

Financial Statements of

**CHILDREN BELIEVE**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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## INDEPENDENT AUDITORS' REPORT

To the Members of Children Believe

### ***Opinion***

We have audited the financial statements of Children Believe (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 13, 2022

# CHILDREN BELIEVE

Statement of Financial Position  
(In thousands of dollars)

March 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 5,234	\$ 3,162
Accounts receivable	394	1,021
Prepaid expenses and other	133	249
Investments (note 3)	7,282	—
	<u>13,043</u>	<u>4,432</u>
Investments (note 3)	—	6,786
Capital assets (note 4)	3,800	3,949
Intangible assets (note 5)	574	664
	<u>\$ 17,417</u>	<u>\$ 15,831</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,470	\$ 2,461
Deferred contributions (note 6)	3,938	3,870
	<u>7,408</u>	<u>6,331</u>
Deferred contributions (note 6)	145	145
	<u>7,553</u>	<u>6,476</u>
Net assets:		
Unrestricted	5,490	4,742
Invested in capital assets	4,374	4,613
	<u>9,864</u>	<u>9,355</u>
Commitments (note 8)		
	<u>\$ 17,417</u>	<u>\$ 15,831</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

# CHILDREN BELIEVE

Statement of Operations  
(In thousands of dollars)

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
<b>Revenue:</b>		
Sponsorship support for children, families and communities	\$ 15,277	\$ 15,928
Gifts in kind	2,504	3,161
Special gifts for children	2,526	2,245
Contributions from Global Affairs Canada	2,714	5,154
General contributions	968	890
Special project appeals	1,689	1,952
Grants	2,328	3,047
Bequests	977	1,249
Investment	(1)	840
Government assistance (note 13)	416	1,018
	<u>29,398</u>	<u>35,484</u>
<b>Expenditures:</b>		
Program services:		
Education	12,450	12,104
Health and nutrition	5,730	8,760
Strengthening community organizations	2,464	2,904
Emergency response	214	1,703
Sustainable economic development	906	699
Water, sanitation and hygiene	396	198
	<u>22,160</u>	<u>26,368</u>
Supporting costs:		
Fundraising (note 11)	3,706	4,289
Administration (note 12)	3,023	2,991
	<u>6,729</u>	<u>7,280</u>
	<u>28,889</u>	<u>33,648</u>
<b>Excess of revenue over expenditures</b>	<b>\$ 509</b>	<b>\$ 1,836</b>

See accompanying notes to financial statements.

# CHILDREN BELIEVE

Statement of Changes in Net Assets  
(In thousands of dollars)

Year ended March 31, 2022, with comparative information for 2021

			2022	2021
	Unrestricted	Invested in capital assets	Total	Total
Net assets, beginning of year	\$ 4,742	\$ 4,613	\$ 9,355	\$ 7,519
Excess (deficiency) of revenue over expenditures	1,061	(552)	509	1,836
Purchase of capital assets, net of disposals	(313)	313	—	—
<b>Net assets, end of year</b>	<b>\$ 5,490</b>	<b>\$ 4,374</b>	<b>\$ 9,864</b>	<b>\$ 9,355</b>

See accompanying notes to financial statements.

# CHILDREN BELIEVE

Statement of Cash Flows  
(In thousands of dollars)

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 509	\$ 1,836
Items not involving cash:		
Gits in kind	2,504	3,161
Support and contributions to affiliated programs	(2,504)	(3,161)
Amortization of capital and intangible assets	552	596
Capital asset write-off	6	—
Change in fair value of investments	(295)	(831)
Change in non-cash operating working capital:		
Accounts receivable	627	(492)
Prepaid expenses and other	116	(47)
Accounts payable and accrued liabilities	1,009	(1,523)
Deferred contributions, net	68	461
	<u>2,592</u>	<u>—</u>
Financing activities:		
Payment of obligations - mortgage	—	(201)
Investing activities:		
Purchase of investments, net	(201)	(121)
Purchase of capital assets and intangible assets	(319)	(498)
	<u>(520)</u>	<u>(619)</u>
Increase (decrease) in cash	2,072	(820)
Cash, beginning of year	3,162	3,982
Cash, end of year	<u>\$ 5,234</u>	<u>\$ 3,162</u>

See accompanying notes to financial statements.

# CHILDREN BELIEVE

Notes to Financial Statements  
(In thousands of dollars)

Year ended March 31, 2022

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## 1. Purpose of organization:

Children Believe (the "Organization") is an international development, relief, and advocacy organization incorporated under the laws of the province of Ontario as a not-for-profit organization. The Organization is registered with the Canada Revenue Agency as a charitable organization (registration number 10691 8543 RR0001) and, accordingly is exempt from income taxes, provided requirements under the Income Tax Act (Canada) for charitable organizations are met.

Children Believe is a member of ChildFund Alliance, which is a global alliance of 12 child focused organizations working collaboratively in more than 50 countries around the world.

Children Believe creates a future of hope for children, families, and communities by helping them develop the skills and resources to overcome poverty and injustice. Children Believe supports children around the world to overcome barriers, and to access education so they are able to dream fearlessly and be a voice for change. We're helping children access healthcare, clean water and education, so they can thrive at home and at school. We partner with children to help them know their rights, so they can get involved and be active, engaged citizens to effect change and be better protected. Children Believe works with girls and boys to ensure they enjoy equal opportunities.

For over 60 years, Children Believe has followed the example of Christ by serving the most vulnerable people in the communities in which we work, especially children. Children Believe serves all people regardless of age, religion, ethnicity or gender without prejudice.

Children Believe gathers support from individuals, organizations and governments, both in Canada and internationally.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, Part III of the Chartered Professionals Accountants of Canada Handbook, and includes the financial information for all country offices in which Children Believe operates.

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### (a) Revenue recognition:

The Organization follows the deferral method of accounting for all contributions. Revenue which contain restrictions as to its use are deferred until the restrictions are fulfilled. All other revenue is recognized upon receipt.

Gifts-in-kind ("GIK") are valued at their estimated fair market value. The recognition of donated goods is limited to donations where Children Believe takes possession or constructive value.

Investment income is recorded on an accrual basis and includes interest income, dividends, realized gains (losses) on sale of investments and changes in unrealized gains (losses) on investments.

Children Believe applies for financial assistance under available government incentive programs and is included in the determination of excess of revenues over expenditures for the year.

### (b) Allocation of expenditures:

Children Believe engages in the following program services: health and nutrition, education, strengthening community organizations, sustainable economic development, water, sanitation and hygiene, and emergency response. Program services expenditures, initially recorded by the appropriate expenditures classification, are reclassified to the program service categories based on information provided by end-users. The costs of each program include the costs of personnel, premises and other expenditures directly related to providing the program services.

In addition, Children Believe allocates certain of the fundraising and administration expenditures that benefits individual program services on the following bases:

#### (i) Fundraising:

Expenditures relating to the semi-annual publication, ChildVoice, are allocated to program services based on the total costs times the percentage of content relating to each of the individual program service categories.

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### (ii) Administration:

Personnel costs are allocated to program services based on the percentage of the relevant employees' time involved in supporting program services.

Premises costs are allocated to program services based on the head count of program services over the total head count of Children Believe.

Other shared costs including information technology, human resources management, insurance, and equipment rental are allocated to program services based on head count and other bases deemed to be appropriate.

### (c) Capital and intangible assets:

Capital assets are recorded at cost, less accumulated amortization. Maintenance and repair costs that do not significantly extend or improve the useful lives of the respective assets are expensed when incurred.

### (d) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rates prevailing at the year-end date. Gains and losses arising from these translation policies are included in the statement of operations.

Revenue and expenditures have been translated using exchange rates prevailing on the transaction date.

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

Capital assets are amortized using the straight-line method over the following periods:

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Canada office:	
Building	50 years
Leasehold improvements	Term of lease
Computer equipment	5 to 10 years
Office equipment and furniture	5 to 10 years
Equipment under capital leases	Term of lease
International field offices:	
Computer and field program vehicles	3 to 5 years

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Intangible assets are amortized using the straight-line method over the following periods:

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Software development	5 years
Website development	5 years
Children Believe trademark	10 years

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Children Believe reviews the carrying amounts of its capital assets and intangible assets regularly. Where the capital assets or intangible assets no longer have any long-term service potential to Children Believe, the excess of the net carrying amount over any residual value is recognized as an expenditure in the statement of operations.

### (e) Net assets:

#### (i) Unrestricted:

The balance of unrestricted funds represents the accumulated excess of unrestricted contributions over related expenditures, less the amount invested in capital assets.

#### (ii) Invested in capital assets:

Net assets invested in capital assets represent the amount of previously unrestricted net assets allocated to investments in capital assets.

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### (f) Financial instruments:

Children Believe initially measures all of its financial assets and financial liabilities at fair value and subsequently at amortized cost, except for investments and foreign exchange forward contracts that are subsequently recorded at fair value. Change in fair value of investments consists of net realized and unrealized gains and losses and is recognized in the statement of operations. Financial assets are tested for impairment at the end of each reporting year when there are indicators the assets may be impaired.

Investments consist of a portfolio of money market, bond and equity investments managed by Children Believe. The fair value of securities traded in an active market is the closing price.

Transaction costs are recorded on a settlement date basis and are expensed as incurred.

### (g) Leases:

Leases are classified as either capital or operating. Those leases that transfer substantially all the benefits and risks of ownership of property to Children Believe are accounted for as capital leases. Assets under capital lease are amortized over the useful lives of the assets. All other leases are accounted for as operating, with rental payments expensed on a straight-line basis over the term of the lease.

### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

### 3. Investments:

The fair values of investments as at March 31 are as follows:

	2022	2021
Money market	\$ 121	\$ 166
Bonds	4,275	3,756
Canadian equities	1,751	1,761
Foreign equities	1,135	1,103
	<u>\$ 7,282</u>	<u>\$ 6,786</u>

In fiscal 2022, management and the board of directors have reclassified investments for working capital purposes.

### 4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,093	\$ –	\$ 1,093	\$ 1,093
Building	3,723	1,261	2,462	2,551
Computer equipment	331	232	99	109
Office equipment and furniture	256	156	100	107
Field program vehicles	655	609	46	89
	<u>\$ 6,058</u>	<u>\$ 2,258</u>	<u>\$ 3,800</u>	<u>\$ 3,949</u>

### 5. Intangible assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Software development	\$ 1,380	\$ 1,098	\$ 282	\$ 308
Website development	547	354	193	281
Children Believe trademark	114	15	99	75
	<u>\$ 2,041</u>	<u>\$ 1,467</u>	<u>\$ 574</u>	<u>\$ 664</u>

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

## 6. Deferred contributions:

Deferred contributions include unspent sponsorship funds and restricted contributions, including special gifts for children, specific project appeals, designated bequests and grants, as set out below:

	2022	2021
Balance, beginning of year	\$ 4,015	\$ 3,554
Amounts received	11,148	15,472
Amounts recognized as revenue	(11,080)	(15,011)
Balance, end of year	4,083	4,015
Less long-term portion	145	145
	\$ 3,938	\$ 3,870

## 7. Bank credit facility:

Children Believe has the following credit facilities:

- overdraft facility of up to \$1,000 with interest on any borrowing calculated at the prime bank lending rate;
- credit card facility of \$250;
- forward exchange contract facility with contract terms up to one year; and
- a demand loan that bears interest at the bank's prime lending rate, secured by a collateral mortgage on the head office property and a general security agreement. Children Believe has the option to repay in full at any time without penalty.

As of March 31, 2022, the outstanding balance is nil (2021 - nil).

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 8. Commitments:

The minimum annual rental payments for premises and equipment under operating leases are as follows:

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2023	\$ 156
2024	57
2025	23

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## 9. Risk management:

### (a) Credit risk:

Credit risk arises from one party to a financial instrument causing a financial loss for the other party by failing to discharge an obligation. Children Believe is exposed to credit risk on accounts receivable. Children Believe's credit risk is considered to be low as accounts receivable are primarily HST recoveries receivable from the government and accrued interest on investments. There has been no change to the risk exposures from 2021.

### (b) Liquidity risk:

Liquidity risk is the risk an organization will encounter difficulty in meeting obligations associated with financial liabilities. Children Believe has low liquidity risk given the makeup of its accounts payable and accrued liabilities. Children Believe manages its cash flows regularly to ensure reasonably prompt liquidation of its obligations.

Children Believe's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. Under the unusual situation in the current year related to COVID-19, management took actions to minimize the liquidity risk by cutting unnecessary spending.

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 9. Risk management (continued):

### (c) Market risk:

Children Believe's market risk comprises foreign currency risk and other price risk:

- Foreign currency risk:

Children Believe's cash flows involve Canadian funds received from Canadian donors that are sent to Children Believe's countries of operation where foreign currencies are then used to complete program activities. Foreign currency risk arises as a result of changes in foreign exchange rates. Children Believe's foreign exchange risk is considered to be low and there has been no change to the risk exposure from 2021. In the current year, foreign exchange loss was \$390 (2021 - loss of \$80).

- Other price risk:

Other price risk refers to the risk the fair value of financial assets and liabilities, or future cash flows associated with the instruments, will fluctuate because of changes in market prices (other than those arising from interest rate risk). Children Believe is exposed to other price risk through its investments. There has been no change to the risk exposures from 2021.

## 10. Investment income:

Investment income is comprised of the following:

	2022	2021
Investment income	\$ 95	\$ 89
Foreign exchange loss	(391)	(80)
Unrealized gains on investments	295	831
	<u>\$ (1)</u>	<u>\$ 840</u>

# CHILDREN BELIEVE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended March 31, 2022

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## 11. Alberta fundraising expenditures:

During the year, Children Believe incurred \$43 (2021 - \$42) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and nil (2021 - nil) in direct expenditures for the purposes of soliciting contributions in the Province of Alberta. This disclosure is required to comply with the Charitable Fund-raising Regulation Section 7(2) of the Government of Alberta.

## 12. Allocation of expenditures:

As described in note 2(b), certain expenditures are allocated from administration to program service.

Administration expenditures are stated after the allocation of the following amounts:

	2022	2021
Program services:		
Health and nutrition	\$ 162	\$ 273
Education	663	610
Strengthening community organizations	130	144
Sustainable economic development	48	35
Water and sanitation	21	10
Emergency response	11	85
	<hr/>	<hr/>
	\$ 1,035	\$ 1,157

## 13. Government assistance:

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy and Temporary Wage Subsidy to assist organizations who had lost a certain percentage of their eligible revenue. During the year ended March 31, 2022, Children Believe filed eligible claims totalling \$416 (2021 - \$1,018) which have been recognized as government subsidies on the statement of operations. As at March 31, 2022, nil (2021 - \$500) is included in accounts receivable.

## 14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.