

Financial Statements of

COMPASSION CANADA

Year ended June 30, 2024

Financial Statements of

COMPASSION CANADA

Year ended June 30, 2024

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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, 2024, the statements of operations and changes in net fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Compassion Canada as at June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not for profit organization.

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 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 auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Exeter, Ontario
September 13, 2024

P T M G LLP
Chartered Professional Accountants
Licensed Public Accountants

COMPASSION CANADA

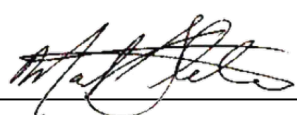

Statement of Financial Position

As at June 30, 2024 with comparative figures for June 30, 2023

	Operating Fund	Capital Fund	Planned Giving Fund	2024 Total	2023 Total
Assets					
Current assets:					
Cash	\$ 4,821,371	\$ -	\$ 8,415	\$ 4,829,786	\$ 4,062,120
Investments (note 3)	7,154,414	1,345,522	32,234	8,532,170	11,189,640
Prepaid expenses and taxes recoverable	491,937	-	-	491,937	368,246
Interfund balances	(23,054)	33,326	(10,272)	-	-
	12,444,668	1,378,848	30,377	13,853,893	15,620,006
Other assets	-	-	250,000	250,000	250,000
Property, building and equipment (note 5)	-	2,089,509	-	2,089,509	2,324,531
	\$ 12,444,668	\$ 3,468,357	\$ 280,377	\$ 16,193,402	\$ 18,194,537
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,065,128	\$ -	\$ 687	\$ 1,065,815	\$ 1,036,189
Program support and gifts payable	986,582	-	-	986,582	2,025,922
Deferred contributions	1,474,766	-	-	1,474,766	1,241,686
	3,526,476	-	687	3,527,163	4,303,797
Fund balances:					
Equity in property, building & equipment	-	3,468,357	-	3,468,357	3,268,388
Externally restricted	-	-	275,000	275,000	275,000
Internally restricted	-	-	4,690	4,690	3,547
Accumulated operating surplus	8,918,192	-	-	8,918,192	10,343,805
	8,918,192	3,468,357	279,690	12,666,239	13,890,740
	\$ 12,444,668	\$ 3,468,357	\$ 280,377	\$ 16,193,402	\$ 18,194,537

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

On behalf of the Board

COMPASSION CANADA

Statement of Operations and Changes in Fund Balances

As at June 30, 2024 with comparative figures for June 30, 2023

	Operating Fund	Capital Fund	Planned Giving Fund	2024 Total	2023 Total
Revenue:					
Child and youth development	\$ 63,042,213	\$ -	\$ -	\$ 63,042,213	\$ 63,347,397
Complementary interventions	7,666,780	-	-	7,666,780	7,895,619
Survival	2,310,778	-	-	2,310,778	2,643,128
Investment (note 3)	696,053	61,492	1,143	758,688	684,975
Other	36,875	-	-	36,875	11,496
Total Revenue	73,752,699	61,492	1,143	73,815,334	74,582,615
Expenditures:					
Program activities:					
Child and youth development	53,846,057	-	-	53,846,057	54,745,678
Complementary interventions	6,144,774	-	-	6,144,774	6,316,496
Survival	1,848,622	-	-	1,848,622	2,114,502
	61,839,453	-	-	61,839,453	63,176,676
Fundraising	8,147,402	-	-	8,147,402	8,617,341
Administration	5,191,457	(138,477)	-	5,052,980	5,432,608
Total Expenditures	75,178,312	(138,477)	-	75,039,835	77,226,625
Excess (deficiency) of revenues over expenditures	\$ (1,425,613)	\$ 199,969	\$ 1,143	\$ (1,224,501)	\$ (2,644,010)
Fund balances, beginning of year	10,343,805	3,268,388	278,547	13,890,740	16,534,750
Fund balances, end of year	\$ 8,918,192	\$ 3,468,357	\$ 279,690	\$ 12,666,239	\$ 13,890,740

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

COMPASSION CANADA

Statement of Cash Flows

As at June 30, 2024 with comparative figures for June 30, 2023

	Operating Fund	Capital Fund	Planned Giving Fund	2024 Total	2023 Total
Cash provided by (used in):					
Operating activities:					
Excess (Deficiency) of revenue over expenditures	\$ (1,425,613)	\$ 199,969	\$ 1,143	\$ (1,224,501)	\$ (2,644,010)
Adjustments for:					
Amortization of property, building and equipment	-	294,844	-	294,844	562,768
Net change in non-cash operating working capital (Note 4)	(908,508)	6,674	1,510	(900,324)	(1,207,419)
	(2,334,121)	501,487	2,653	(1,829,981)	(3,288,661)
Investing activities:					
Purchase of property, building and equipment	-	(59,822)	-	(59,822)	(400,854)
Decrease in investments	3,093,372	(441,665)	5,762	2,657,469	1,866,133
	3,093,372	(501,487)	5,762	2,597,647	1,465,279
Net increase (decrease) in cash	759,251	-	8,415	767,666	(1,823,382)
Cash, beginning of year	4,062,120	-	-	4,062,120	5,885,502
Cash, end of year	\$ 4,821,371	\$ -	\$ 8,415	\$ 4,829,786	\$ 4,062,120

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

COMPASSION CANADA

Notes to Financial Statements

Year ended June 30, 2024

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 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.

(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

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Notes to Financial Statements

Year ended June 30, 2024

2. Significant Accounting Policies (continued):

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.

(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:

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Notes to Financial Statements

Year ended June 30, 2024

2. Significant Accounting Policies (continued):

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.

(h) Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand, cash on deposit, cheques issued and outstanding, investments in high interest bank accounts and 90-day term deposits.

3. Investments:

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
Government and Corporate Bonds	\$ 5,624,934	\$ 5,630,296	\$ 6,800,972	\$ 6,707,964
Guaranteed Investment Certificate	631,824	631,824	2,429,098	2,429,098
Mutual Funds	2,275,412	2,275,412	1,959,570	1,959,570
	\$ 8,532,170	\$ 8,537,532	\$11,189,640	\$ 11,096,632

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 9.00% (2023 – 1.25% to 8.64%) and mature between 2024 and 2028. Guaranteed Investment Certificates have an effective interest rate of 2.00% (2023 – 2.00% to 5.00%) and mature between 2024 and 2026.

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Notes to Financial Statements

Year ended June 30, 2024

3. Investments (continued)

Investment income				2024	2023
	Operating Fund	Capital Fund	Planned Giving Fund	Total	Total
<i>Investments measured at fair value</i>					
Dividends	\$ 10,164	\$ 884	\$ 2,109	\$ 13,157	\$ 984
Change in value of mutual funds	280,410	24,384	-	304,794	243,031
	292,574	25,268	-	317,961	244,015
<i>Investments measured at amortized cost</i>					
Interest	401,370	36,224	1,143	438,737	440,960
	\$ 693,944	\$ 61,492	\$ 3,252	\$ 758,688	\$ 684,975

4. Net Change in Non-Cash Operating Working Capital

	2024	2023
Prepaid expenses and taxes recoverable	\$ (123,390)	\$ 155,841
Accounts payable and accrued liabilities	29,626	174,609
Program support and gifts payable	(1,039,340)	(1,564,778)
Deferred contributions	233,080	26,909
	\$ (900,324)	\$ (1,207,419)

5. Property, Building and Equipment:

	2024		2023	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 50,000	\$ -	\$ 50,000	\$ 50,000
Building	3,598,383	1,872,760	1,725,623	1,843,556
Office & computer equipment, software	2,493,146	2,179,260	313,886	430,975
	\$ 6,141,529	\$ 4,052,020	\$ 2,089,509	\$ 2,324,531

Amortization charges for the year are \$294,844 (2023 - \$562,768). The asset use fees, net of other general capital expenses, for the year are \$433,322 (2023 - \$480,000).

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 \$534,558 (2023 - \$574,030).

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Notes to Financial Statements

Year ended June 30, 2024

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.

9. Comparative Figures

The presentation of certain amounts on the financial statements for the previous year has been changed where necessary to conform with the financial statement presentation adopted for 2024. Net income for the previous year is not affected by this reclassification.