



**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, 2016

Ian W. Hendry, CPA, CA, CFP
Daniel B. Warren, CPA, CA, TEP
Marie Fraser, CPA, CA, CFP
Nancy Nicks, CPA, CA
Jacob Milosek, CPA, CA
Blair Duffy, CPA, CA

MEMBER
INPACT
INTERNATIONAL ALLIANCE OF
PROFESSIONAL ACCOUNTANTS



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May 27, 2017

INDEPENDENT AUDITORS' REPORT

To the Members of
SOS Children's Villages Canada:

We have audited the accompanying financial statements of SOS Children's Villages Canada, which comprise the statements of financial position as at December 31, 2016 and the statements of revenue and expenses, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Basis for Qualified Opinion

In common with many not-for-profit organizations, SOS Children's Villages Canada derives revenue from donations and gifts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of SOS Children's Villages Canada. Therefore, we were not able to determine whether any adjustments might be necessary to donations and gifts revenue, deficiency of revenue over expenses, and cash flow from operations for the year ended December 31, 2016, assets and net assets as at December 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements present fairly, in all material respects, the financial position of SOS Children's Villages Canada as at December 31, 2016, 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.

HENDRY WARREN LLP
Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Ontario

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SOS CHILDREN'S VILLAGES CANADA

Statement of Financial Position

December 31, 2016, with comparative figures for 2015

	2016	2015
Assets		
Current assets		
Cash	\$ 1,713,746	\$ 1,716,249
Accounts receivable	1,730	-
Short term investments (Note 2)	1,351,617	1,113,461
Government remittances receivable	18,279	21,316
Prepaid expenses	14,011	18,867
	3,099,383	2,869,893
Endowment fund investments	405,668	399,588
Capital assets (Note 3)	15,945	19,634
	\$ 3,520,996	\$ 3,289,115
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued charges	\$ 252,789	\$ 102,795
Deferred revenue (Note 4)	921,518	582,286
Due to related party (Note 5)	934,576	1,125,861
	2,108,883	1,810,942
Commitments (Note 6)		
Net assets		
Unrestricted	390,500	458,951
Internally restricted		
Invested in capital assets	15,945	19,634
Internally restricted for reserve purposes	600,000	600,000
Endowment fund	405,668	399,588
	1,412,113	1,478,173
	\$ 3,520,996	\$ 3,289,115

Approved on behalf of the Board:


Director

SOS CHILDREN'S VILLAGES CANADA

Statement of Revenue and Expenses

Year ended December 31, 2016, with comparative figures for 2015

	2016	2015
Revenue		
Donations (Note 7)	\$ 4,987,847	\$ 5,019,089
Legacy gifts	363,643	508,996
Other income	36,355	194,150
Student sponsorship	69,431	76,499
Investment income	11,503	40,562
	5,468,779	5,839,296
Expenses		
Distributions (Note 8)	3,312,245	3,653,146
Fundraising	1,410,870	1,563,940
Communications and public education	273,561	107,756
Administration	544,243	620,513
	5,540,919	5,945,355
Deficiency of revenue over expenses	\$ (72,140)	\$ (106,059)

SOS CHILDREN'S VILLAGES CANADA

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative figures for 2015

	Unrestricted	Invested In Capital Assets	Internally Restricted for Reserve Purposes	Endowment Fund	Total 2016	Total 2015
Balance, beginning of year	\$ 458,951	\$ 19,634	\$ 600,000	\$ 399,588	\$ 1,478,173	\$ 1,600,880
Deficiency of revenue over expenses	(72,140)	-	-	-	(72,140)	(106,059)
Purchase of capital assets	(3,772)	3,772	-	-	-	-
Amortization	7,461	(7,461)	-	-	-	-
Investment income	-	-	-	24,080	24,080	1,352
Grants to Bulgaria	-	-	-	-	-	(14,175)
Other disbursements	-	-	-	(18,000)	(18,000)	(3,825)
Balance, end of year	\$ 390,500	\$ 15,945	\$ 600,000	\$ 405,668	\$ 1,412,113	\$ 1,478,173

SOS CHILDREN'S VILLAGES CANADA

Cash Flow Statement

Year ended December 31, 2016, with comparative figures for 2015

	2016	2015
Operating activities		
Deficiency of revenue over expenses	\$ (72,140)	\$ (106,059)
Excess (deficiency) of revenue over expenses - Endowment Fund	6,080	(16,648)
Non-cash item:		
Amortization expense	7,461	6,931
Changes in working capital balances (Note 9)	304,104	235,208
Cash provided by operating activities	245,505	119,432
Investing activities		
Acquisition of investments	(244,236)	(42,302)
Acquisition of capital assets	(3,772)	(15,538)
Cash used in investing activities	(248,008)	(57,840)
(Decrease) increase in cash	(2,503)	61,592
Cash, beginning of year	1,716,249	1,654,657
Cash, end of year	\$ 1,713,746	\$ 1,716,249

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

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 generally accepted 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 principals 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) 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 homes in Bulgaria. The Endowment fund is invested in mutual funds.

d) Internally restricted for reserve purposes

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

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

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. Endowment contributions are recognized as direct increases in net assets in the year.

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 and cash equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including temporary investments with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are excluded from cash and cash equivalents.

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
Leasehold improvements	Straight-line	Term of lease

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

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted 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 revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant estimates include the useful life of capital assets and the completeness of accrued charges.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

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 deficiency of revenue over expenses.

Financial assets measured at amortized cost include cash and guaranteed investment certificates.

Financial assets measured at fair value include mutual funds and common shares.

Financial liabilities measured at amortized cost include accounts payable and accrued charges.

The amounts due to related parties are measured at the exchange amount as the fair value cannot be reasonably determined due to the non-arm's length nature of the relationships.

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

	2016	2015
Guaranteed Investment Certificates (1.61% to 3.45%)	\$ 304,021	\$ 613,739
Mutual funds	1,037,877	499,722
Common shares	9,719	-
	<hr/>	<hr/>
	\$ 1,351,617	\$ 1,113,461

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

3. Capital assets

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 15,826	\$ 11,596	\$ 4,230	\$ 4,688
Furniture and equipment	23,106	19,739	3,367	4,218
Leasehold improvements	11,918	3,570	8,348	10,728
	\$ 50,850	\$ 34,905	\$ 15,945	\$ 19,634

4. Deferred revenue

	2016		2015	
Balance, beginning of year	\$	582,286	\$	-
Plus amounts received in the year		367,954		582,286
Less amounts recognized in the year		(28,722)		-
Balance, end of year	\$	921,518	\$	582,286

The deferred revenue consists of the following at yearend:

	2016		2015	
Green Family Education Fund	\$	537,771	\$	500,000
Intact Insurance		73,000		73,000
Anonymous		52,253		9,286
SOS sponsorship agreements		258,494		-
	\$	921,518	\$	582,286

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

5. Due to related party

The following is a summary of amounts due to a related party. Since these amounts will be paid before January 1, 2018, the amounts have been included with current liabilities. All amounts are non-interest bearing.

	2016	2015
SOS International and Villages	\$ 934,576	\$ 1,125,861

6. Commitments

Future minimum rental payments required under operating leases for premises that have initial or remaining lease terms in excess of one year at December 31, 2016 are as follows:

	Premises
2017	\$ 69,603
2018	69,603
2019	69,603
2020	69,603
2021	11,600
	\$ 290,012

During the year, the Organization entered into a written agreement with SOS Austria and SOS Sweden to enhance sponsorship of children at SOS Villages in Peru and villages under the responsibility of Sweden, respectively. SOS Austria provided a grant to the Organization in the amount of euros 50,000 to fund marketing efforts in Canada aimed at generating such child sponsorships. SOS Sweden provided a grant to the Organization in the amount of 1.500.000 Swedish krona. The agreements call for the generation of a minimum threshold of sponsorship, and ongoing reporting for three years after reaching the threshold. As at December 31, 2016 \$28,722, representing 10% of the total grant, has been recognized in the statement of operations.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

7. Donations

During the year, the Organization received total cash donations of \$5,463,887 (2015: \$6,092,371). Of these donations, \$42,966 (2015: \$582,286) were classified as deferred revenues as they relate to future expenses and disbursements. The remainder are included on the statement of revenue and expenses as donations and unrestricted legacy gifts.

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:

	2016	2015
Distributions		
SOS Children's Villages British Columbia	\$ 85,654	\$ 82,318
SOS Sponsorships	1,742,606	1,780,078
SOS International	1,483,985	1,790,750

Included in the distributions above are fees paid for program and financial oversight of \$328,633 (2015: \$398,870) to SOS International in the year.

9. Changes in working capital balances

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

	2016	2015
Government remittances receivable	\$ 3,037	\$ 31,044
Accounts receivable	(1,730)	-
Prepaid expenses	4,856	5,151
Accounts payable and accrued charges	149,994	(27,930)
Deferred revenue	339,232	582,286
Due to related parties	-	-
Received	2,988,397	3,313,218
Distributed	(3,179,682)	(3,668,561)
	\$ 304,104	\$ 235,208

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

10. Community Foundation of Ottawa Deposits

Deposits and cash of \$12,256 held in an education endowment fund and \$100,320 held in an operating endowment fund, both with the Community Foundation of Ottawa, are investments in perpetuity. Although these funds are not recorded on the balance sheet 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 balance sheet date, December 31, 2016.

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 prices 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.

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 and currency risk is unchanged from the year ended December 31, 2015. The Organization's exposure to other price risk has increased since the year ended December 31, 2015 with its increased investment in mutual funds.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2016, with comparative figures for 2015

12. Allocation of expenses

The Organization engages in fundraising, 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, 2016 as follows:

Human resources

	2016	2015
Fundraising	\$ 849,608	\$ 802,116
Communications and public education	53,755	98,537
Administration	146,044	242,608
	\$ 1,049,407	\$ 1,143,261

13. Comparative figures

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