



Financial Statements

War Child Canada

December 31, 2020

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# Independent Auditor's Report

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To the Members of  
**War Child Canada**

## Qualified Opinion

We have audited the financial statements of War Child Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of War Child Canada as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 qualified opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Organization incurred an excess of revenue over expenses from operations of \$1,022,377 during the year ended December 31, 2020 and, as of that date, its current liabilities exceeded its current assets by \$946,373. As stated in Note 3, these events and conditions, along with other matters as described in Note 3, indicate that a

material uncertainty exists that may cast significant doubt on the Organization's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Matter - Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule of International Programme Expenses is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's 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 auditor's 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 these 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.
- 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 Organization'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 Organization's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

Toronto, Canada  
June 2, 2021

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants  
Licensed Public Accountants

# War Child Canada

## Statement of Financial Position

December 31

2020

2019

### Assets

#### Current assets

Cash	\$ 3,149,488	\$ 633,929
Investments (Note 5)	1,382,872	537,780
Accounts and donor receivables (Note 6)	1,083,265	1,389,029
Prepaid expenses and deposits	<u>111,431</u>	<u>100,449</u>
	<b>5,727,056</b>	<b>2,661,187</b>

#### Intangible assets (Note 7)

128,468

79,191

#### Capital assets (Note 8)

56,616

144,824

**\$ 5,912,140**

**\$ 2,885,202**

### Liabilities

#### Current liabilities

Accounts payable and accrued liabilities	\$ 1,185,812	\$ 1,262,072
Deferred contributions (Note 9)	5,487,617	3,376,260
Lease inducements	<u>-</u>	<u>30,536</u>
	<b>6,673,429</b>	<b>4,668,868</b>

### Net assets

#### Unrestricted

(761,289)

(1,783,666)

**\$ 5,912,140**

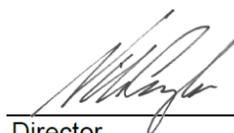
**\$ 2,885,202**

Guarantees and commitments (Notes 10 and 11)

Approved on behalf of the Board



Director



Director

See accompanying notes to the financial statements.

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## War Child Canada

### Statement of Operations and Changes in Net Assets

Year ended December 31

2020

2019

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#### Revenue

Grants	\$ 15,331,346	\$ 14,877,012
Foundation donations	1,042,204	889,206
Individual donations	1,915,162	1,315,163
Canadian Emergency Wage Subsidy	545,839	-
Special events	265,468	235,252
Corporate donations	188,965	66,050
Other	52,961	94,013
Donations-in-kind	<u>379,476</u>	<u>423,104</u>

19,721,421

17,899,800

#### Expenses

Program		
International programmes (Schedule 1)	16,015,353	15,893,950
Programme support	514,509	999,471
Operations		
General administration	881,125	726,485
Fundraising	849,143	811,296
Donations-in-kind	<u>379,476</u>	<u>423,104</u>

18,639,606

18,854,306

Excess (deficiency) of revenue over expenses

before the undernoted	1,081,815	(954,506)
Less: Amortization	<u>(59,438)</u>	<u>(32,578)</u>

Excess (deficiency) of revenue over expenses for the year

1,022,377 (987,084)

Deficit, beginning of year

(1,783,666) (796,582)

**Deficit, end of year**

**\$ (761,289) \$ (1,783,666)**

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## War Child Canada

### Statement of Cash Flows

Year ended December 31

2020

2019

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Increase (decrease) in cash

#### Operating activities

Cash receipts from operating revenue	\$ 21,759,067	\$ 17,661,825
Cash paid to suppliers and employees	<u>(18,427,186)</u>	<u>(17,999,203)</u>

	<u>3,331,881</u>	<u>(337,378)</u>
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#### Investing activity

(Increase) Decrease in investments	(845,092)	473,865
Disposals(purchases) of capital assets	<u>28,770</u>	<u>(6,436)</u>

	<u>(816,322)</u>	<u>467,429</u>
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Increase in cash during the year

	2,515,559	130,051
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Cash position, beginning of year

	<u>633,929</u>	<u>503,878</u>
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Cash position, end of year

	<u>\$ 3,149,488</u>	<u>\$ 633,929</u>
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See accompanying notes to the financial statements.

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# War Child Canada

## Notes to the Financial Statements

December 31, 2020

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### 1. Purpose of organization

War Child Canada (the "Organization") was incorporated without shared capital under the Canada Corporations Act on February 2, 1999, and was continued under the Canada Not-For-Profit Corporations Act on April 4, 2013. The Organization is registered as a charitable organization under the Income Tax Act (Canada).

The Organization was established for the purpose of bringing relief to persons anywhere in the world who are suffering hardship, sickness or distress as a result of war and, in particular, to bring such relief to children who are suffering. The Organization's additional objective is to advance education of the public on the effects of war, and especially the effects of war on children.

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### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) *Revenue recognition*

The Organization follows the deferral method of recording contributions.

Donations and pledges which are unrestricted are recorded in the financial statements as revenue when received. Donations and grants designated for specified programs and events are recognized as revenue in the year in which the related expenses are incurred.

Other income is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) *Government assistance*

The Organization recognized government assistance toward current expenses in the statement of operations and changes in net assets. When government assistance relates to future expenses, the Organization defers the assistance and recognizes it in the statement of operations as the related expenses are incurred.

(c) *Financial instruments*

Financial instruments consist of cash, investments, accounts and donor receivables, and accounts payable.

*Measurement*

Financial instruments are recorded at fair value on initial recognition. The Organization subsequently measures its financial instruments at amortized cost, except for investment in equity instruments that are quoted in an active market, which are measured at fair value.

*Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in the statement of operations and changes in net assets.

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## War Child Canada

### Notes to the Financial Statements

December 31, 2020

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#### 2. Significant accounting policies (continued)

(d) *Foreign currency translation*

Transactions denominated in foreign currencies are translated at the exchange rate in effect on the date they occur. Monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate in effect as of the statement of financial position date. Gains or losses arising from foreign exchange translations are recorded in the statement of operations and changes in net assets.

(e) *Capital assets*

Capital assets are recorded at cost less accumulated amortization and impairment, if any. Amortization is provided at the following annual rates and bases:

Furniture and equipment	20%	Declining balance
Leasehold improvements	5 years	Straight-line
Computer hardware	30, 45, 55%	Declining balance
Computer software	100%	Declining balance
Lease inducements		Term of lease

(f) *Contributed products and services*

In its day to day operations, the Organization receives services and products from various businesses and organizations. Such services and products are reported at their fair value, if they would normally be purchased.

(g) *Intangible assets - Aeroplan miles*

Aeroplan miles are measured at their estimated redemption value and recorded as revenue and an intangible asset when received. Aeroplan miles are subsequently expensed when used.

(h) *Allocations*

The Organization classifies its functional activities between its program-related activities, general administration and fundraising activities. The costs of each activity include the direct costs associated with those activities, such as personnel and other direct expenses. In addition, the Organization incurs several common or shared operating expenses in connection with these activities, such as occupancy costs, administration and other indirect costs. Where shared or indirect costs relate to more than one activity, the Organization allocates these costs among all activities based on a historical analysis of the level of staff activity and support by function. Management reviews the calculation on a regular basis.

(i) *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. These estimates are reviewed periodically, and adjustments are made to the excess (deficiency) of revenue over expenses as appropriate in the year they become known. Components of these financial statements which include estimates are the allowance for doubtful accounts and donor receivables and impairment and useful lives of intangible and capital assets.

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## War Child Canada

### Notes to the Financial Statements

December 31, 2020

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#### 2. Significant accounting policies (continued)

(j) *Deferred lease inducements*

Deferred lease inducements consist of a period of free rent and are amortized on a straight-line basis over the term of the lease.

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#### 3. Going concern and COVID-19

As at December 31, 2020, the Organization had a working capital and an unrestricted net asset deficiency of \$946,373 (2019 - \$2,007,681) and \$761,289 (2019 - \$1,783,666), respectively. The unrestricted net asset deficiency has decreased from 2019 as a result of a net excess of revenues over expenses for the year of \$1,022,377 (2019 - net deficit of \$987,084).

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses and organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to entities worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The outbreak of COVID-19 has created both challenges and opportunities for the Organization. It has caused increased uncertainty related to ongoing and future funding but has also provided opportunities to secure new funding to support COVID-19 related programs.

Management acknowledges the inherent uncertainty in relation to meeting revenue targets within this environment but continues to focus on building and diversifying its unrestricted revenue sources which will allow the Organization to eliminate its deficit, manage unexpected shortfalls and meet its investment goals. To date, the Organization has successfully renegotiated some agreements and secured additional unrestricted funding to reduce uncertainty in its revenue streams. The Organization has also reduced its cost structure by reducing office space and lowering headcount. As a result of the pandemic, the Organization has received federal wage subsidies in order to minimize the financial impact of the pandemic on its employees. Wage subsidies of \$545,839 have been recognized in the statement of operations and changes in net assets.

For fiscal 2021, the Organization has approved a budget that will allow the Organization to sustain operations throughout this period and meet its donor obligations. Management and the Board continue to monitor the budget closely and are willing to take further action if required.

Accordingly, the financial statements have been prepared on a going concern basis which assumes that the Organization will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Organization be unable to continue as a going concern. If the Organization is not able to continue as a going concern, it may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. These adjustments could be material.

# War Child Canada

## Notes to the Financial Statements

December 31, 2020

### 3. Going concern and COVID-19 (continued)

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

### 4. Financial risks and concentration of risk

#### *Market risk*

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to currency risk and interest rate risk.

#### *(i) Currency risk*

Currency risk is the risk that arises from fluctuations in exchange rates. The Organization is exposed to currency risk through its cash and donor receivables.

A significant portion of the Organization's contributions and project expenses are denominated in foreign currencies. At year end, the statement of financial position included the following amounts denominated in foreign currencies:

	<u>2020</u>	<u>2019</u>
US Dollar		
Cash	\$ 1,618,658	\$ 508,851
Accounts and donor receivables	<u>480,241</u>	<u>586,741</u>
	<u>\$ 2,098,899</u>	<u>\$ 1,095,592</u>
Afghan Afghani		
Cash	\$ 11,430	\$ 17,624
Accounts and donor receivables	<u>49,779</u>	<u>18,253</u>
	<u>\$ 61,209</u>	<u>\$ 35,877</u>
Jordanian Dinar		
Cash	\$ 2,353	\$ 47,524
Sudanese Pound		
Cash	\$ 24,492	\$ 3,045
Accounts and donor receivables	<u>11,012</u>	<u>-</u>
	<u>\$ 35,504</u>	<u>\$ 3,045</u>

# War Child Canada

## Notes to the Financial Statements

December 31, 2020

### 4. Financial risks and concentration of risk (continued)

	<u>2020</u>	<u>2019</u>
South Sudanese Pound		
Cash	\$ 347	\$ -
Accounts and donor receivables	<u>9,500</u>	<u>-</u>
	<u>\$ 9,847</u>	<u>\$ -</u>
Ugandan Shilling		
Cash	\$ 35,960	\$ 28,108
Accounts and donor receivables	<u>27,898</u>	<u>-</u>
	<u>\$ 63,858</u>	<u>\$ 28,108</u>

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its investments. The investments subject the Organization to a fair value risk. There was no significant change in exposure from the prior year.

#### Credit risk

Credit risk arises from the potential that a third party may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk through its accounts and donor receivables. Donor receivables are all from government agencies. Accounts receivable are from organizations and individuals known to the Organization with a proven history of payment.

#### Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities, as mentioned in Note 2. The Organization is exposed to this risk mainly in respect of its accounts payable.

### 5. Investments

Short-term investments comprise:

	<u>2020</u>	<u>2019</u>
Equities - at fair value	\$ 708,702	\$ 9,996
Guarantee Investment Certificates with Canadian Imperial Bank of Commerce bearing interest between 0.25% and 1.50% (1.15% and 1.50% in 2019) per annum, maturing between February 1, 2021 and December 29, 2021 (between December 29, 2020 and December 31, 2020 in 2019) - at amortized cost	<u>674,170</u>	<u>527,784</u>
	<u>\$ 1,382,872</u>	<u>\$ 537,780</u>

# War Child Canada

## Notes to the Financial Statements

December 31, 2020

### 6. Accounts and donor receivables

	<u>2020</u>	<u>2019</u>
Grants receivable	\$ 250,580	\$ 622,576
Accounts receivable	383,670	415,239
War Child USA	278,957	314,602
Canadian Emergency Wage Subsidy receivable	123,660	-
Harmonized Sales Tax	<u>46,398</u>	<u>36,612</u>
	<b><u>\$ 1,083,265</u></b>	<b><u>\$ 1,389,029</u></b>

### 7. Intangible assets

	<u>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 79,191	\$ 87,166
Additions during the year	81,967	71,170
Redemptions during the year	<u>(32,690)</u>	<u>(79,145)</u>
	<b><u>\$ 128,468</u></b>	<b><u>\$ 79,191</u></b>

During the year, the Organization redeemed a total of 1,594,642 Aeroplan Miles (2019 - 3,860,742) with an estimated value of \$32,690 (2019 - \$79,145) which were contributed from third parties. The Organization uses an estimate of \$.0205 per Aeroplan mile which is reviewed annually for reasonableness. As at December 31, 2020 the remaining Aeroplan miles balance was 6,266,765 (2019 - 3,863,008) with an estimated value of \$128,468 (2019 - \$79,191).

### 8. Capital assets

			<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 95,695	\$ 40,553	\$ 55,142	\$ 68,928
Leasehold improvements	-	-	-	36,313
Computer hardware	79,850	78,376	1,474	9,047
Lease inducements	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,536</u>
	<b><u>\$ 175,545</u></b>	<b><u>\$ 118,929</u></b>	<b><u>\$ 56,616</u></b>	<b><u>\$ 144,824</u></b>

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## War Child Canada

### Notes to the Financial Statements

December 31, 2020

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#### 9. Deferred contributions

Deferred contributions consist of contributions and grants that are designated for specified programs and events.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 3,376,260	\$ 3,088,202
Amounts received during the year	17,442,703	15,165,070
Revenue recognized during the year	<u>(15,331,346)</u>	<u>(14,877,012)</u>
Balance, end of year	<u>\$ 5,487,617</u>	<u>\$ 3,376,260</u>

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#### 10. Guarantees

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

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

The Organization has entered into operating lease agreements with respect to the rental of the premises, as well as equipment, expiring in 2023. Minimum annual amounts due under these leases are as follows:

Years ending December 31:

2021	\$ 198,667
2022	163,841
2023	<u>65,785</u>
	<u>\$ 428,293</u>

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## War Child Canada

### Notes to the Financial Statements

December 31, 2020

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#### 12. Allocation of expenses

	Programme support	General administration	Fundraising	2020 Total
Rent and utilities	\$ 117,929	\$ 131,803	\$ 97,119	\$ 346,851
Administration	<u>170,158</u>	<u>190,176</u>	<u>140,129</u>	<u>500,463</u>
	<u>\$ 288,087</u>	<u>\$ 321,979</u>	<u>\$ 237,248</u>	<u>\$ 847,314</u>
	Programme support	General administration	Fundraising	2019 Total
Rent and utilities	\$ 96,140	\$ 105,755	\$ 76,912	\$ 278,807
Administration	<u>173,904</u>	<u>191,295</u>	<u>139,123</u>	<u>504,322</u>
	<u>\$ 270,044</u>	<u>\$ 297,050</u>	<u>\$ 216,035</u>	<u>\$ 783,129</u>

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#### 13. Credit facilities

The Organization has an operating line of credit to a maximum of \$150,000. This credit facility bears interest at the prime rate plus 1%. No amount had been drawn on this facility as at December 31, 2020 and 2019.

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## War Child Canada

### Schedule of International Programme Expenses

Year ended December 31

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	<u>2020</u>	<u>2019</u>
Afghanistan	\$ 7,798,925	\$ 8,491,283
Congo	2,220,341	664,747
Sudan	1,903,741	1,473,515
South Sudan	1,149,501	1,222,672
Uganda	2,716,619	2,988,676
Middle East	<u>226,226</u>	<u>1,053,057</u>
	<u>\$ 16,015,353</u>	<u>\$ 15,893,950</u>