

Financial Statements of

COMPASSION CANADA

Year ended June 30, 2023

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COMPASSION CANADA

Year ended June 30, 2023

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Independent Auditors' Report

To the Members of
Compassion Canada

Opinion

We have audited the financial statements of Compassion Canada, which comprise the statement of financial position as at June 30, 2023, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Compassion Canada as at June 30, 2023, and 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 report. We are independent of the Company 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 organization, 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.

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 these financial statements.

Auditors' Responsibilities for the Audit 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.
- 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 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.

September 15, 2023
Exeter, Ontario

PTMG LLP
Chartered Professional Accountants
Licensed Public Accountants

COMPASSION CANADA

Statement of Financial Position

As at June 30, 2023 with comparative figures for June 30, 2022

	Operating Fund	Capital Fund	Planned Giving Fund	2023 Total	2022 Total
Assets					
Current assets:					
Cash	\$ 3,171,014	\$ -	\$ -	\$ 3,171,014	\$ 5,885,502
Investments (note 3)	11,138,893	903,857	37,996	12,080,746	13,055,774
Prepaid expenses and taxes recoverable	368,246	-	-	368,246	524,086
Interfund balances	(31,238)	40,000	(8,762)	-	-
	14,646,915	943,857	29,234	15,620,006	19,465,362
Other assets	-	-	250,000	250,000	250,000
Property, building and equipment (note 5)	-	2,324,531	-	2,324,531	2,486,445
	\$ 14,646,915	\$ 3,268,388	\$ 279,234	\$ 18,194,537	\$ 22,201,807
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,035,502	\$ -	\$ 687	\$ 1,036,189	\$ 861,580
Program support and gifts payable	2,025,922	-	-	2,025,922	3,590,700
Deferred contributions	1,241,686	-	-	1,241,686	1,214,777
	4,303,110	-	687	4,303,797	5,667,057
Fund balances:					
Equity in property, building & equipment	-	3,268,388	-	3,268,388	3,304,187
Externally restricted	-	-	275,000	275,000	2,175,000
Internally restricted	-	-	3,547	3,547	2,597
Accumulated operating surplus	10,343,805	-	-	10,343,805	11,052,966
	10,343,805	3,268,388	278,547	13,890,740	16,534,750
	\$ 14,646,915	\$ 3,268,388	\$ 279,234	\$ 18,194,537	\$ 22,201,807

The accompanying notes are an integral part of these financial statements.

On behalf of the Board



, Director



, Director

COMPASSION CANADA

Statement of Operations and Changes in Fund Balances

As at June 30, 2023 with comparative figures for June 30, 2022

	Operating Fund	Capital Fund	Planned Giving Fund	2023 Total	2022 Total
Revenue:					
Child and youth development	\$ 63,347,397	\$ -	\$ -	\$ 63,347,397	\$ 62,567,114
Complementary interventions	7,895,619	-	-	7,895,619	9,463,118
Survival	2,643,128	-	-	2,643,128	2,605,441
Investment income (note 3)	629,501	54,524	950	684,975	9,997
Other revenue	11,496	-	-	11,496	27,645
Total Revenue	74,527,141	54,524	950	74,582,615	74,673,315
Expenditures:					
Program activities:					
Child and youth development	54,745,678	-	-	54,745,678	50,923,219
Complementary interventions	6,316,496	-	-	6,316,496	9,001,185
Survival	2,114,502	-	-	2,114,502	2,084,353
	63,176,676	-	-	63,176,676	62,008,757
Fundraising	8,617,341	-	-	8,617,341	7,037,871
Administration	5,342,285	90,323	-	5,432,608	5,896,223
Total Expenditures	77,136,302	90,323	-	77,226,625	74,942,851
Excess (deficiency) of revenue over expenditures	\$ (2,609,161)	\$ (35,799)	\$ 950	\$ (2,644,010)	\$ (269,536)
Fund balances, beginning of year	11,052,966	5,204,187	277,597	16,534,750	16,804,286
Interfund transfers	1,900,000	(1,900,000)	-	-	-
Fund balances, end of year	\$ 10,343,805	\$ 3,268,388	\$ 278,547	\$ 13,890,740	\$ 16,534,750

The accompanying notes are an integral part of these financial statements.

COMPASSION CANADA

Statement of Cash Flows

As at June 30, 2023 with comparative figures for June 30, 2022

	Operating Fund	Capital Fund	Planned Giving Fund	2023 Total	2022 Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenditures	\$ (2,609,161)	\$ (35,799)	\$ 950	\$ (2,644,010)	\$ (269,536)
Adjustments for:					
Transfers among funds	1,900,000	(1,900,000)	-	-	-
Amortization of property, building and equipment	-	562,768	-	562,768	535,609
Net change in non-cash operating working capital (Note 4)	(1,119,735)	(89,195)	1,511	(1,207,419)	446,041
	(1,828,896)	(1,462,226)	2,461	(3,288,661)	712,114
Investing activities:					
Purchase of property, building and equipment	-	(400,854)	-	(400,854)	(459,207)
Decrease (increase) in investments	(885,592)	1,863,080	(2,461)	975,027	(1,101,933)
	(885,592)	1,462,226	(2,461)	574,173	(1,561,140)
Net decrease in cash	(2,714,488)	-	-	(2,714,488)	(849,026)
Cash, beginning of year	5,885,502	-	-	5,885,502	6,734,528
Cash, end of year	\$ 3,171,014	\$ -	\$ -	\$ 3,171,014	\$ 5,885,502

The accompanying notes are an integral part of these financial statements.

COMPASSION CANADA

Notes to Financial Statements

Year ended June 30, 2023

1. Purpose of organization:

Compassion Canada (the "Organization") is a leading child development organization. Its mission is to release children from poverty in Jesus' name.

For close to 60 years, Compassion has helped to revolutionize the fight against global poverty by partnering with local churches to lift children out of spiritual, economic, social and physical poverty.

Compassion Canada is incorporated, without share capital, under the Canada Not-for-profit Corporations Act. The Organization is a registered charity under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the *Income Tax Act* (Canada) are met.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Restricted fund accounting:

The financial statements of the Organization are maintained in accordance with the restricted fund method of accounting. All financial statement transactions have been recorded in three funds: Operating, Capital and Planned Giving.

(i) Operating Fund:

Operating Fund is composed of three main programs: Child and Youth Development Program, Complementary Interventions, and Survival.

Accumulated operating surplus is to be used for future operating expenditures (fundraising and administration).

(ii) Capital Fund:

Capital Fund reports the assets, liabilities, revenues and expenses related to the Organization's property, building, and equipment.

The costs of the Organization's property, building, and equipment are reported in the Capital Fund which in turn charges the Operating Fund an asset use fee for the use of those assets. The asset use fee charged has been disclosed in Note 5 to the financial statements.

(iii) Planned Giving Fund:

The Planned Giving Fund consists of annuities and a fully funded universal life insurance policy. The Organization receives any excess funds remaining upon the death of the annuitant, and all of the proceeds on the death of the life insured.

COMPASSION CANADA

Notes to Financial Statements

Year ended June 30, 2023

2. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to program and operations are recognized as revenue to the Operating Fund in the year in which the related expenses are incurred, and if this is a future year then they are deferred and recognized as revenue in the year they are used.

Contributions toward capital assets are recognized as revenue to the Capital Fund.

Unrestricted contributions are recognized as revenue in the year received.

Investment income is recognized as revenue as earned.

Donations in-kind consist of life insurance policies and marketable securities. The donation of a life insurance policy is recognized as revenue in the period in which the Organization is named owner and beneficiary and the policy is fully funded. Donations of marketable securities are recognized as revenue in the period in which the organization receives the securities, based on the quoted market value of the securities at that time.

(c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(d) Allocation of expenditures:

Expenditures are recorded and reported by program and support services. Certain officers and employees perform a combination of program, fundraising and administrative activities; as a result, compensation expenditures are allocated based on time dedicated to the activity. Other operating and general expenditures, including professional and consulting fees, technology support, occupancy expenditures and asset use fees, have been allocated based on the level of benefit received by each program and support service.

(e) Financial instruments:

(i) Measurement

Fixed income financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Mutual Funds that are traded in an active market are initially and subsequently measured at fair value. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument.

(ii) Financial 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 arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

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 has a concentration of credit risk related to all cash being held by one financial institution.

Liquidity Risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities.

It is management's opinion that the Organization is not exposed to significant interest, credit or liquidity risks arising from their financial instruments.

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Notes to Financial Statements

Year ended June 30, 2023

2. Significant accounting policies (continued):

(f) Property, building and equipment:

Purchased property, building and equipment are recorded at cost. Contributed property, building and equipment are recorded at fair value at the date of contribution. Amortization expense is reported in the Capital Fund net of an annual asset use fee charged to the Operating Fund. Amortization is provided on a straight-line basis over the estimated useful lives of capital assets. Amortization rates are as follows:

Asset	Rate
Building	Retire in 2043
Building equipment & improvements	5 – 10 years
Office and computer equipment, software	3 – 10 years

(g) 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Investments:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Government and Corporate Bonds	\$ 6,800,972	\$ 6,534,702	\$8,418,165	\$ 7,992,184
Guaranteed Investment Certificate	2,429,098	2,429,213	2,917,795	2,921,402
Money Market Funds	891,105	891,105	4,258	4,258
Mutual Funds	1,959,571	1,959,571	1,715,556	1,715,556
	\$12,080,746	\$11,814,591	\$13,055,774	\$ 12,633,400

Investments are chosen to provide diversification in the overall portfolio needed to provide investment income while minimizing the risk of losing principal as a long-term strategy. For managed investment portfolios, funds are selected that are committed to following strict environmental, social & governance screening processes. For fixed income investing, an ethical screening approach is taken to evaluate all entities including the elimination of investing in any entity that violates Human Rights/Child Labour standards.

The fair value of investments was determined by reference to published price quotations in an active market. Investment income includes interest and realized gains on fixed income investments and realized and unrealized gains and losses on Mutual Funds.

Government and Corporate Bonds have an effective interest rate of 1.25% to 8.64% (2022 – 1.25% to 8.64%) and mature between 2023 and 2028. Guaranteed Investment Certificates have an effective interest rate of 2.00% to 5.00% (2022 – 0.60% to 2.00%) and mature between 2023 and 2026. Money Market Funds have an effective interest rate of 4.30% (2022 – 0.34%) with no fixed maturity date.

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Notes to Financial Statements

Year ended June 30, 2023

3. Investments (continued)

Investment income				2023	2022
	Operating Fund	Capital Fund	Planned Giving Fund	Total	Total
<i>Investments measured at fair value</i>					
Dividends	\$ 907	\$ 77	\$ -	\$ 984	\$ 3,672
Change in value of mutual funds	224,121	18,910	-	243,031	(288,116)
	225,028	18,987	-	244,015	(284,444)
<i>Investments measured at amortized cost</i>					
Interest	404,473	35,537	950	440,960	294,441
	\$ 629,501	\$ 54,524	\$ 950	\$ 684,975	\$ 9,997

4. Net Change in Non-Cash Operating Working Capital

	2023	2022
Prepaid expenses and taxes recoverable	\$ 155,841	\$ (14,501)
Accounts payable and accrued liabilities	174,609	154,721
Program support and gifts payable	(1,564,778)	232,476
Deferred contributions	26,909	73,345
	\$ (1,207,419)	\$ 446,041

5. Property, building and equipment:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Building	3,551,151	1,707,595	1,843,556	1,874,400
Office & computer equipment, software	2,577,518	2,146,543	430,975	562,045
	\$ 6,178,669	\$ 3,854,138	\$ 2,324,531	\$ 2,486,445

Amortization charges for the year are \$562,768 (2022 - \$535,609). The asset use fees, net of other general capital expenses, for the year are \$480,000 (2022 - \$436,560).

6. International Ministry Agreements:

The Organization conducts its child development program overseas under a Master Agency Agreement with Compassion International of Colorado Springs, Colorado.

7. Group Pension Plan:

The Organization operates a defined contribution registered pension plan (RPP). Employer contributions during the year were \$574,030 (2022 - \$502,514) for current year contributions.

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Notes to Financial Statements

Year ended June 30, 2023

8. Capital Disclosures:

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to respond to the physical and spiritual needs of children in the developing world and their communities by encouraging vision, providing resources and developing skills. As the Organization is a not-for-profit organization, this objective is dependent on the support of individual donors throughout Canada.

The Organization defines its capital as its Fund balances. The Organization manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To facilitate the management of its capital requirements, the Organization prepares annual revenue and expenditure budgets which are based on established and projected funding needs for the year. These budgets are updated as necessary, depending on changes in circumstances, and are approved by the Board of Directors.

There have been no changes in what the Organization defines as capital, or the objectives, policies, and procedures for managing capital in the year.