



Financial Statements

War Child Canada

December 31, 2022

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12
Schedule of International Programme Expenses	13

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, which comprise the statement of financial position as at December 31, 2022, 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, 2022, 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, War Child Canada 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 War Child Canada. 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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 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 War Child Canada 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.

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 Program 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 War Child Canada'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 War Child Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing War Child Canada'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 War Child Canada'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 War Child Canada'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 War Child Canada 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.

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

Toronto, Canada
April 25, 2023

Chartered Professional Accountants
Licensed Public Accountants

War Child Canada

Statement of Financial Position

December 31 2022 2021

Assets

Current assets

Cash	\$ 1,367,871	\$ 1,573,276
Investments (Note 4)	1,905,530	2,151,054
Accounts and donor receivables (Note 5)	2,150,217	955,139
Prepaid expenses and deposits	<u>969,128</u>	<u>126,799</u>
	6,392,746	4,806,268

Intangible assets (Note 6)

123,322 157,660

Capital assets (Note 7)

61,064 76,840

\$ 6,577,132 **\$ 5,040,768**

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 1,426,769	\$ 1,533,470
Deferred contributions (Note 8)	<u>3,851,807</u>	<u>2,245,320</u>
	5,278,576	3,778,790

Net assets

Unrestricted

1,298,556 1,261,978

\$ 6,577,132 **\$ 5,040,768**

Guarantees and commitments (Notes 9 and 10)

Approved on behalf of the Board

Original signed by Michael Eizenga
Director

Original signed by Nils Engelstad
Director

See accompanying notes to the financial statements.

War Child Canada

Statement of Operations and Changes in Net Assets

Year ended December 31	2022	2021
Revenue		
Grants	\$ 10,351,396	\$ 10,641,895
Foundation donations	1,942,200	2,121,970
Individual donations	1,125,306	1,779,450
Special events	833,237	409,159
Donations-in-kind	460,252	273,265
Other	139,678	289,629
Corporate donations	120,257	101,499
Canadian Emergency Wage Subsidy	-	94,162
	<u>14,972,326</u>	<u>15,711,029</u>
Expenses		
Program		
International programmes (Schedule 1)	11,429,611	10,953,111
Programme support	485,331	467,356
Operations		
General administration	1,183,038	1,090,517
Fundraising	1,402,639	927,945
Donations-in-kind	<u>425,082</u>	<u>236,825</u>
	<u>14,925,701</u>	<u>13,675,754</u>
Excess of revenue over expenses before amortization	46,625	2,035,275
Less: Amortization	<u>(10,047)</u>	<u>(12,008)</u>
Excess of revenue over expenses for the year	36,578	2,023,267
Net assets, beginning of year	<u>1,261,978</u>	<u>(761,289)</u>
Net assets, end of year	<u>\$ 1,298,556</u>	<u>\$ 1,261,978</u>

See accompanying notes to the financial statements.

War Child Canada

Statement of Cash Flows

Year ended December 31

2022

2021

Increase (decrease) in cash

Operating activities

Cash receipts from operating revenue	\$ 14,923,483	\$ 12,330,842
Cash paid to suppliers and employees	<u>(15,374,411)</u>	<u>(13,089,453)</u>

	<u>(450,928)</u>	<u>(758,611)</u>
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Investing activity

Decrease (increase) in investments	245,523	(768,182)
Purchases of capital assets	<u>-</u>	<u>(49,419)</u>

	<u>245,523</u>	<u>(817,601)</u>
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Decrease in cash during the year	(205,405)	(1,576,212)
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Cash position, beginning of year	<u>1,573,276</u>	<u>3,149,488</u>
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Cash position, end of year	<u>\$ 1,367,871</u>	<u>\$ 1,573,276</u>
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See accompanying notes to the financial statements.

War Child Canada

Notes to the Financial Statements

December 31, 2022

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.

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.

Donations and grants designated for specified programs and events for expenses to be incurred in future years are recorded as accounts receivable and deferred contributions when the amounts can be estimated and collection is reasonably assured.

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 recognizes 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 and changes in net assets 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 investments in equity instruments that are quoted in an active market, which are measured at fair value.

War Child Canada

Notes to the Financial Statements

December 31, 2022

2. Significant accounting policies (continued)

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.

(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
Computer hardware	30, 45, 55%	Declining balance
Motor vehicles		8 years Straight-line

(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 programme support, 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 accordance 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. These estimates are reviewed periodically, and adjustments are made to excess of revenue over expenses as appropriate in the year they become known.

War Child Canada

Notes to the Financial Statements

December 31, 2022

3. 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 exposure of the Organization's excess of revenue over expenses for the year 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 foreign currency amounts denominated in Canadian Dollars:

	<u>2022</u>	<u>2021</u>
US Dollar		
Cash	\$ 694,172	\$ 1,131,266
Accounts and donor receivables	<u>560,976</u>	<u>307,284</u>
	<u>\$ 1,255,148</u>	<u>\$ 1,438,550</u>
Euro		
Cash	<u>\$ 109,595</u>	<u>\$ 6,386</u>
Afghan Afghani (Bank indebtedness) Cash	<u>\$ (100,984)</u>	<u>\$ 7,586</u>
Sudanese Pound		
Cash	\$ 59,055	\$ 23,256
Accounts and donor receivables	<u>72,217</u>	<u>-</u>
	<u>\$ 131,272</u>	<u>\$ 23,256</u>
South Sudanese Pound		
Cash	<u>\$ 8,201</u>	<u>\$ 7,912</u>
Ugandan Shilling		
Cash	<u>\$ 61,199</u>	<u>\$ 13,136</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. There was no significant change in exposure from the prior year.

War Child Canada

Notes to the Financial Statements

December 31, 2022

3. Financial risks and concentration of risk (continued)

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. Accounts and donor receivables are from government agencies, and 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. The Organization is exposed to this risk primarily in respect of its accounts payable.

4. Investments

Investments comprise:

	<u>2022</u>	<u>2021</u>
Equities - at fair value	\$ 1,573,289	\$ 1,470,711
Guarantee Investment Certificates with Canadian Imperial Bank of Commerce bearing interest between 1.20% and 2.50% (0.20% and 0.50% in 2021) per annum, maturing between May 5, 2023, and December 29, 2023 (between February 3, 2022 and December 29, 2022 in 2021) - at amortized cost	<u>332,241</u>	<u>680,343</u>
	<u>\$ 1,905,530</u>	<u>\$ 2,151,054</u>

5. Accounts and donor receivables

	<u>2022</u>	<u>2021</u>
Grants receivable	\$ 1,921,532	\$ 644,120
Accounts receivable	45,166	6,863
War Child USA	120,269	173,761
Canada Emergency Wage Subsidy receivable	-	94,162
Harmonized sales tax	<u>63,250</u>	<u>36,233</u>
	<u>\$ 2,150,217</u>	<u>\$ 955,139</u>

War Child Canada

Notes to the Financial Statements

December 31, 2022

6. Intangible assets

	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 157,660	\$ 128,468
Additions during the year	35,170	36,440
Redemptions during the year	<u>(69,508)</u>	<u>(7,248)</u>
	<u>\$ 123,322</u>	<u>\$ 157,660</u>

During the year, the Organization redeemed a total of 3,390,622 Aeroplan Miles (2021 - 353,540) with an estimated value of \$69,508 (2021 - \$7,248) which were contributed from third parties. The Organization uses an estimate of \$0.0205 per Aeroplan mile (2021 - \$0.0205), which is reviewed annually for reasonableness. As at December 31, 2022 the remaining Aeroplan miles balance was 6,015,721 (2021 - 7,690,726) with an estimated value of \$123,322 (2021 - \$157,660).

7. Capital assets

	<u>2022</u>	<u>2021</u>		
	<u>Cost</u>	<u>Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 95,695	\$ 60,404	\$ 35,291	\$ 44,113
Computer hardware	67,747	64,891	2,856	4,080
Motor vehicles	<u>45,835</u>	<u>22,918</u>	<u>22,917</u>	<u>28,647</u>
	<u>\$ 209,277</u>	<u>\$ 148,213</u>	<u>\$ 61,064</u>	<u>\$ 76,840</u>

8. Deferred contributions

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,245,320	\$ 5,487,617
Amounts received during the year	11,957,883	7,399,598
Revenue recognized during the year	<u>(10,351,396)</u>	<u>(10,641,895)</u>
Balance, end of year	<u>\$ 3,851,807</u>	<u>\$ 2,245,320</u>

War Child Canada

Notes to the Financial Statements

December 31, 2022

9. 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 Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

10. Commitments

The Organization has entered into operating leases for certain premises and office equipment as well as other non-cancellable service agreements. Minimum annual amounts due under these agreements are as follows:

Years ending December 31:

2023	\$	337,030
2024		77,737
2025		73,447

In addition to the fixed commitments disclosed above, the Organization is committed to proportionately matching the amount of the contributions made by certain donors.

War Child Canada

Notes to the Financial Statements

December 31, 2022

11. Allocation of expenses

	<u>Programme support</u>	<u>General administration</u>	<u>Fundraising</u>	<u>2022 Total</u>
Rent and utilities	\$ 16,042	\$ 17,730	\$ 18,015	\$ 51,787
Administration	<u>197,950</u>	<u>218,772</u>	<u>222,281</u>	<u>639,003</u>
	<u>\$ 213,992</u>	<u>\$ 236,502</u>	<u>\$ 240,296</u>	<u>\$ 690,790</u>

	<u>Programme support</u>	<u>General administration</u>	<u>Fundraising</u>	<u>2021 Total</u>
Rent and utilities	\$ 16,116	\$ 20,228	\$ 18,069	\$ 54,413
Administration	<u>165,812</u>	<u>208,115</u>	<u>185,902</u>	<u>559,829</u>
	<u>\$ 181,928</u>	<u>\$ 228,343</u>	<u>\$ 203,971</u>	<u>\$ 614,242</u>

12. 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, 2022 or 2021.

War Child Canada

Schedule of International Programme Expenses

December 31, 2022

	<u>2022</u>	<u>2021</u>
Afghanistan	\$ 4,247,209	\$ 3,463,851
Uganda	1,924,019	874,810
Sudan	1,865,050	2,457,795
South Sudan	1,671,767	1,309,983
Congo	1,381,846	2,779,539
Yemen	314,674	53,683
Middle East	19,387	13,450
Other	<u>5,659</u>	<u>-</u>
	<u>\$ 11,429,611</u>	<u>\$ 10,953,111</u>