes that Canadian Feed The Children adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012, with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of revenue and expenditure, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011 and related disclosures. We were not engaged to report on the statement of financial position as at January 1, 2011 and, as such, it is unaudited.

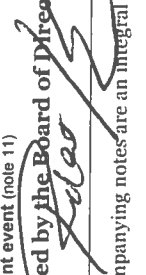
PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Canadian Feed The Children

Statements of Financial Position

	December 31, 2012		December 31, 2011		January 1, 2011	
	Unrestricted \$	Internally restricted \$	Externally restricted - CIDA \$	Total \$	Unrestricted \$	Total \$
Assets (note 5(b))						
Current assets						
Cash	956,660	179,185	-	1,135,845	528,229	679,376
Short-term investments	6,686	-	-	6,686	50,529	378,666
Accounts receivable	92,273	-	-	92,273	271,746	304,560
Prepaid expenses	55,237	-	-	55,237	90,254	87,188
	1,110,856	179,185	-	1,290,041	853,777	1,449,790
Investments (note 3)	-	1,300,716	-	1,300,716	-	1,081,072
Capital assets (note 4)	44,754	-	-	44,754	44,482	14,491
Intangible assets	31,475	-	-	31,475	-	-
	1,187,085	1,479,901	-	2,666,986	898,259	2,395,746
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities (note 9)	172,097	-	-	172,097	333,012	333,012
Deferred revenue (note 8)	36,330	-	-	36,330	-	-
	208,427	-	-	208,427	333,012	333,012
Fund Balances						
Externally restricted	-	-	-	-	-	-
CIDA	-	-	-	-	-	6,694
Building	-	1,341,056	-	1,341,056	-	1,251,354
Program Enhancement	-	138,845	-	138,845	-	183,118
Working Capital	-	-	-	-	-	400,000
Unrestricted	978,658	-	-	978,658	565,247	399,395
	978,658	1,479,901	-	2,458,559	565,247	2,062,734
Commitments (note 5)	1,187,085	1,479,901	-	2,666,986	898,259	2,395,746
Subsequent event (note 11)						
						2,545,353

Approved by the Board of Directors

 Peter Jensen, Director

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 Peter Jensen, Director

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

Canadian Feed The Children

Statements of Changes in Fund Balances

For the years ended December 31, 2012 and December 31, 2011

	2012					
	Internally restricted		Externally restricted			
	Unrestricted	Building	Program Enhancement	Working Capital	CIDA	Total
	\$	\$	\$	\$	\$	\$
Fund balances - Beginning of year	565,247	1,303,069	187,724	-	6,694	2,062,734
Excess of revenue over expenditure (expenditure over revenue) for the year	362,184	39,085	1,250	-	-	395,825
Interfund transfers (note 7)	51,227	(1,098)	(50,129)	-	(6,694)	-
Fund balances - End of year	978,658	1,341,056	138,845	-	-	2,458,559
	2011					
	Internally restricted		Externally restricted			
	Unrestricted	Building	Program Enhancement	Working Capital	CIDA	Total
	\$	\$	\$	\$	\$	\$
Fund balances - Beginning of year (Unaudited)	399,395	1,251,354	183,118	400,000	-	2,233,867
Excess of revenue over expenditure (expenditure over revenue) for the year	(235,821)	53,176	4,818	-	6,694	(171,133)
Interfund transfers (note 7)	401,673	(1,461)	(212)	(400,000)	-	-
Fund balances - End of year	565,247	1,303,069	187,724	-	6,694	2,062,734

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

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Statements of Revenue and Expenditure

For the years ended December 31, 2012 and December 31, 2011

	2012				2011			
	Unrestricted \$	Internally restricted \$	Externally restricted - CIDA \$	Total \$	Unrestricted \$	Internally restricted \$	Externally restricted - CIDA \$	Total \$
Revenue								
Contributions and events	6,163,631	-	-	6,163,631	6,196,748	-	-	6,196,748
Medicines/gifts-in-kind	-	-	-	-	8,319,880	-	-	8,319,880
Grants	-	-	7,042	7,042	-	-	350,756	350,756
Investment income	276	54,405	-	54,681	4,789	71,860	-	76,649
Other income	10,373	-	-	10,373	38,080	-	-	38,080
	6,174,280	54,405	7,042	6,235,727	14,559,497	71,860	350,756	14,982,113
Expenditure								
Programs	3,409,480	-	13,736	3,423,216	12,002,217	-	344,062	12,346,279
Fundraising	1,703,715	-	-	1,703,715	1,958,171	-	-	1,958,171
Administration	698,901	14,070	-	712,971	834,930	13,866	-	848,796
	5,812,096	14,070	13,736	5,839,902	14,795,318	13,866	344,062	15,153,246
Excess of revenue over expenditure (expenditure over revenue) for the year	362,184	40,335	(6,694)	395,825	(235,821)	57,994	6,694	(171,133)

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

Canadian Feed The Children

Statements of Cash Flows

For the years ended December 31, 2012 and December 31, 2011

	2012 \$	2011 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditure (expenditure over revenue) for the year	395,825	(171,133)
Add (deduct): Items not involving cash		
Amortization of capital assets	33,397	29,065
Amortization of intangible assets	15,736	-
Donation of stocks	(6,686)	-
	<u>438,272</u>	<u>(142,068)</u>
Net change in non-cash working capital balances related to operations		
Accounts receivable	179,473	32,814
Prepaid expenses	35,017	(3,066)
Accounts payable and accrued liabilities	(160,915)	21,526
Deferred revenue	36,330	-
	<u>528,177</u>	<u>(90,794)</u>
Investing activities		
Disposal of holdings of investments	598,951	1,032,051
Purchase of investments	(438,632)	(1,033,348)
Purchase of intangible assets	(47,211)	-
Purchase of capital assets	(33,669)	(59,056)
	<u>79,439</u>	<u>(60,353)</u>
Change in cash during the year	607,616	(151,147)
Cash - Beginning of year	528,229	679,376
Cash - End of year	<u>1,135,845</u>	<u>528,229</u>

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

Canadian Feed The Children

Notes to Financial Statements

December 31, 2012 and December 31, 2011

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

Effective January 1, 2012, the organization elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

On transition to ASNPO, CFTC elected to measure its investments in quoted debt securities at fair value at each reporting date, with changes in fair value recognized in the statements of revenue and expenditure. There was no impact to the excess of revenue over expenditure (expenditure over revenue) for the years as a result of this election.

The transition from Canadian generally accepted accounting principles to ASNPO had no impact on cash flows generated by the organization.

Revenue recognition

CFTC follows the restricted fund method of reporting revenues.

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. Restricted contributions and grants for which an appropriate fund does not exist will be initially deferred and then recognized as revenue in the year in which the related expenses are incurred.

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Notes to Financial Statements

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Medicines, as gifts-in-kind, are recorded in the financial statements at their 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.

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 of Directors.

- 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 the 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.

- Unrestricted Fund

The Unrestricted 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.

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Notes to Financial Statements

December 31, 2012 and December 31, 2011

Cash

Cash represents cash on hand and cash in the bank.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments and investments in quoted debt securities are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized on a straight-line basis.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the organization determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statements of revenue and expenditure.

It is management's opinion that CFTC is not exposed to significant credit risk and foreign currency risk.

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 of Director's discretion. Investments maturing within one year from the statements of financial position dates are reflected as short-term investments.

Capital assets

Capital assets are presented at cost less accumulated amortization. Amortization is provided 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

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Notes to Financial Statements

December 31, 2012 and December 31, 2011

Intangible assets

Intangible assets, acquired individually or as part of a group of other assets are initially recognized and measured at cost. CFTC's intangible assets consist of computer software, which is amortized on a straight-line basis over the three years from the date of acquisition. The estimated useful life of intangible assets is reviewed annually.

Deferred revenue

Deferred revenue includes funds received for specific uses for which the related expenditures have not been incurred.

Allocation of expenses

CFTC engages in providing international and Canadian program services that include Food Security, Education and Capacity Building.

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 staff salaries allocated to each function.

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

CFTC 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.

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

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 statements of revenue and expenditure.

Canadian Feed The Children

Notes to Financial Statements

December 31, 2012 and December 31, 2011

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 ASNPO 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 that range from 0.75% to 7.13%. During the year, investment income earned was \$54,681 (2011 - \$76,649). There were no impairments in fiscal years 2012 or 2011.

4 Capital assets

Capital assets are comprised as follows:

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Vehicles	65,534	32,466	33,068
Computer equipment	50,181	40,754	9,427
Furniture and equipment	36,915	34,656	2,259
	<u>152,630</u>	<u>107,876</u>	<u>44,754</u>
	2011		
	Cost \$	Accumulated amortization \$	Net \$
Vehicles	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>

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Notes to Financial Statements

December 31, 2012 and December 31, 2011

5 Commitments

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

	\$
2013	187,683
2014	113,029
2015	63,032
2016	10,223
2017	6,522
	<u>380,489</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, 2012, \$nil (2011 - \$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.

6 Allocation of expenses

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

	<u>2012</u>			
	Programs \$	Fundraising \$	Administration \$	Total \$
Marketing, education, communication and development	83,156	1,134,523	18,097	1,235,776
Donor relations and administration	391,543	569,192	694,874	1,655,609
	<u>474,699</u>	<u>1,703,715</u>	<u>712,971</u>	<u>2,891,385</u>
	<u>2011</u>			
	Programs \$	Fundraising \$	Administration \$	Total \$
Marketing, education, communication and development	61,188	1,547,758	16,983	1,625,929
Donor relations and administration	477,831	410,412	831,813	1,720,056
	<u>539,019</u>	<u>1,958,170</u>	<u>848,796</u>	<u>3,345,985</u>

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Notes to Financial Statements

December 31, 2012 and December 31, 2011

7 Interfund transfers

During 2012 and 2011, amounts that had previously been subject to internal restrictions were transferred to the unrestricted fund. These transfers were approved by the Board of Directors.

8 Deferred revenue

	\$
Balance - Beginning of year	-
Additional contributions received	45,000
Amounts recognized as revenue	<u>(8,670)</u>
Balance - End of year	<u>36,330</u>

Deferred revenue was \$nil as at December 31, 2011.

9 Government remittances

No amounts were outstanding with respect to government remittances as at December 31, 2012 and December 31, 2011.

10 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments held by CFTC. The organization manages this risk by investing in highly rated and widely traded bonds and through diversification of its investment portfolio. This risk has not changed significantly from prior years.

11 Subsequent event

In March 2013, the Board of Directors amalgamated the internally restricted funds (Building Fund, Program Enhancement Fund and Working Capital Fund) into a single Reserve Fund to better reflect the intended purpose of the funds. This change will not have a material effect on the nature or value of the assets held in the internally restricted funds.