



**HENDRY
WARREN**^{LLP}
CHARTERED PROFESSIONAL ACCOUNTANTS

200-881 Lady Ellen Place
Ottawa, ON K1Z 5L3
(613) 235-2000
www.hwllp.ca

Financial Statements of

**SOS CHILDREN'S VILLAGES
CANADA**

December 31, 2023



**HENDRY
WARREN** LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

200-881 Lady Ellen Place
Ottawa, ON K1Z 5L3
(613) 235-2000
www.hwllp.ca

May 31, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of
SOS Children's Villages Canada:

Opinion

We have audited the accompanying financial statements of SOS Children's Villages Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of revenue and expenses, changes in net assets and cash flow for the year then ended, as well as 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 SOS Children's Villages Canada as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian Auditing Standards. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate that matter to those charged with governance.



**HENDRY
WARREN** LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

200-881 Lady Ellen Place
Ottawa, ON K1Z 5L3
(613) 235-2000
www.hwllp.ca

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework, 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 these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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.



**HENDRY
WARREN**^{LLP}
CHARTERED PROFESSIONAL ACCOUNTANTS

200-881 Lady Ellen Place
Ottawa, ON K1Z 5L3
(613) 235-2000
www.hwllp.ca

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.

Hendry Warren^{LLP}

HENDRY WARREN^{LLP}
Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Ontario

SOS CHILDREN'S VILLAGES CANADA

Statement of Financial Position

December 31, 2023, with comparative figures for 2022

	2023	2022
Assets		
Current assets		
Cash	\$ 4,104,002	\$ 7,624,346
Accounts receivable	10,091	26,291
Short-term investments (Note 2)	1,060,848	1,008,125
Government remittances receivable	41,224	85,152
Prepaid expenses	120,167	31,736
	5,336,332	8,775,650
Endowment fund investments	454,685	418,616
Capital assets (Note 3)	12,547	21,592
	\$ 5,803,564	\$ 9,215,858
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued charges	\$ 419,075	\$ 301,320
Deferred revenue (Note 4)	332,280	1,319,837
Due to related party (Note 5)	1,286,481	1,910,746
	2,037,836	3,531,903
Commitments (Note 6)		
Net assets		
Unrestricted	2,698,496	4,643,747
Restricted		
Invested in capital assets	12,547	21,592
Internally restricted for reserve purposes	600,000	600,000
Endowment fund	454,685	418,616
	3,765,728	5,683,955
	\$ 5,803,564	\$ 9,215,858

Approved on behalf of the Board:



Director

SOS CHILDREN'S VILLAGES CANADA

Statement of Revenue and Expenses

Year ended December 31, 2023, with comparative figures for 2022

	2023	2022
Revenue		
Donations (Note 7)	\$ 7,201,581	\$ 7,415,363
Global Affairs Canada contribution	800,000	3,200,000
Legacy gifts	588,453	1,176,780
Investment income	154,422	73,119
Cooperation agreements	144,035	135,312
Student sponsorship	38,994	20,504
Other income	6,054	14,023
Impact Fund for Children grant	-	1,230,104
	8,933,539	13,265,205
Expenses		
Distributions (Note 8)	5,404,021	5,262,967
Fundraising	2,826,967	1,653,040
Administration	1,034,298	783,508
Global Affairs Canada distributions (Note 8)	719,420	2,904,202
Program grant expenses	533,476	310,744
Communications and public education	327,937	189,506
Impact Fund for Children expenses	-	1,590,519
	10,846,119	12,694,486
(Deficiency) excess of revenue over expenses before Shared Treasury Service foreign exchange (loss) gain	(1,912,580)	570,719
Shared Treasury Service foreign exchange (loss) gain	(41,716)	126,112
(Deficiency) excess of revenue over expenses	\$ (1,954,296)	\$ 696,831

SOS CHILDREN'S VILLAGES CANADA

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative figures for 2022

	Unrestricted	Invested In Capital Assets	Internally Restricted for Reserve Purposes	Endowment Fund	Total 2023	Total 2022
Balance, beginning of year	\$ 4,643,747	\$ 21,592	\$ 600,000	\$ 418,616	\$ 5,683,955	\$ 5,030,780
(Deficiency) excess of revenue over expenses	(1,954,296)	-	-	-	(1,954,296)	696,831
Purchase of capital assets	(4,900)	4,900	-	-	-	-
Amortization	13,945	(13,945)	-	-	-	-
Investment income (loss)	-	-	-	54,069	54,069	(25,656)
Other disbursements	-	-	-	(18,000)	(18,000)	(18,000)
Balance, end of year	\$ 2,698,496	\$ 12,547	\$ 600,000	\$ 454,685	\$ 3,765,728	\$ 5,683,955

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES CANADA

Cash Flow Statement

Year ended December 31, 2023, with comparative figures for 2022

	2023	2022
Operating activities		
(Deficiency) excess of revenue over expenses	\$ (1,954,296)	\$ 696,831
Non-cash items:		
Amortization expense	13,945	14,180
Donation from the Green Family Education Fund to operations	(73,783)	(88,677)
Changes in non-cash working capital balances (Note 9)	(1,495,280)	(568,619)
Cash (used in) provided by operating activities	(3,509,414)	53,715
Investing activities		
Acquisition of short-term investments	(6,030)	(1,539)
Acquisition of capital assets	(4,900)	(7,790)
Cash used in investing activities	(10,930)	(9,329)
(Decrease) increase in cash	(3,520,344)	44,386
Cash, beginning of year	7,624,346	7,579,960
Cash, end of year	\$ 4,104,002	\$ 7,624,346

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

Nature of activities

SOS Children's Villages Canada (the "Organization") is incorporated as a not-for-profit organization under the Canada Not-for-Profit Corporations Act. The Organization is a registered charity under the Income Tax Act and is exempt from taxes under section 149(1)(f). Its purpose is to provide children in need with a caring, loving and lifetime secure family environment where basic needs for food, health, shelter and education are met.

These financial statements report on the activities and financial position of SOS Children's Villages Canada.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The Organization maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting purposes into the following funds:

a) Unrestricted fund

Revenues and expenses for general activities and administration are reported in the unrestricted fund.

b) Invested in capital assets

This fund reports the Organization's investment in capital assets.

c) Internally restricted for reserve purposes

The Board of Directors has designated certain of the unrestricted net assets for reserve purposes.

d) Endowment fund

The Endowment fund was created by a bequest received from the Estate of George Lambert Popow. The money is invested and a percentage of the total invested funds is used to support at least one children's home in Bulgaria in George Lambert Popow's name in perpetuity. The Organization has the right to encroach upon the principal, if necessary, to support the home in Bulgaria. The Endowment fund is invested in mutual funds.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

The Impact Fund for Children grant was recognized as revenue in the same period as the related expenses were incurred.

Shared Treasury Service foreign exchange losses and gains are recognized in the statement of revenue and expenses in the year in which the amounts are measurable and collected.

Investment income in the Endowment fund includes dividend and interest income, realized investment gains and losses on the sale of investments, and unrealized gains and losses on investments measured at fair value. Unrestricted dividends and interest are recognized as revenue when they are earned.

Cash

The Organization's policy is to disclose bank balances and cash held in investment accounts under cash, including temporary investments with a maturity period of three months or less from the date of acquisition.

Capital assets

Capital assets are accounted for at cost. Amortization is based on the assets' respective useful lives using the following method and durations:

Asset	Method	Duration
Computer equipment	Straight-line	3 years
Furniture and equipment	Straight-line	5 years

One-half of the annual amount is claimed in the year of acquisition.

Allocation of expenses

The Organization records a number of its expenses by function: administration, fundraising, and communications and public education.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

Use of estimates

The preparation of these 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the current period. These estimates are reviewed periodically and adjustments are made to the statement of revenue and expenses as appropriate in the year they become known. Significant estimates include the valuation of short-term investments, useful lives of capital assets and the completeness of accounts payable and accrued charges.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expenses.

The amount due to a related party is measured at the exchange amount as the fair value cannot be reasonably determined due to the non-arm's length nature of the relationship.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in the statement of revenue and expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the statement of revenue and expenses.

Transaction costs

The Organization recognizes its transaction costs in the statement of revenue and expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

Donated materials and services

The Organization is grateful for the tremendous commitment that Canadian volunteers make. Across the country people devote their time and their talent to activities which raise funds and raise awareness of the work done on behalf of children at risk.

In addition, the Organization relies on donated materials and services to achieve its objectives. Many companies provide in-kind support such as donated air-time, creative talent and discounted or free goods.

While the Organization does not reflect donated services nor all of the in-kind support in the financial statements, they are essential to the effectiveness of the Organization.

2. Short-term investments

	2023	2022
Mutual funds	\$ 821,888	\$ 841,370
Common shares	-	1,578
Mutual funds owed to operations (a)	238,960	165,177
	\$ 1,060,848	\$ 1,008,125

(a) This amount represents donations from the Green Family Education Fund to operations that were held as mutual funds in the investment portfolio at year end. In due course, these mutual funds will be sold and the cash transferred to general operations.

3. Capital assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 65,220	\$ 53,260	\$ 11,960	\$ 19,805
Furniture and equipment	12,611	12,024	587	1,787
	\$ 77,831	\$ 65,284	\$ 12,547	\$ 21,592

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

4. Deferred revenue

	2023	2022
Balance, beginning of year	\$ 1,319,837	\$ 2,066,258
Plus amounts received in the year	-	4,016,213
Less amounts recognized in the year	(987,557)	(4,762,634)
Balance, end of year	\$ 332,280	\$ 1,319,837

Deferred revenue consists of the following at year end:

	2023	2022
Green Family Education Fund	\$ 314,280	\$ 341,370
Intact Insurance	18,000	18,000
GAC Ukraine	-	800,000
Boeing Community Investment Fund	-	160,467
	\$ 332,280	\$ 1,319,837

5. Due to related party

The following is a summary of an amount due to a related party. Since this amount will be paid before December 31, 2024, it has been included with current liabilities. The amount is non-interest bearing.

	2023	2022
SOS International and Villages	\$ 1,286,481	\$ 1,910,746

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

6. Commitments

Future subsidy obligations and minimum rental payments required under operating leases for premises that have initial lease terms in excess of one year at December 31, 2023 are as follows:

	Subsidy Obligations	Premises	Total
2024	\$ 1,772,600	\$ 71,955	\$ 1,844,555
2025	1,825,778	72,425	1,898,203
	\$ 3,598,378	\$ 144,380	\$ 3,742,758

The above amount presented under subsidy obligations includes obligations under the Impact Fund for Children cooperation agreement and the cooperation agreement with SOS-Kinderdorf Österreich. The subsidy obligations under the Impact Fund for Children cooperation agreement have been estimated with the information available at the time the budget was prepared to fulfil the obligations under this agreement. Accordingly, the actual amount of subsidy obligations are subject to change.

Subsidy commitments in future years beyond 2025 continue but are of a non-contractual nature and therefore not listed above. As part of the Organization's overarching charitable purpose, it continues to provide funding for subsidy running costs of specific programs and these distributions are recorded within the normal course of operations.

7. Donations

During the year, the Organization received total cash donations of \$7,668,561 (2022: \$8,452,181). The cash donations are included on the statement of revenue and expenses as donations, legacy gifts and student sponsorship. During the year, donations of \$160,467 (2022: \$160,466) previously recorded in deferred revenue were recognized in the statement of revenue and expenses.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

8. Related party transactions

SOS Children's Villages Canada and SOS Children's Villages British Columbia ("SOS BC") through SOS Children's Villages Canada are members of SOS Kinderdorf International ("SOS International"). As a member, the Organization is required to comply with international rules and guidelines as set by SOS International. The Organization, SOS International and SOS BC have separate management and all transactions are in the normal course of operations and are recognized at the exchange amount.

SOS Children's Villages Canada had the following transactions with these organizations:

	2023	2022
Distributions:		
SOS Children's Villages British Columbia	\$ 5,671	\$ 5,907
SOS Sponsorships	1,857,528	1,943,465
SOS International	4,260,242	6,217,797
	\$ 6,123,441	\$ 8,167,169

Included in the distributions above are fees paid for program and financial oversight of \$521,663 (2022: \$458,391) to SOS International in the year.

9. Changes in non-cash working capital balances

Changes in non-cash working capital balances have provided (used) cash as follows:

	2023	2022
Accounts receivable	\$ 16,200	\$ (18,151)
Government remittances receivable	43,928	(7,589)
Prepaid expenses	(88,431)	362
Accounts payable and accrued charges	117,755	(123,760)
Deferred revenue	(960,467)	(590,569)
Due to related party		
Received	4,779,756	5,434,055
Distributed	(5,404,021)	(5,262,967)
	\$ (1,495,280)	\$ (568,619)

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

10. Ottawa Community Foundation Deposits

Deposits and cash of \$13,157 (2022: \$12,793) held in an education endowment fund and \$107,694 (2022: \$104,720) held in an operating endowment fund, both with the Ottawa Community Foundation, are investments in perpetuity. Although these funds are not recorded on the statement of financial position of the Organization, the interest from these investments is received annually to support the Organization's programs.

11. Financial instruments

Risk and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposures and concentrations at the statement of financial position date, December 31, 2023.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued charges and amounts due to related party.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other prices risk. The Organization is primarily exposed to currency and other price risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization's currency risk relates primarily to their commitments to villages in Euros and the Shared Treasury Service foreign exchanges.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investments in mutual funds and common shares.

The Organization's exposure to liquidity, market, currency risk and other price risk is unchanged from the year ended December 31, 2022.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2023, with comparative figures for 2022

12. Allocation of expenses

The Organization engages in fundraising and communication efforts and incurs general support expenses that are common to the administration of the Organization and its programs. The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis each year. Allocations are based on specific employees' time spent on fundraising, communications and administrative efforts.

Allocations for these general support expenses have been made for the year ended December 31 as follows:

Human resources

	2023	2022
Fundraising	\$ 621,331	\$ 798,136
Administration	521,802	313,965
Program grant expenses	459,191	270,173
Communications and public education	281,976	144,875
	<hr/>	<hr/>
	\$ 1,884,300	\$ 1,527,149