

WORLD RELIEF CANADA

2017 FINANCIAL STATEMENTS

NETHERCOTT & COMPANY

Chartered Accountants

R. Bruce Nethercott
John M. Quigg
Paul W.B. Nethercott

250 Consumers Road, Suite 800
North York, Ontario M2J 4V6
tel: 416-492-0514
fax: 416-491-3668

INDEPENDENT AUDITOR'S REPORT

To The Members
WORLD RELIEF CANADA

We have audited the accompanying financial statements of WORLD RELIEF CANADA, which comprise the statements of financial position as at June 30, 2017, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion these financial statements present fairly, in all material respects, the financial position of WORLD RELIEF CANADA as at June 30, 2017, and its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
Licensed Public Accountants


North York, Ontario
November 3, 2017

**WORLD RELIEF CANADA
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash	\$ 2,513,912	\$ 914,920
Short-term investments	5,326	5,462
Accounts receivable	106,707	276,620
Due on sale of Turame Community Finance, S.A. (Note 3)	-	307,327
Prepaid expense	<u>22,099</u>	<u>31,336</u>
	2,648,044	1,535,665
BALANCE WITH CANADIAN FOODGRAINS BANK ASSOCIATION, INC. (CFGB) (Note 4)	780,859	648,801
CAPITAL (Note 5)	<u>29,068</u>	<u>19,110</u>
	<u>\$ 3,457,971</u>	<u>\$ 2,203,576</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued	\$ 12,395	\$ 16,460
Deferred contributions (Note 6)	<u>1,764,030</u>	<u>638,992</u>
	1,776,425	655,452
NET ASSETS		
Invested in capital assets	29,069	19,110
CFGB	780,859	648,801
Board designated (Note 7)	200,000	200,000
Unrestricted	<u>671,618</u>	<u>680,213</u>
	1,681,546	1,548,124
	<u>\$ 3,457,971</u>	<u>\$ 2,203,576</u>

Approved on behalf of the Board of Directors


Director


Director

**WORLD RELIEF CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
REVENUE		
Contributions	\$ 1,862,938	\$ 1,713,546
Grants		
Global Affairs Canada (GAC)		
International Humanitarian Assistance	2,924,960	3,549,364
Partnership Development and Innovation Branch	-	-
Provincial	<u>22,478</u>	<u>36,257</u>
	<u>2,947,438</u>	<u>3,585,621</u>
CFGB (Note 4)		
Contributions	283,116	210,908
Grants: GAC and other	<u>2,038,161</u>	<u>2,001,036</u>
	<u>2,321,277</u>	<u>2,211,944</u>
Sale of Turame Community Finance, S.A. (Note 3)	-----	...687,749
Investment and other income	<u>56,712</u>	<u>45,956</u>
Total revenue	<u>7,188,365</u>	<u>8,244,816</u>
EXPENDITURE		
Program ministries		
Relief and rehabilitation		
CFGB projects (Note 4)	2,189,219	2,520,601
International Humanitarian Assistance	2,840,047	3,434,024
Other	464,238	428,448
Development		
Partnership Development and Innovation Branch and other	405,494	454,038
Education	<u>6,534</u>	<u>19,968</u>
	<u>5,905,532</u>	<u>6,857,079</u>
Supporting ministries		
Fund promotion	669,848	713,018
General and administrative	<u>479,563</u>	<u>552,317</u>
	<u>1,149,411</u>	<u>1,265,335</u>
Total expenditure	<u>7,054,943</u>	<u>8,122,414</u>
EXCESS REVENUE FOR YEAR	<u>\$ 133,422</u>	<u>\$ 122,402</u>

**WORLD RELIEF CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>INVESTED IN CAPITAL ASSETS</u>	<u>CFGB</u>	<u>BOARD DESIGNATED</u>	<u>UNRESTRICTED NET ASSETS</u>	<u>2017 TOTAL</u>
Balance, beginning of year	\$ 19,110	\$ 648,801	\$ 200,000	\$ 680,213	\$ 1,548,124
Excess income (expenditure) for year	(8,498)	132,058	-	9,862	133,422
Investment in capital assets	<u>18,457</u>	<u>-</u>	<u>-</u>	<u>(18,457)</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 29,069</u>	<u>\$ 780,859</u>	<u>\$ 200,000</u>	<u>\$ 671,618</u>	<u>\$ 1,681,546</u>

**WORLD RELIEF CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
CASH PROVIDED BY (USED FOR)		
Operating activities		
Excess income for year	\$ 133,422	\$ 122,402
Amortization	<u>8,498</u>	<u>10,511</u>
	141,920	132,913
Decrease (increase) in non-cash working capital from the following:		
Short-term investments	136	(210)
Accounts receivable	169,913	(88,660)
Due on sale of Turame Community Finance, S.A.	307,327	(307,327)
Prepaid expense	9,237	2,257
Accounts payable and accrued	(4,064)	(15,566)
Deferred contributions	<u>1,125,038</u>	<u>(1,429,875)</u>
Cash provided by operating activities	<u>1,749,507</u>	<u>(1,706,468)</u>
Investing activities		
Decrease (increase) in Balance with CFGB	(132,058)	308,657
Capital asset additions (net)	<u>(18,457)</u>	<u>(12,871)</u>
	<u>(150,515)</u>	<u>295,786</u>
INCREASE (DECREASE) IN CASH DURING YEAR	1,598,992	(1,410,682)
Cash, beginning of year	<u>914,920</u>	<u>2,325,602</u>
CASH, END OF YEAR	<u>\$ 2,513,912</u>	<u>\$ 914,920</u>

**WORLD RELIEF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. PURPOSE OF ORGANIZATION

World Relief Canada was incorporated under the Canada Corporations Act as a not-for-profit organization and as of 2013 has been continued under the Canada Not-for-Profit Corporations Act. Further, it is classified as a registered charity under the Income Tax Act (Canada) and, therefore, is exempt from income taxes and able to issue tax-deductible receipts to donors. World Relief Canada exists to provide relief and development assistance to the world's most oppressed, poor and suffering people in developing countries by working with churches, other relief and development organizations and Global Affairs Canada (GAC).

2. 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). Revenue Recognition

World Relief Canada follows the deferral method of accounting for contributions and grants. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and grants are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

(b). Foreign Currency

Foreign currencies have been translated into Canadian dollars on the following basis:

- i) Current assets and current liabilities - at the rate of exchange prevailing at the year end
- ii) Revenue and expenditure - at the rate of exchange prevailing on the dates of transactions
- iii) Gains and losses on the translation of foreign currencies are included in Income

(c). Capital Assets

Capital asset acquisitions are recorded at cost.

Amortization is recorded in the accounts on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Computer software	3 years

(d). Financial instruments

Financial instruments including cash, accounts receivable, and accounts payable are recorded at market value at time of acquisition, and subsequently at amortized cost. Short-term investments are recorded at market value which due to their nature approximates cost.

**WORLD RELIEF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e). Contributed Services

Volunteers contribute substantial time to enable the organization to carry out its charitable activities. Due to the difficulty in determining their fair value, they are not recognized in the financial statements.

(f). Allocation of Costs

Certain employees perform a combination of education, programming, fundraising and administrative functions. As a result, salaries are allocated based on functional activity. Other costs, including rent and computer support have been allocated between the program and support expenditures benefited. Such allocations are reviewed annually, updated and changes applied on a prospective basis. Details of allocated expenditures are included in Note 10.

3. DUE ON SALE OF TURAME COMMUNITY FINANCE, S.A.

World Relief Canada had sold its share in a microfinance institution located in Burundi to one of the other existing shareholders. World Relief Canada's provision of technical services, training and loan resources for TURAME have created a share position. Due to the uncertainty surrounding its value, this share position was not previously recorded by World Relief Canada as an asset. Therefore, it was included in income upon the completion of the sale in the 2016 fiscal year.

4. BALANCE WITH CFGB

The organization is a member of Canadian Foodgrains Bank Association Inc. (CFGB). The balance as at March 31, 2017 includes the residual funds held by that organization for World Relief Canada.

The revenue includes World Relief Canada's donations, grants, interest and other income totalling \$2,321,277 received through CFGB for the year ended March 31, 2017.

The expenditure totalling \$2,189,219 includes World Relief Canada's food programming made through CFGB for that same period. Historically, funds received have been matched by GAC (formerly DFATD) on a 1:4 basis or through other CFGB sources with a 1:1 match.

The revenue, expenditure and balance with CFGB were recorded from the audited March 31, 2017 financial statements of CFGB reported upon by Deloitte & Touche LLP under their auditor's report dated June 14, 2017.

**WORLD RELIEF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. CAPITAL ASSETS

Capital assets are comprised as follows:

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 80,266	\$ 69,142	\$ 11,124	\$ 12,615
Computer equipment	63,871	48,093	15,778	6,495
Computer software	71,151	68,985	2,166	-
	<u>\$ 215,288</u>	<u>\$ 186,220</u>	<u>\$ 29,068</u>	<u>\$ 19,110</u>

Amortization expense in the amount of \$8,498 (\$10,511 in 2016) is included in general and administrative expenditure.

6. DEFERRED CONTRIBUTIONS

Separate accounts are maintained for each project undertaken by World Relief Canada. Projects may extend over a number of years. Funds committed to these projects not disbursed in the year of receipt are reflected as deferred contributions on the balance sheet.

Deferred contributions are comprised as follows:

	2016	Change	2017
Relief and rehabilitation	\$ -	\$ 50,000	\$ 50,000
Development	2	(2)	-
GAC - International			
Humanitarian Assistance	<u>638,990</u>	<u>1,075,040</u>	<u>1,714,030</u>
	<u>\$ 638,992</u>	<u>\$ 1,125,038</u>	<u>\$ 1,764,030</u>

7. BOARD DESIGNATED FUND

The Board of Directors authorized a fund of up to \$200,000, to be funded out of surplus operating funds. The fund is to be used for emergency disaster relief expenditures up to \$75,000 at the discretion of the President. Funds expended will be replaced from contributions and grants designated for the emergency but received after the expenditures are made.

8. COMMITMENTS

The organization had entered into a lease for office premises for a ten (10) year period ending July, 2016. In May of 2016 this lease was amended to extend the term through July, 2021. The amended lease requires an annual base rent for the first year totalling \$39,066 plus TMI. Annual rental increases for the following four years are \$3,634 per year plus TMI.

**WORLD RELIEF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

9. MANAGEMENT OF RISKS

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable. The Organization's management does not consider credit risk to be significant. There has been no change in the assessment of credit risk from the previous year.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization expects to meet its obligations by managing its working capital and generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the previous year.

Market Risk

Market risk is the risk that the fair value or 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 price risk. At this point in time the Organization has an insignificant amount of investments. Accordingly, the Organization is not exposed to significant market risk.

10. ALLOCATION OF EXPENDITURES

A portion of fund promotion and administrative activities directly support programs and have been allocated as follows:

	<u>2017</u>	<u>2016</u>
Program ministries:		
Relief and rehabilitation		
Other	\$ 17,341	\$ 33,443
Development		
Partnership Development and Innovation	31,141	47,243
Branch and other	<u>6,534</u>	<u>19,968</u>
Education	<u>\$ 55,016</u>	<u>\$ 100,654</u>
Supporting ministries:		
Fund promotion	\$ -	\$ (8,820)
General and administrative	<u>(55,016)</u>	<u>(91,833)</u>
	<u>\$ (55,016)</u>	<u>\$ (100,653)</u>