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Financial Statements of
**SOS CHILDREN'S VILLAGES
CANADA**

December 31, 2021

June 3, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of
SOS Children's Villages Canada:

Qualified 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, 2021, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of SOS Children's Villages Canada as at December 31, 2021, 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 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, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2021 and December 31, 2020, current assets and net assets as at December 31, 2021 and December 31, 2020.

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.

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.

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, 2021, with comparative figures for 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 7,579,960	\$ 3,736,924
Accounts receivable	83,058	6,755
Short-term investments (Note 2)	998,843	1,028,477
Government remittances receivable	77,563	40,951
Prepaid expenses	32,098	23,189
	8,771,522	4,836,296
Endowment fund investments	462,272	416,012
Capital assets (Note 3)	27,982	15,353
	\$ 9,261,776	\$ 5,267,661
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued charges	\$ 425,080	\$ 257,248
Deferred revenue (Note 4)	2,066,258	1,218,235
Due to related party (Note 5)	1,739,658	1,413,781
	4,230,996	2,889,264
Commitments (Note 6)		
Net assets		
Unrestricted	3,940,526	1,347,032
Restricted		
Invested in capital assets	27,982	15,353
Internally restricted for reserve purposes	600,000	600,000
Endowment fund	462,272	416,012
	5,030,780	2,378,397
	\$ 9,261,776	\$ 5,267,661

Approved on behalf of the Board:



Director

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES CANADA

Statement of Revenue and Expenses

Year ended December 31, 2021, with comparative figures for 2020

	2021	2020
Revenue		
Donations (Note 7)	\$ 6,925,694	\$ 5,580,517
Legacy gifts	2,527,586	1,241,735
Impact Fund for Children grant	549,081	1,558,805
Student sponsorship	53,133	29,497
Cooperation agreements	46,024	109,480
Other income	22,926	24,871
Investment income	17,470	18,861
Government assistance	-	149,658
	<u>10,141,914</u>	<u>8,713,424</u>
Expenses		
Distributions (Note 8)	4,010,971	3,484,278
Fundraising	1,579,462	1,373,710
Impact Fund for Children expenses	1,014,692	1,720,642
Administration	592,913	870,278
Program grant expenses	304,724	156,875
Communications and public education	152,231	136,336
	<u>7,654,993</u>	<u>7,742,119</u>
Excess of revenue over expenses before Shared Treasury		
Service foreign exchange gain	2,486,921	971,305
Shared Treasury Service foreign exchange gain	119,202	84,055
Excess of revenue over expenses	<u>\$ 2,606,123</u>	<u>\$ 1,055,360</u>

SOS CHILDREN'S VILLAGES CANADA

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative figures for 2020

	Unrestricted	Invested In Capital Assets	Internally Restricted for Reserve Purposes	Endowment Fund	Total 2021	Total 2020
Balance, beginning of year	\$ 1,347,032	\$ 15,353	\$ 600,000	\$ 416,012	\$ 2,378,397	\$ 1,320,101
Excess of revenue over expenses	2,606,123	-	-	-	2,606,123	1,055,360
Purchase of capital assets	(23,940)	23,940	-	-	-	-
Amortization	11,311	(11,311)	-	-	-	-
Investment income	-	-	-	64,260	64,260	20,936
Other disbursements	-	-	-	(18,000)	(18,000)	(18,000)
Balance, end of year	\$ 3,940,526	\$ 27,982	\$ 600,000	\$ 462,272	\$ 5,030,780	\$ 2,378,397

See accompanying notes to the financial statements.

SOS CHILDREN'S VILLAGES CANADA

Cash Flow Statement

Year ended December 31, 2021, with comparative figures for 2020

	2021	2020
Operating activities		
Excess of revenue over expenses	\$ 2,606,123	\$ 1,055,360
Investment income - Endowment Fund	14,397	10,365
Other disbursements - Endowment Fund	(18,000)	(18,000)
Non-cash items:		
Amortization expense	11,311	8,250
Investment fair market value adjustment	49,863	10,571
Changes in non-cash working capital balances (Note 9)	1,219,908	(193,692)
Cash provided by operating activities	3,883,602	872,854
Investing activities		
(Acquisition) disposal of short-term investments	(16,626)	134,752
Acquisition of capital assets	(23,940)	(8,045)
Cash (used in) provided by investing activities	(40,566)	126,707
Increase in cash	3,843,036	999,561
Cash, beginning of year	3,736,924	2,737,363
Cash, end of year	\$ 7,579,960	\$ 3,736,924

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2021, with comparative figures for 2020

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, 2021, with comparative figures for 2020

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 is recognized as revenue in the same period as the related expenses are incurred.

Shared Treasury Service foreign exchange gains are recognized as revenue 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.

Government assistance is recognized as revenue in the period to which it relates, assuming it can be reasonably estimated and collection is reasonably assured.

Cash and cash equivalents

The Organization's policy is to disclose bank balances and cash held in investment accounts under cash and cash equivalents, 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, 2021, with comparative figures for 2020

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, 2021, with comparative figures for 2020

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

	2021	2020
Mutual funds	\$ 998,843	\$ 1,026,804
Common shares	-	1,673
	\$ 998,843	\$ 1,028,477

3. Capital assets

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 52,530	\$ 27,654	\$ 24,876	\$ 10,676
Furniture and equipment	12,611	9,505	3,106	4,677
	\$ 65,141	\$ 37,159	\$ 27,982	\$ 15,353

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Notes to the Financial Statements

December 31, 2021, with comparative figures for 2020

4. Deferred revenue

	2021	2020
Balance, beginning of year	\$ 1,218,235	\$ 1,201,697
Plus amounts received in the year	1,634,070	2,405,984
Less amounts recognized in the year	(786,047)	(2,389,446)
Balance, end of year	\$ 2,066,258	\$ 1,218,235

Deferred revenue consists of the following at year end:

	2021	2020
Green Family Education Fund*	\$ 497,222	\$ 514,351
Intact Insurance	18,000	18,000
Sustainer program	-	465,000
Impact Fund for Children grant	1,230,103	220,884
Boeing Community Investment Fund	320,933	-
	\$ 2,066,258	\$ 1,218,235

*In 2020, the Green Family Education Fund for Ondangwa disbursed market gains from their Ondangwa Education Trust Fund to relieve the hardships of COVID-19.

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 January 1, 2023, it has been included with current liabilities. The amount is non-interest bearing.

	2021	2020
SOS International and Villages	\$ 1,739,658	\$ 1,413,781

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2021, with comparative figures for 2020

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, 2021 are as follows:

	Subsidy Obligations	Premises	Total
2022	\$ 2,021,400	\$ 69,603	\$ 2,091,003
2023	1,986,000	69,603	2,055,603
2024	2,190,000	71,955	2,261,955
2025	-	72,425	72,425
2026	-	12,071	12,071
	\$ 6,197,400	\$ 295,657	\$ 6,493,057

In 2019, the Organization entered into a three year written cooperation agreement with the German sister organization SOS Kinderdorf e.V. via the Impact Fund for Children. Under this cooperation agreement, SOS Kinderdorf e.V. provides funds to the Organization in the amount of 1,000,000 euros each year to fund marketing efforts in Canada to increase fundraising revenue from committed monthly donors. The objective of the Impact Fund For Children investment sees SOS Children's Villages Canada undertaking the Program Subsidy obligations for SOS Children's Villages in Ethiopia, Namibia and Dominican Republic.

The above amounts for subsidy obligations have been estimated with the information available at the time the budget was prepared to fulfill the obligations under the Impact Fund for Children cooperation agreement. Accordingly, the actual amount of subsidy obligations are subject to change.

7. Donations

During the year, the Organization received total cash donations of \$9,827,346 (2020: \$6,851,749). Of these donations, \$320,933 (2020: \$465,000) 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, legacy gifts and student sponsorship.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2021, with comparative figures for 2020

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:

	2021	2020
Distributions:		
SOS Children's Villages British Columbia	\$ 15,917	\$ 27,511
SOS Sponsorships	2,035,827	1,913,246
SOS International	1,959,227	1,543,521
	<u>\$ 4,010,971</u>	<u>\$ 3,484,278</u>

Included in the distributions above are fees paid for program and financial oversight of \$497,890 (2020: \$404,225) 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:

	2021	2020
Accounts receivable	\$ (76,303)	\$ 66,488
Government remittances receivable	(36,612)	57,947
Prepaid expenses	(8,909)	22,576
Accounts payable and accrued charges	167,832	(234,970)
Deferred revenue	848,023	16,538
Due to related party		
Received	4,336,848	3,362,007
Distributed	(4,010,971)	(3,484,278)
	<u>\$ 1,219,908</u>	<u>\$ (193,692)</u>

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2021, with comparative figures for 2020

10. Impact of COVID-19

The outbreak of the COVID-19 virus has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the COVID-19 virus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and related mitigation measures may continue to have an adverse impact on global economic conditions as well as on the Organization's business activities. The extent to which the COVID-19 virus may continue to impact the Organization's business activities will depend on future developments, such as the ultimate geographical spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Organization cannot determine their financial impact at this time.

11. Ottawa Community Foundation Deposits

Deposits and cash of \$14,182 (2020: \$12,809) held in an education endowment fund and \$116,093 (2020: \$104,844) 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.

12. 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, 2021.

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.

SOS CHILDREN'S VILLAGES CANADA

Notes to the Financial Statements

December 31, 2021, with comparative figures for 2020

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, 2020.

13. 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

	2021	2020
Fundraising	\$ 695,645	\$ 527,036
Administration	251,854	529,206
Program grant expenses	267,382	134,305
Communications and public education	134,838	126,548
	\$ 1,349,719	\$ 1,317,095
