

CARE Canada Annual Report 2009

# FINANCIAL STATEMENTS



**care**®

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# Financial Reporting Responsibility

The accompanying financial statements of CARE Canada have been prepared by management in accordance with Canadian generally accepted accounting principles and contain certain items that reflect best estimates and judgment of management. The integrity and reliability of the data in these financial statements are management's responsibility. Management is responsible for ensuring that all information in the Annual Report is consistent with the financial statements.

In support of its responsibility for the integrity and reliability of these financial statements, and the accounting system from which they are derived, management has developed and maintains a system of internal controls to provide reasonable assurance that: transactions are properly authorized and recorded, financial information is reliable, assets are safeguarded, liabilities recognized, and operations are carried out effectively.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and exercises this responsibility through the Finance, Audit and Risk Management Committee of the Board. The Finance, Audit and Risk Management Committee is composed of members who are neither officers nor employees of CARE Canada, and who are financially literate. The Finance, Audit and Risk Management Committee is therefore qualified to review CARE Canada's annual financial statements and recommend their approval by the Directors of the Organization. The Finance, Audit and Risk Management Committee meets with management and CARE Canada's external auditors, and recommends to the Directors of the Organization the appointment or reappointment of external auditors. The Finance, Audit and Risk Management Committee has established processes to evaluate the independence of CARE Canada's external auditors and reviews all services provided by these professionals. The Finance, Audit and Risk Management Committee has a duty to review the adoption of, and changes in, accounting principles and procedures that have a material effect on the financial statements, and assess key management judgments and estimates material to the reported financial information.

These financial statements have been audited by CARE Canada's external auditors, Deloitte & Touche LLP, and their report is presented herein. The external auditors have full and unrestricted access to the Finance, Audit and Risk Management Committee to discuss their audit and related findings. The full financial statements can be found on CARE Canada's web site: [www.care.ca](http://www.care.ca)

**Kevin McCort**  
*President and CEO*

**Jamie Craig**  
*VP Corporate Services  
and Chief Financial Officer*

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# Auditors' Report

To the Directors of  
CARE Canada

We have audited the statement of financial position of CARE Canada as at June 30, 2009 and the statements of operations and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of CARE Canada's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CARE Canada as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Deloitte & Touche LLP*

**Deloitte and Touche, LLP**  
*Chartered Accountants*  
*Licensed Public Accountants*

October 2, 2009

# Statement of Financial Position

as at June 30, 2009

	Venture and Emergency Fund	Annual Fund	Total 2009	Total 2008
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 26,110,775	\$ 26,110,775	\$ 21,902,225
Amounts receivable	-	6,550,373	6,550,373	7,409,192
Contributions receivable from donors (Note 3)	-	10,104,120	10,104,120	5,388,270
Prepaid expenses	-	406,065	406,065	539,919
	-	43,171,333	43,171,333	35,239,606
RESTRICTED INVESTMENTS (Note 3)	-	229,794	229,794	229,794
LONG-TERM INVESTMENTS (Note 4)	659,868	18,519	678,387	721,245
PREPAID CAPITAL CAMPAIGN EXPENSES (Note 5)	-	-	-	209,460
CAPITAL ASSETS (Note 6)	-	4,358,570	4,358,570	4,688,521
	\$ 659,868	\$ 47,778,216	\$ 48,438,084	\$ 41,088,626
<b>CURRENT LIABILITIES</b>				
Inter-fund balance	\$ 106,756	\$ (106,756)	\$ -	\$ -
Accounts payable and accrued liabilities	50,720	11,769,475	11,820,195	9,920,835
Deferred contributions (Note 3)	-	29,713,898	29,713,898	24,997,295
Current portion of long-term debt (Note 8)	-	164,584	164,584	155,132
	157,476	41,541,201	41,698,677	35,073,262
LONG-TERM DEBT (Note 8)	-	1,768,713	1,768,713	1,933,297
DEFERRED CONTRIBUTIONS (Note 3)	-	229,794	229,794	229,794
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	-	293,020	293,020	338,100
	157,476	43,832,728	43,990,204	37,574,453
<b>COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES (Notes 16 and 17)</b>				
<b>FUND BALANCES</b>				
General - Unrestricted	-	1,813,235	1,813,235	906,645
General - Invested in capital assets (Note 11)	-	2,132,253	2,132,253	2,261,992
Externally Restricted - Venture and Emergency Fund	502,392	-	502,392	345,536
	502,392	3,945,488	4,447,880	3,514,173
	\$ 659,868	\$ 47,778,216	\$ 48,438,084	\$ 41,088,626

**Paul Drager**  
Chair

**Denis Durand**  
Chair, Finance, Audit and  
Risk Management Committee

# Statement of Operations and Changes in Fund Balances

year ended June 30, 2009

	Venture and Emergency Fund	Annual Fund	Total 2009	Total 2008
Support and revenue				
Donations				
Unrestricted	\$ -	\$ 5,838,890	\$ 5,838,890	\$ 5,362,147
Restricted (Note 12)	513,096	1,125,376	1,638,472	2,043,451
Canadian Funded	-	25,924,825	25,924,825	17,974,131
Globally Funded (Note 13)	-	66,839,684	66,839,684	37,869,182
CARE International Members	-	73,586,889	73,586,889	69,982,858
Other contributions	-	-	-	3,102,991
Interest and investment income	14,585	211,706	226,291	545,368
Foreign exchange gains (losses)	-	(112,278)	(112,278)	173,393
Amortization of deferred contributions related to capital assets (Note 9)	-	45,080	45,080	45,080
Miscellaneous	-	1,348,613	1,348,613	1,287,958
	<b>527,681</b>	<b>174,808,785</b>	<b>175,336,466</b>	<b>138,386,559</b>
Expenses				
Programme activities (Schedule)				
Humanitarian and Emergency Assistance (Note 13)	101,269	115,983,657	116,084,926	86,179,749
Environment and Natural Resource Management	-	13,847,455	13,847,455	7,961,863
Health and HIV	-	13,056,402	13,056,402	10,124,570
Multi-sectoral Integrated Programs	-	14,126,986	14,126,986	16,383,172
Enterprise Development	-	8,877,791	8,877,791	9,446,378
Country Office Management	-	722,352	722,352	664,786
International Programmes	-	821,031	821,031	1,268,231
Care Enterprise Partners	-	38,503	38,503	132,129
	<b>101,269</b>	<b>167,474,177</b>	<b>167,575,446</b>	<b>132,160,878</b>
Support services				
Management and general	60,000	2,727,912	2,787,912	2,951,255
Fundraising, public and donor relations	209,556	3,327,236	3,536,792	2,723,430
Membership in CARE International	-	502,609	502,609	462,814
	<b>269,556</b>	<b>6,557,757</b>	<b>6,827,313</b>	<b>6,137,499</b>
Total expenses	<b>370,825</b>	<b>174,031,934</b>	<b>174,402,759</b>	<b>138,298,377</b>
EXCESS OF REVENUE OVER EXPENSES	156,856	776,851	933,707	88,182
FUND BALANCE, BEGINNING OF YEAR	345,536	3,168,637	3,514,173	3,425,991
FUND BALANCE, END OF YEAR	\$ 502,392	\$ 3,945,488	\$ 4,447,880	\$ 3,514,173

# Statement of Cash Flows

year ended June 30, 2009

	2009	2008
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 933,707	\$ 88,182
Amortization of capital assets	545,382	605,355
Amortization of deferred contributions related to capital assets	(45,080)	(45,080)
Amortization of prepaid Capital Campaign expenses	209,460	62,774
	<b>1,643,469</b>	711,231
Changes in non-cash operating working capital items:		
Decrease (increase) in amounts receivable	858,819	(1,299,254)
Decrease (increase) in contributions receivable from donors	(4,715,850)	3,888,104
Decrease in prepaid expenses	133,854	413,910
Increase in accounts payable and accrued liabilities	1,899,360	132,414
Increase (decrease) in deferred contributions	4,716,603	(5,531,551)
	<b>4,536,255</b>	(1,685,146)
FINANCING AND INVESTING		
Acquisition of capital assets	(351,204)	(116,007)
Proceeds on disposal of capital assets	135,773	84,993
Decrease (increase) in long-term investments	42,858	(189,816)
Repayment of long-term debt	(155,132)	(144,895)
	<b>(327,705)</b>	(365,725)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>4,208,550</b>	(2,050,871)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<b>21,902,225</b>	23,953,096
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 26,110,775</b>	\$ 21,902,225

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# Notes to the Financial Statements

year ended June 30, 2009

## 1. DESCRIPTION

CARE Canada was established in 1946 and was incorporated in 1977 under Part II of the *Canada Corporations Act*. CARE Canada is a not-for-profit, non-governmental organization in the field of relief, reconstruction and development in developing countries and is governed by a volunteer board of directors whose services are provided at no cost to CARE Canada. CARE Canada is a registered charitable organization for purposes of the *Income Tax Act* (Canada) and as such is not subject to income tax. CARE Canada is an independent member of CARE International.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations and reflect the following significant accounting policies:

### **Basis of presentation**

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the six overseas Country Offices (Chad, Cuba, Indonesia, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenue and expenses for which CARE Canada and its six overseas Country Offices enter into contracts with donors for the funding of projects in various countries.

### **Fund accounting**

CARE Canada follows the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to CARE Canada, the accounts of CARE Canada are classified for reporting purposes into funds in accordance with activities or objectives specified by the donors or in accordance with the directives issued by the Board of Directors. Transfers between funds are recorded as approved by CARE Canada's Board of Directors.

The Annual Fund reports resources to be used for CARE Canada's programme and administrative activities. This fund reports unrestricted resources and restricted contributions.

The Venture and Emergency Fund includes donations and contributions the use of which is restricted by the donors for:

- the Emergency Relief Rapid Response Programme to be used as a vehicle to help at the very onset of a crisis;
- the Pro-Poor Business Programme to be used to effectively reduce poverty by utilizing market mechanisms and business enterprise functions designed to put more income into the hands of poor people.

### **Revenue recognition**

#### *Contributions:*

Unrestricted contributions are recorded as revenue of the Annual Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue in the Annual Fund in the year in which the related expenses are incurred.

Restricted contributions for the Venture and Emergency Fund are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income earned on the Venture and Emergency Fund is recognized as revenue in the Venture and Emergency Fund or the Annual Fund depending on the nature of any restrictions imposed by the donor. Other investment income is recognized as income of the Annual Fund when earned.

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# Notes to the Financial Statements

year ended June 30, 2009

## *Canadian funded:*

CARE Canada enters into contracts with the Canadian Government (the Canadian International Development Agency - "CIDA") and other donors for the funding of projects in various countries. These funds are recorded as revenue of the Annual Fund as related expenses are incurred. Any indirect costs recovery, management fee or procurement fee that is applicable to CARE Canada is recorded as revenue of the Annual Fund in accordance with the terms in the individual contracts.

The portion of the contributions that relates to a future period is deferred and recognized as revenue of the Annual Fund in the period that the contributions are spent. Any contributions expended in excess of the contributions received from the donors are shown in the statement of financial position as contributions receivable from donors.

## *Contributions and donated services:*

Grain and other contributions-in-kind received from multilateral donors, Government of Canada and other organizations are recorded as revenue and programme activity expenses at fair value.

Wherever government and local communities in countries in which CARE Canada operates contribute labour services, transportation and storage facilities to various projects, the value of such contributions is not reflected in the financial statements because of the difficulty of measurement.

Similarly, contributions by various media for public information and fundraising campaigns are not reflected in the financial statements because of the difficulty of measurement.

Donated capital assets and contributions received towards the acquisition of capital assets are deferred and amortized to income on the same basis as the related depreciable capital assets are amortized.

## **Expense allocation**

Expenses that can be directly identified with programme activities or support services are charged accordingly.

## **Cash and cash equivalents**

Cash and cash equivalents are held in highly liquid investments with maturities of three months or less.

## **Agricultural commodities**

CARE Canada may receive funding to purchase commodities which, when sold, are designated for specific CARE Canada project activities. The proceeds are recorded as deferred contributions. Revenue and expenses are recognized in the statement of operations as the funds are utilized in project activities.

## **Capital assets**

Capital assets acquired for direct use in donor-funded projects are expensed in the year of acquisition as CARE Canada is not entitled to ownership. Those that are not project-specific are capitalized and amortized over their estimated useful lives. Contributed capital assets are recorded at fair value at the date of contribution.

For internal use software, the costs of software licenses and associated consulting costs and the payroll costs of employees directly associated with the project are capitalized. The costs of software maintenance, training and data conversion are expensed in the period incurred.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Vehicles	3 years
Leasehold improvements	5 years
Office equipment	5 years
Computer equipment	3 years

**Prepaid capital campaign expenses**

Direct support costs incurred in the Campaign for the Venture and Emergency Fund are capitalized and amortized in the Venture and Emergency Fund based on the percentage of campaign donations received in the year over the total estimated donations expected as a result of the campaign.

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. All other assets and liabilities are translated at their historical rate. Revenue and expense items are translated using average monthly rates. Any resulting foreign exchange gains or losses are disclosed separately in the Annual Fund.

**Use of estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Significant estimates include assumptions used in estimating the recoverability of project over-expenditures and used to determine the allowance for contributions receivable from donors, the amortization period of capital assets and the value of the investments.

**Classification of financial instruments**

All financial instruments reported on the Statement of Financial Position of CARE Canada are classified as follows:

*Classification:*

Cash and cash equivalents	Held-for-trading
All amounts receivable	Loans and receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

*Held-for-trading*

These financial assets are measured at fair value at the Statement of Financial Position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in interest and investment income.

*Available-for-sale*

These financial assets are carried at fair value with unrealized gains and losses included in accumulated unrealized gains and losses in the Statement of Changes in Fund Balances until realized when the cumulative gains or losses are transferred to revenue or expense.

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# Notes to the Financial Statements

year ended June 30, 2009

## *Loans and receivables*

These financial assets are initially measured at fair value and thereafter are measured at amortized cost using the effective interest rate method, less any impairment.

## *Other liabilities*

These financial liabilities are recorded at amortized cost using the effective interest rate method.

## **Changes in accounting policies**

CARE Canada did not adopt the Canadian Institute of Chartered Accountants (CICA) Sections 3862 and 3863 *Financial Instruments - Disclosures and Presentation* this year as the adoption of these sections became optional in late 2008 for not-for-profit organizations.

On July 1, 2008, CARE Canada adopted the new disclosure standard that was issued by the CICA: Handbook Section 1535, *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

On April 23, 2008 the CICA amended Section 3855, *Financial Instruments - Recognition and Measurement* of the CICA Handbook. The amended section allows not-for-profit organizations to elect not to account for certain non-financial contracts as derivatives and also not to account for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives. If CARE Canada did not elect this option it would be required to account for derivative financial instruments and embedded derivative financial instruments in accordance with the guidance in section 3855. CARE Canada has elected to adopt these amendments to Section 3855 effective for its fiscal year beginning on July 1, 2008 and has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

## **Future accounting changes**

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series – *Financial Statements by Not-For-Profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, CARE Canada will have to adopt the amended standards for its fiscal year beginning July 1, 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for not-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

CARE Canada is currently evaluating the impact of the adoption of these new standards on its financial statements. CARE Canada does not expect that the adoption of these new Sections will have a material impact on its financial statements.

### 3. DEFERRED CONTRIBUTIONS

Short-term deferred contributions represent externally restricted contributions to fund programme expenses of future periods.

	2009	2008
Balance, beginning of year		
Short-term deferred contributions	\$ 24,997,295	\$ 30,528,846
Contributions receivable from donors	(5,388,270)	(9,276,374)
	<b>19,609,025</b>	21,252,472
Amounts received during the year		
Cash	129,896,340	97,008,015
In-kind (Note 13)	37,581,187	31,866,512
	<b>167,477,527</b>	128,874,527
Amounts recognized as revenue	(167,476,774)	(130,517,974)
	753	(1,643,447)
Balance, end of year	<b>\$ 19,609,778</b>	\$ 19,609,025
Balance, end of year represented by:		
Short-term deferred contributions	\$ 29,713,898	\$ 24,997,295
Contributions receivable from donors	(10,104,120)	(5,388,270)
	<b>\$ 19,609,778</b>	\$ 19,609,025

Long-term deferred contributions of \$229,794 (2008 – \$229,794) are represented by restricted investments in fixed income securities. The principal of \$229,794 must be maintained until 2031. The market value of the restricted investments is approximately \$229,794 (2008 – \$229,794).

# Notes to the Financial Statements

year ended June 30, 2009

## 4. LONG-TERM INVESTMENTS

	2009		2008	
	Cost Plus Accrued Interest	Market Value	Cost Plus Accrued Interest	Market Value
Annual Fund				
Bond	\$ 18,519	\$ 18,519	\$ 6,602	\$ 6,602
Emergency Assessment Fund – CARE International	–	–	5,093	5,093
	<b>18,519</b>	<b>18,519</b>	11,695	11,695
Venture and Emergency Fund				
Investment in MicroVest I, LP	122,593	122,593	122,593	122,593
Investment in Edyficar	17,209	17,209	17,209	17,209
Loans to agri-business enterprises in Peru	4,956	4,956	65,778	65,778
Loans to CEP Investment Trust	515,110	515,110	503,970	503,970
	<b>659,868</b>	<b>659,868</b>	709,550	709,550
	<b>\$ 678,387</b>	<b>\$ 678,387</b>	\$ 721,245	\$ 721,245

The effective yield on the bond as at June 30, 2009 is 10% (2008 - 10%) and the bond will mature in October 2014.

To enhance economic opportunity, deepen financial services and promote private sector and enterprise development, CARE Canada invests in pro-poor businesses and micro-finance investments in developing countries. The objective of these investments is to increase access to financial services in underserved communities and promote entrepreneurship and sustainable economic development.

In this regard, CARE Canada has invested in MicroVest I LP Fund – an investment fund that places investments in microfinance institutions in the Third World and in Edyficar that provides micro-finance services in Peru. Edyficar is a profit-making financial entity. CARE Canada holds a minority, non-controlling interest in Edyficar. Given that these investments do not have a quoted market price in an active market, they are recorded at cost.

CARE Canada has also advanced multi-year loans to three small agri-business enterprises in Peru that promote women entrepreneurship. The carrying value of the loan was written down by \$60,000 during the year to reflect net realizable value. CARE Canada established the CEP Investment Trust and provided the Trust with long-term loans to facilitate investments. The Trust has placed its first investment in the Aavishkaar Micro-Venture Fund in India and has committed to invest an additional amount of \$325,000 from the long-term loans it has received from CARE Canada. The Aavishkaar Fund expects to invest in a number of socially relevant rural enterprises in India over the next several years.

## 5. PREPAID CAPITAL CAMPAIGN EXPENSES

	2009	2008
Balance, beginning of year	\$ 209,460	\$ 272,234
Amortization	(209,460)	(62,774)
Balance, end of year	\$ –	\$ 209,460

## 6. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 271,023	\$ –	\$ 271,023	\$ 271,023
Buildings	4,635,666	912,275	3,723,391	3,877,379
Vehicles	985,013	783,249	201,764	396,762
Leasehold improvements	73,781	47,404	26,377	742
Office equipment	342,015	315,538	26,477	29,950
Computer equipment	1,049,784	940,246	109,538	112,665
	<b>\$ 7,357,282</b>	<b>\$ 2,998,712</b>	<b>\$ 4,358,570</b>	<b>\$ 4,688,521</b>

Cost and accumulated amortization at June 30, 2008 amounted to \$7,513,015 and \$2,824,494.

## 7. CREDIT FACILITY

An unsecured line of credit of \$2,000,000 renewable on an annual basis is available for use by CARE Canada. Advances under the line of credit bear interest at the bank's prime rate and are repayable on demand. As at June 30, 2009, there was no outstanding balance (2008 - \$NIL).

## 8. LONG-TERM DEBT

	2009	2008
Mortgage payable in monthly installments of \$21,911 (2008 - \$22,263), including principal and interest at an annual rate of 5.35% (2008 - 5.71%), secured by land and a building with a net book value of \$3,618,491 (2008 - \$3,716,947), renewable in October 2013	\$ 1,933,297	\$ 2,088,429
Less current portion	(164,584)	(155,132)
	<b>\$ 1,768,713</b>	<b>\$ 1,933,297</b>

Principal repayments over the next five years are as follows:

2010	\$164,584
2011	173,507
2012	182,914
2013	192,831
2014	203,285
Thereafter	1,016,176

The fair value of the mortgage approximates the book value.

# Notes to the Financial Statements

year ended June 30, 2009

## 9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent a building located in Kenya which was contributed in January 2006. The changes in the deferred contributions balance for the year are as follows:

	2009	2008
Balance, beginning of year	\$ 338,100	\$ 383,180
Amount amortized to revenue	(45,080)	(45,080)
Balance, end of year	\$ 293,020	\$ 338,100

## 10. CAPITAL MANAGEMENT

As disclosed in Note 2, CARE Canada adopted CICA Handbook Section 1535 effective July 1, 2008.

CARE Canada's objectives in managing capital (fund balances) are:

- to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual budget and business plan review;
- to safeguard the Entity's ability to continue as a charitable organization and meet the objectives of the different funds as described in Note 2;
- to build the Annual Fund unrestricted reserve to an equivalent of six months of operating expenses;
- to invest funds in financial instruments that conform with investment policy and which present a low risk for CARE Canada.

CARE manages several funding agreements with external restrictions that specify the conditions for using these financial resources. CARE Canada has complied with the requirements respecting these restricted contributions. CARE Canada monitors its capital by reviewing various financial metrics, including cash flows and variances to forecasts and budgets.

## 11. INVESTED IN CAPITAL ASSETS

	2009	2008
Balance, beginning of year	\$ 2,261,992	\$ 2,646,358
Acquisitions	351,204	116,007
Amortization of capital assets	(545,382)	(605,355)
Amortization of deferred contributions related to capital assets	45,080	45,080
Disposals	(135,773)	(84,993)
Repayment of long-term debt	155,132	144,895
Balance, end of year	\$ 2,132,253	\$ 2,261,992

## 12. RESTRICTED DONATIONS

Restricted donations received under the Venture and Emergency Fund includes the following:

	2009	2008
Venture and Emergency Fund donations	\$ 570,107	\$ 505,154
Less amounts recognized as unrestricted donations in the Annual Fund	(57,011)	(50,515)
	\$ 513,096	\$ 454,639

## 13. CONTRIBUTIONS-IN-KIND

	2009	2008
Food Programmes		
Zimbabwe	\$ 32,130,364	\$ 30,780,043
Cuba	23,783	670,473
Kenya	5,427,040	415,996
	\$ 37,581,187	\$ 31,866,512

## 14. PENSION PLAN

The pension plan for employees of CARE Canada (the "Plan") is a defined contribution plan covering all employees of CARE Canada who meet eligibility requirements as specified in the Plan Agreement. CARE Canada is required to contribute 5% of the employee's gross earnings for all members. CARE Canada contributed \$205,683 (2008 - \$225,535) during the year. Pension benefits are recorded as an expense in the period incurred.

## 15. CONTROLLED ENTITIES

CARE Canada established the CEP Investment Trust in 2007 to undertake investments in Pro-Poor businesses in the Third World. CARE Canada is the sole beneficiary of CEP Investment Trust. The CEP Investment Trust financial statements have not been consolidated with CARE Canada's financial statements. The CEP Investment Trust has a December 31 year-end.

During the year, CARE Canada committed to provide funds to CEP Investment Trust to fund certain investment activities. The outstanding amount due to CEP Investment Trust at June 30, 2009 under this commitment was \$50,720 (2008 - \$203,970). As at December 31, 2008, CEP Investment Trust had total assets of \$461,477 (2007 - \$303,297), total liabilities of \$465,110 (2007 - \$306,610) and its capital deficiency was \$3,633 (2007 - \$3,313). Total revenues in 2008 were \$5,262 (2007 - \$6,226) and expenses were \$5,582 (2007 - \$9,549).

CARE Canada controlled the Global Development Group ("GDG") through Board of Directors representation. GDG was incorporated as a not-for-profit organization under the Canada Corporations Act.

# Notes to the Financial Statements

year ended June 30, 2009

On September 4, 2007, the Board of Directors of GDG approved a plan to wind down the operations of the Organization in an orderly fashion. A team was appointed to implement the closure of GDG. Following this action, GDG has been wound down. A financial summary of GDG is as follows:

	<b>2009 (Unaudited)</b>	2008 (Unaudited)
Financial position		
Total assets	\$ –	\$ 89,022
Total liabilities	–	(256,313)
Total net liabilities	\$ –	\$ (167,291)
Summary of operations		
Total revenue	\$ 241,529	\$ 913,657
Total expenses	(74,238)	(561,975)
Excess of revenue over expenses	\$ 167,291	\$ 351,682
Summary of cash flows		
Net inflow from operating	\$ –	\$ 99,273
Net outflow from investing and financing	–	(92,387)
Net cash inflow	\$ –	\$ 6,886

Amount due from GDG is \$NIL (2008 – \$241,529).

## 16. COMMITMENTS AND CONTINGENT LIABILITIES

### Leases

CARE Canada is committed to payments under operating leases in Country Offices and in Canada with lease expiry dates ranging from 2010 to 2013. Minimum annual payments for the next four years are as follows:

2010	\$826,693
2011	639,378
2012	425,170
2013	413,187
	<u>\$2,304,428</u>

### Legal actions

In the ordinary course of business, CARE Canada becomes involved in various legal actions. While the ultimate effect of such actions cannot be ascertained at this time, management believes that their resolution will not have a material adverse effect on the financial statements.

### Letter of credit

CARE Canada issued a letter of credit in the amount of \$1,000,000 in favor of the Receiver General for Canada, expiring on January 30, 2013. This letter was issued as a guarantee in order to facilitate the implementation of the PIMCHAS Project in Nicaragua. If a liability were to result from this letter, any losses would be charged as programme expenditures in the year incurred.

## 17. GUARANTEES

As stated in Note 2, the contributions from the Canadian Government (CIDA) and other contributions are subject to restrictions as to the use of the funds. CARE Canada's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by CIDA and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits, if any, will be recorded in the period in which they become known.

## 18. FINANCIAL INSTRUMENTS

### Foreign exchange risk

CARE Canada operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. CARE Canada does not use derivatives to hedge its foreign exchange risk but relies on prudent cash management practices to minimize exposure to foreign exchange risk.

Cash and cash equivalents, amounts receivable and contributions receivable from donors include amounts denominated in foreign currencies as follows:

	2009	2008
Country Offices		
United States Dollars	\$ 24,837,002	\$ 21,086,855
Cameroon XAF	–	707
Chad XAF	1,911,097	1,335,160
Cuban Pesos	141,499	170,068
Indonesian Rupiah	4,124,832	2,363,987
Ingushetia Ruble	–	5,990
Kenyan Shilling	2,081,755	853,754
Zambia Kwacha	708,817	3,523,746
Senegal XOF	–	72,184
Zimbabwe Dollars	8,295	29
	33,813,297	29,412,480
Headquarters		
United States Dollars	1,329,693	2,299,761
	\$ 35,142,990	\$ 31,712,241

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# Notes to the Financial Statements

year ended June 30, 2009

Accounts payable and accrued liabilities and deferred contributions include amounts denominated in foreign currencies as follows:

	2009	2008
Country Offices		
United States Dollars	\$ 20,870,855	\$ 16,619,344
Chad XAF	1,731,908	1,471,161
Indonesian Rupiah	4,521,303	4,301,874
Kenya Shilling	3,168,080	2,174,829
Zambia Kwacha	1,003,997	1,225,729
Senegal XOF	–	3,415
Zimbabwe Dollars	159,371	50,544
	<b>31,455,514</b>	25,846,896
Headquarters		
United States Dollars	371,506	1,283,079
	<b>\$ 31,827,020</b>	\$ 27,129,975

## Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of CARE Canada is represented by the fair value of the investments and amounts receivable as presented in the statement of financial position.

## Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on CARE Canada cash flows, financial position, investment income and interest expenses. CARE Canada's mortgage and fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

## 19. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

# Programme Activities According to Sectors

year ended June 30, 2009

	Humanitarian and Emergency Assistance	Environment and Natural Resource Management	Health and HIV	Multi-Sectoral/ Integrated Programs	Enterprise Development	Total 2009	Total 2008
Advocacy	\$ 574,367	\$ –	\$ 14,771	\$ 282,805	\$ 822,365	\$ 1,694,308	\$ 1,746,443
Agriculture and Natural Resources	974,734	4,701,179	80,739	42,876	981,914	6,781,442	8,026,475
Child Health	27,337	–	3,710,594	–	–	3,737,931	2,263,955
Education	76,302	230,212	149,629	2,607,535	2,459,535	5,523,213	3,955,832
Infrastructure	9,014,894	–	–	50,860	–	9,065,754	1,429,868
Integrated and Other Health	3,319,522	–	3,860,654	59,380	–	7,239,556	5,093,189
Multi-Sector projects	3,599,913	–	–	396,453	1,331,978	5,328,344	3,406,859
Nutritional Support	81,768,714	335,205	438,884	792,314	–	83,335,117	53,695,371
Other	11,335,290	896,501	622,049	9,347,317	202,499	22,403,656	30,525,797
Programme Management	16,907	–	–	324,966	579,300	921,173	1,386,897
Reproductive Health	85,707	23,847	2,110,406	–	–	2,219,960	3,626,915
Small Economic Activity Development	340,633	2,377,627	104,283	5,770	2,500,200	5,328,513	3,957,661
Water Supply and Sanitation	4,950,606	5,282,884	1,964,393	216,710	–	12,414,593	10,980,469
	\$ 116,084,926	\$ 13,847,455	\$ 13,056,402	\$ 14,126,986	\$ 8,877,791	\$ 165,993,560	\$ 130,095,731



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