

CHILD HAVEN INTERNATIONAL

FINANCIAL STATEMENTS

December 31, 2018

CHILD HAVEN INTERNATIONAL

December 31, 2018

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Financial Activities	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Net Fundraising Activities - Schedule 1	7
Notes to the Financial Statements	8 - 11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Child Haven International

Qualified Opinion

We have audited the financial statements of Child Haven International (the "Organization") which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities, changes in fund balances 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

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.

In common with many charitable organizations, the Organization derives revenue from donations, 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, surplus and cash flows for the years ended December 31, 2018 and December 31, 2017, assets as at December 31, 2018 and December 31, 2017 and fund balances as at January 1 and December 31 for both 2018 and 2017 years. The audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of possible effects of this limitation in scope.

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 qualified 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 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 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 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 management 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.

MNP LLP

Cornwall, Ontario
June 17, 2019

Chartered Professional Accountants
Licensed Public Accountants



CHILD HAVEN INTERNATIONAL

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	General Fund	Endowment Fund	2018	2017
ASSETS				
CURRENT				
Cash	\$ 425,066	\$ -	\$ 425,066	\$ 432,911
Investments	507,952	-	507,952	687,426
Accounts receivable	13,901	-	13,901	10,020
	946,919	-	946,919	1,130,357
CAPITAL (Note 2)	17,078	-	17,078	21,303
RESTRICTED ASSETS	-	1,330,667	1,330,667	1,391,241
	\$ 963,997	\$ 1,330,667	\$ 2,294,664	\$ 2,542,901
LIABILITIES				
ACCOUNTS PAYABLE (Note 3)	\$ 25,892	\$ -	\$ 25,892	\$ 20,939
FUND BALANCES				
FUND BALANCES	938,105	1,330,667	2,268,772	2,521,962
	\$ 963,997	\$ 1,330,667	\$ 2,294,664	\$ 2,542,901

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

_____ Date

See Accompanying Notes

CHILD HAVEN INTERNATIONAL

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2018

	General Fund	Endowment Fund	2018	2017
REVENUE				
Canadian charities	\$ 48,713	\$ -	\$ 48,713	\$ 72,615
Donations	1,555,664	-	1,555,664	1,819,669
Foreign exchange loss	(18,653)	-	(18,653)	(11,444)
Investment income (loss)	611	(5,089)	(4,478)	101,968
Net fundraising activities (Schedule 1)	8,910	-	8,910	37,563
Other	418	-	418	26,771
Loss on disposal of investments	(77,903)	-	(77,903)	(7,898)
	1,517,760	(5,089)	1,512,671	2,039,244
EXPENDITURES				
Amortization	6,429	-	6,429	5,410
Automotive	9,835	-	9,835	12,190
Bank charges	8,301	-	8,301	9,642
Canadian programs	5,000	-	5,000	10,192
Insurance	3,713	-	3,713	3,744
Newsletter	18,793	-	18,793	25,187
Office	46,070	-	46,070	38,676
Professional fees	7,628	20,302	27,930	27,354
Projects	246,793	-	246,793	268,629
Telephone	4,419	-	4,419	4,459
Training	1,452	-	1,452	753
Travel	45,557	-	45,557	73,513
Wages, benefits and contract services	202,667	-	202,667	202,296
	606,657	20,302	626,959	682,045
SURPLUS (DEFICIT) BEFORE TRANSFERS				
	911,103	(25,391)	885,712	1,357,199
TRANSFERS TO FOREIGN ORGANIZATIONS (Note 4)				
	1,138,902	-	1,138,902	1,335,099
SURPLUS (DEFICIT) FOR THE YEAR				
	\$ (227,799)	\$ (25,391)	\$ (253,190)	\$ 22,100

See Accompanying Notes

CHILD HAVEN INTERNATIONAL
STATEMENT OF CHANGES IN FUND BALANCES

For the year ended December 31, 2018

	General Fund	Endowment Fund	2018	2017
FUND BALANCES, beginning of year	\$ 1,130,721	\$ 1,391,241	\$ 2,521,962	\$ 2,499,862
SURPLUS (DEFICIT)	(227,799)	(25,391)	(253,190)	22,100
INTERFUND TRANSFER	35,183	(35,183)	-	-
FUND BALANCES, end of year	\$ 938,105	\$ 1,330,667	\$ 2,268,772	\$ 2,521,962

See Accompanying Notes

CHILD HAVEN INTERNATIONAL

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH USED IN OPERATING ACTIVITIES		
(Deficit) surplus for the year	\$ (253,190)	\$ 22,100
Items not affecting cash or equivalent		
Amortization	6,429	5,410
Unrealized foreign exchange gain	(38,137)	(22,901)
Changes in non-cash working capital balances		
Accounts receivable	(3,881)	1,181
Accounts payable	4,953	(35,922)
	(283,826)	(30,132)
CASH FROM INVESTING ACTIVITIES		
Purchase of capital assets	(2,204)	(22,126)
Decrease in investments	179,474	80,003
Decrease (increase) in restricted assets	60,574	(24,957)
	237,844	32,920
UNREALIZED FOREIGN EXCHANGE GAIN ON CASH	38,137	22,901
(DECREASE) INCREASE IN CASH	(7,845)	25,689
CASH, beginning of year	432,911	407,222
CASH, end of year	\$ 425,066	\$ 432,911
REPRESENTED BY :		
Cash	\$ 425,066	\$ 432,911

See Accompanying Notes

CHILD HAVEN INTERNATIONAL

NET FUNDRAISING ACTIVITIES

Schedule 1

For the year ended December 31, 2018

	2018		2017	
Dinner sales	\$	114,089	\$	134,314
Fundraising expenses		(105,179)		(96,751)
	\$	8,910	\$	37,563

See Accompanying Notes

CHILD HAVEN INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

PURPOSE OF THE ORGANIZATION

To assist any child of any nationality in Canada or in any country of the world, who needs in-country care or needs a private family home abroad.

To aid poor and needy children by facilitating their adoption and otherwise meeting their needs and more particularly:

- (a) To establish and carry on a not-for-profit private agency for the placement of children for adoption in accordance with Provincial adoption legislation.
- (b) To bring children who are not residents of Canada to be placed for adoption in accordance with the laws of the country outside of Canada from which the child is emigrating.
- (c) To set up children's homes to provide nurture and training for children who have special needs; to provide institutions, cottage or village industries for giving training in handy crafts, music, agricultural methods, special training for the handicapped or any other business of like or similar nature.
- (d) To cooperate with official adoption and child care and welfare agencies in or outside of Canada.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of allowances for doubtful accounts receivable and estimated useful lives of capital assets. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

(b) Revenue recognition

Revenue is recognized when donations are received. Revenue from fundraising activities is recognized when funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

CHILD HAVEN INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Fund accounting

These financial statements are prepared in accordance with the restricted fund method of accounting.

The general fund reports the Organization's main operating activities.

The endowment fund is subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the resulting income may be utilized.

(d) Cash and equivalents

Cash and equivalents consist of cash on hand, cash on deposit and term deposits that mature within 90 days.

(e) Investments

Investments are recorded at fair market value.

(f) Capital assets

Capital assets are recorded at cost. Amortization is provided for on the diminishing balance basis at the following annual rates:

Equipment	- 20% diminishing balance
Computer equipment	- 25% diminishing balance
Vehicles	- 30% diminishing balance

(g) Contributed services

Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

2. CAPITAL

	Cost	Accumulated Amortization	Net 2018	Net 2017
Equipment	\$ 26,741	\$ 24,939	\$ 1,802	\$ 2,253
Computer equipment	16,386	14,275	2,111	243
Vehicles	22,126	8,961	13,165	18,807
	\$ 65,253	\$ 48,175	\$ 17,078	\$ 21,303

3. ACCOUNTS PAYABLE

Included in accounts payable are government remittances of \$3,370 (2017 - \$3,800).

CHILD HAVEN INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

4. TRANSFERS TO FOREIGN ORGANIZATIONS

	2018	2017
Child Haven International - India	\$ 599,105	\$ 704,950
Child Haven International - Nepal	441,968	568,382
Child Haven International - United States	19,600	12,620
Child Haven International - Bangladesh	78,229	49,147
	\$ 1,138,902	\$ 1,335,099

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the statement of financial position date.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and holding assets that can be readily converted into cash.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable and restricted assets. Accounts receivable arise primarily from HST rebates. The maximum exposure to credit risk is the carrying value of accounts receivable and restricted assets on the statement of financial position. Management believes concentrations of credit risk with respect to amounts receivable is limited due to the nature of the receivables.

Restricted assets are held for an endowment fund by a third party who is responsible for the investment of the respective funds. The third party organization currently holds sufficient assets to minimize the credit risk associated with the restricted asset.

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's interest-bearing assets consist of restricted assets which include guaranteed investment certificates.

CHILD HAVEN INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 64% (2017 - 66%) of the Organization's expenses are transfers to foreign organizations and transacted in foreign currencies. Consequently, some assets are exposed to foreign exchange fluctuations.

As at December 31, 2018, the Organization held a U.S. dollar cash balance of \$104,713 (2017 - \$89,985) which was converted into Canadian dollars at the year-end exchange rate of 1.3642 (2017 - 1.2545).

Other risks

Market risk is the risk of a loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuation and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The maximum exposure risk is the carrying value of investments and restricted assets on the statement of financial position.