

Plan International Canada Inc.

Financial Statements

June 30, 2016



November 9, 2016

Independent Auditor's Report

**To the Directors of
Plan International Canada Inc.**

We have audited the accompanying financial statements of Plan International Canada Inc. which comprise the statement of financial position as at June 30, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's 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 audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Plan International Canada Inc. as at June 30, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Plan International Canada Inc.

Statement of Financial Position

As at June 30, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash and cash equivalents	30,529	30,370
Short-term investments (note 3)	757	628
Receivables and prepayments	4,878	5,647
Advances to Plan International, Inc. (note 11)	6,019	3,057
Inventory	-	335
	<u>42,183</u>	<u>40,037</u>
Long-term investments (note 3)	6,225	6,273
Capital assets (note 4)	5,960	5,635
Intangible assets	<u>1,941</u>	<u>1,137</u>
	<u>56,309</u>	<u>53,082</u>
Liabilities		
Current liabilities		
Advance payments by donors	3,994	4,040
Undisbursed designated contributions (note 5)	10,811	10,541
Undisbursed grants (note 6)	20,640	19,581
Accounts payable and accrued liabilities	3,941	3,903
Deferred lease inducements	242	242
	<u>39,628</u>	<u>38,307</u>
Deferred lease inducements	<u>2,530</u>	<u>2,772</u>
	<u>42,158</u>	<u>41,079</u>
Net Assets		
Restricted for endowment purposes	2,687	2,516
Invested in capital and intangible assets (note 7)	5,129	3,758
Unrestricted	<u>6,335</u>	<u>5,729</u>
	<u>14,151</u>	<u>12,003</u>
	<u>56,309</u>	<u>53,082</u>
Commitments (note 15)		

Approved by the Board of Directors

Patsy Anderson

Director

Lillian M. Morrison

Director

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

Plan International Canada Inc.

Statement of Operations

For the year ended June 30, 2016

(in thousands of dollars)

	2016 \$		2015 \$	
Public support and revenue				
Child sponsorship income	77,513		79,174	
Contributions, gifts and bequests	21,484		25,151	
Government and other grants (notes 6 and 9)	76,109		67,453	
Gifts-in-kind (notes 6, 10 and 11)	34,865		30,384	
Investment and other income	498		391	
Total public support and revenue	<u>210,469</u>		<u>202,553</u>	
	%		%	
Expenditures				
Program				
International program services (note 11)	75.4	156,907	73.4	145,912
Canadian program services (note 14)	6.3	13,120	7.1	14,011
	<u>81.7</u>	<u>170,027</u>	<u>80.5</u>	<u>159,923</u>
Operations				
Fundraising (note 14)	11.6	24,042	13.5	26,851
Operating costs (note 14)	6.7	13,954	6.0	12,013
	<u>18.3</u>	<u>37,996</u>	<u>19.5</u>	<u>38,864</u>
Total expenditures	<u>100.0</u>	<u>208,023</u>	<u>100.0</u>	<u>198,787</u>
Excess of public support and revenue over expenditures for the year before the undernoted		2,446		3,766
Change in fair value of investments		<u>(469)</u>		<u>169</u>
Excess of public support and revenue over expenditures for the year		<u>1,977</u>		<u>3,935</u>

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

Plan International Canada Inc.

Statement of Changes in Net Assets

For the year ended June 30, 2016

(in thousands of dollars)

				2016	2015
	Restricted for endowment purposes \$	Invested in capital and intangible assets \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	2,516	3,758	5,729	12,003	8,039
Excess of public support and revenue over expenditures for the year	-	-	1,977	1,977	3,935
Endowment fund contributions	171	-	-	171	29
Amortization of capital assets	-	(1,249)	1,249	-	-
Amortization of intangible assets	-	(391)	391	-	-
Amortization of lease inducement invested in capital assets	-	242	(242)	-	-
Purchase of capital assets	-	1,574	(1,574)	-	-
Purchase of intangible assets	-	1,195	(1,195)	-	-
Balance - End of year	2,687	5,129	6,335	14,151	12,003

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

Plan International Canada Inc.

Statement of Cash Flows

For the year ended June 30, 2016

(in thousands of dollars)

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of public support and revenue over expenditures for the year	1,977	3,935
Items not involving cash		
Amortization of capital assets	1,249	950
Amortization of intangible assets	391	108
Amortization of deferred lease amounts	(242)	(184)
Net change in non-cash working capital (note 13)	(537)	4,382
	<hr/> 2,838	<hr/> 9,191
Investing activities		
Purchase of capital assets	(1,574)	(2,808)
Purchase of intangible assets	(1,195)	(1,054)
Sale of investments	3,996	590
Purchase of investments	(4,077)	(995)
	<hr/> (2,850)	<hr/> (4,267)
Financing activities		
Endowment fund contributions	171	29
Receipt of lease inducement	-	1,762
	<hr/> 171	<hr/> 1,791
Increase in cash and cash equivalents during the year	159	6,715
Cash and cash equivalents - Beginning of year	<hr/> 30,370	<hr/> 23,655
Cash and cash equivalents - End of year	<hr/> <hr/> 30,529	<hr/> <hr/> 30,370

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

Plan International Canada Inc.

Notes to Financial Statements

June 30, 2016

(in thousands of dollars)

1 Organization and purpose

Plan International Canada Inc. (Plan Canada or the organization) has been a member of the Plan International global federation (Plan) since 1968. Plan Canada is a not-for-profit corporation, federally incorporated without share capital and granted status as a registered charity under the Income Tax Act (Canada), and continued under the Canada Not-for-profit Corporations Act on September 18, 2014.

Plan is a global movement for change, mobilizing millions of people around the world to support social justice for children in developing countries. Founded in 1937, Plan is one of the world's oldest and largest international development agencies, working in partnership with millions of people around the world to end global poverty. Not-for-profit, independent and inclusive of all faiths and cultures, Plan has only one agenda: to improve the lives of children.

Worldwide, Plan is a global federation made up of different legal entities operating in many countries around the world under the Plan name and brand, comprising Plan International, Inc. (whose principal office is located in the United States) and its 21 members (known as National Organizations). Plan International, Inc. operates its international headquarters in the United Kingdom through its U.K. subsidiary company, Plan Limited.

The National Organizations (located in Australia, Belgium, Canada, Colombia, Denmark, Finland, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Korea, The Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom and the United States) all share a child sponsorship fundraising model. Most National Organizations also raise funds through additional fundraising channels that include individual, corporate and institutional engagement. For example, Plan Canada also raises significant funds through grants, project and community sponsorship, as well as individual/corporate donations, and Gifts of Hope. The National Organizations in India and Colombia raise funds primarily through grants and individual/corporate donations. Additionally, India and Colombia also carry out development programs in their respective jurisdictions.

Each National Organization remits the funds it raises in excess of its operating requirements to Plan International, Inc., which is responsible for implementing programs in developing countries through its country offices. A National Organization's net financial contribution to Plan International, Inc. determines that National Organization's representation at the Members' Assembly according to a formula set out in the bylaws of Plan International, Inc. The Members' Assembly, which is the highest decision-making body, sets high-level strategy and direction for Plan, approves the financial budgets and receives the audited consolidated accounts, as well as electing the Board of Directors of Plan International, Inc., which reports and is accountable to the Members' Assembly. There can be up to 11 directors on the Board of Directors of Plan International, Inc., the majority of whom must be sitting board members of a National Organization.

Plan International, Inc. uses funds remitted by the National Organizations for programs benefiting children, their families and communities in 50 program countries. Central services, such as program support and global assurance for the program countries, are provided by Plan Limited. National Organizations, Plan International, Inc. and its subsidiaries are subject to both external and internal financial audits of an international standard in order to ensure funds raised are used only for work that contributes to Plan's stated aims and that these funds are properly accounted for and recorded.

Plan International Canada Inc.

Notes to Financial Statements

June 30, 2016

(in thousands of dollars)

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), which set out generally accepted accounting principles for not-for-profit organizations in Canada. The significant accounting policies are outlined below:

Revenue recognition

The organization uses the deferral method of accounting for contributions.

Child sponsorship contributions are recognized in revenue for the sponsorship month on an accrual basis. Sponsorship contributions received prior to the end of the fiscal year and applicable to subsequent periods are reported as advance payments by donors.

Designated contributions and gifts are recognized as revenue when they are spent. Undisbursed designated contributions represent amounts received by the organization and Plan but not yet disbursed in the field as stipulated by the donor.

Government and other grants are recognized as revenue when they are spent. Undisbursed grants represent amounts received by the organization and Plan but not yet disbursed in the field as stipulated by the grant terms.

Gifts-in-kind revenue relating to food, agriculture and anti-malaria bed nets is recognized when distributed by the organization's related party field offices to beneficiaries. These contributions are stated at fair value in US dollars and are translated into Canadian dollars using the average monthly exchange rate.

Gifts-in-kind revenue relating to pharmaceutical and other medical supplies is recognized at fair value when distributed by the organization's related party field offices to beneficiaries.

Gifts-in-kind delivered to the organization's related party field offices but remaining undistributed to beneficiaries at year-end are recorded as inventory until their imminent distribution.

The endowment funds represent amounts designated by donors to be held in perpetuity. Endowment contributions are recorded at fair value as direct increases in net assets restricted for endowment purposes when the organization becomes unconditionally entitled to receive economic future benefits and the amounts can be reliably measured.

Investment income, which is recorded on an accrual basis, includes interest and dividend income.

Contributed services

A number of volunteers contribute their services to the organization each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

Plan International Canada Inc.

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(in thousands of dollars)

Program expenditures

International program services represent funds expended in Plan's program thematic areas, which include the following: early childhood care and development, education, economic security, humanitarian and food assistance, water and sanitation, child protection, child participation and sexual reproductive health.

Canadian program services include costs of personnel, travel and other expenses directly related to supporting international programs, as well as costs incurred in Canada towards the goal of enhancing youth and public engagement in international development.

Cash and cash equivalents

Cash and cash equivalents are defined as cash plus highly liquid certificates of deposit with an original term to maturity of three months or less.

Investments

The organization's investment activities are governed by investment policies set by the Board of Directors. These policies have strict guidelines as to asset categories and mix in accordance with the risk and return objectives established by the Board of Directors and management. The funds are professionally managed by advisers associated with a major Canadian chartered bank. Investments maturing within one year from the statement of financial position date are reflected as short-term investments.

Capital assets

Capital assets are stated at cost less accumulated amortization and impairment losses. Amortization is provided by the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	over the lease term

Intangible assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. Plan Canada's intangible assets consist of computer software and software installation costs, which are amortized on a straight-line basis over three to five years. The amortization method and estimated useful lives of intangible assets are reviewed annually.

Impairment of long-lived assets

When an asset no longer contributes to Plan Canada's ability to provide services, its carrying amount is written down to its net realizable value.

Plan International Canada Inc.

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(in thousands of dollars)

Deferred lease inducements

The benefits of lease inducements are accounted for as an adjustment to rental expense over the term of the lease on a straight-line basis.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value with the changes in fair value recorded in the statement of operations. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value.

Cash and cash equivalents	fair value
Investments	fair value
Receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized on a straight-line basis.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the present value of the expected cash flows. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account with a corresponding charge in the statement of operations.

Allocation of expenses

The organization engages in providing international program and Canadian program services. The costs of each program include personnel and other expenses that are directly related to providing the programs. For Canadian program services, fundraising and operating functions, the organization allocates the marketing, development, program, donor relations and administration costs using various bases, which are reviewed, updated and applied on a prospective basis.

The marketing, development, program, donor relations and administration expenses are allocated to program, fundraising and operating functions as follows:

- Personnel costs are allocated based on the percentage of relevant employees' time involved in supporting the program, fundraising and operating functions.
- Public education expenses, publications and other donor specific material expenses are allocated based on the extent of content applicable to public education, awareness and fundraising.

Plan International Canada Inc.

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(in thousands of dollars)

- Other operating and general expenses are allocated on a proportionate basis relating to the function.

Amounts allocated are detailed in note 14.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for amortization and allocating certain expenditures.

3 Investments

	2016 \$	2015 \$
Short-term		
Canadian fixed income	400	553
Foreign fixed income	357	75
	757	628
Long-term		
Canadian fixed income	4,573	3,774
Foreign fixed income	609	1,227
Canadian equities	547	322
Foreign equities	496	950
	6,225	6,273

4 Capital assets

	2016		2015	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	3,327	2,030	1,297	869
Furniture	1,636	828	808	914
Leasehold improvements	4,550	695	3,855	3,852
	9,513	3,553	5,960	5,635

During the year, the organization retired assets with an original cost of \$30 (2015 - \$nil).

Plan International Canada Inc.

Notes to Financial Statements

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(in thousands of dollars)

5 Undisbursed designated contributions

Changes in the undisbursed designated contributions are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	10,541	10,611
Add: Contributions received during the year	19,180	21,948
Less: Revenue recognized during the year	(18,910)	(22,018)
Balance - End of year	<u>10,811</u>	<u>10,541</u>

6 Undisbursed grants

	2016		2015	
	Government and other grants \$	Gifts-in-kind \$	Total \$	Total \$
Balance - Beginning of year	19,246	335	19,581	16,184
Add: Grants received during the year	77,503	34,530	112,033	101,234
Less: Revenue recognized during the year	(76,109)	(34,865)	(110,974)	(97,837)
Balance - End of year	<u>20,640</u>	<u>-</u>	<u>20,640</u>	<u>19,581</u>

Undisbursed grants include \$9,142 (2015 - \$13,427) of amounts received from Global Affairs Canada prior to the end of the fiscal year and not yet disbursed as at the end of the fiscal year.

7 Net assets invested in capital and intangible assets

The fund represents amounts invested in capital and intangible assets. The organization received lease inducements for the acquisition of capital assets in the amount of \$nil (2015 - \$1,762), which have been deferred and are amortized over the lease term. Amortization in the current year is \$242 (2015 - \$184).

8 Financial instruments

Plan Canada's financial instruments are primarily exposed to interest rate risk, credit risk, market risk, foreign currency risk and liquidity risk. Plan Canada has formal policies and procedures that establish target asset mix. Plan Canada's policies also require diversification of investments within asset categories and set limits on exposure to individual investments.

Plan International Canada Inc.

Notes to Financial Statements

June 30, 2016

(in thousands of dollars)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of investments held by Plan Canada. Plan Canada manages this risk by holding primarily term deposits with fixed rather than variable interest rates and through diversification of the portfolio.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Plan Canada is exposed to credit risk primarily through its investments with various financial institutions and accounts receivable. Management considers the credit risk to be low, as the organization only places its investments with reputable and financially stable organizations. Receivables are primarily with various levels of government and the associated credit risk is considered low.

Market risk

Market risk arises as a result of fluctuations in the marketplace, which affect the trading values of equity securities and bonds. Plan Canada mitigates this risk through its investment policies and by monitoring the asset mix of the portfolio.

Foreign currency risk

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the organization's foreign investments. Plan Canada mitigates this risk by setting limits on non-Canadian investments as a percentage of the total fair value of the portfolio through its investment policies.

Liquidity risk

Liquidity risk is the risk the organization will not be able to meet its financial obligations when they come due. Plan Canada's liquidity risk is considered low given its strong cash flow position combined with the composition of its accounts payable and accrued liabilities.

9 Government and other grants

	2016 \$	2015 \$
Government of Canada and Provincial Governments of Saskatchewan and Manitoba	29,441	30,520
Multilaterals, UN agencies, overseas foundations, Canadian charities and other	46,668	36,933
	<u>76,109</u>	<u>67,453</u>

Included in government and other grants are contributions of \$41,796 (2015 - \$32,978), which were received in the field for programs supported by Plan Canada and attributed to the organization by Plan.

Plan International Canada Inc.

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June 30, 2016

(in thousands of dollars)

10 Gifts-in-kind

	2016 \$	2015 \$
Food and agriculture	17,928	15,160
Anti-malaria bed nets	9,650	14,109
Essential medicine and supplies	6,147	668
Other	1,140	447
	<hr/>	<hr/>
	34,865	30,384
	<hr/>	<hr/>

11 Related party balances and transactions

As indicated in note 1, to support Plan program expenditures, each National Organization has committed to contribute to Plan the funds it raises in excess of its operating requirements. Throughout the year, as agreed to by both parties, funds are remitted to Plan.

During the year, the organization provided funding of \$111,418 (2015 - \$110,017) to Plan, an amount which is recorded as international program services in the statement of operations. In addition, gifts-in-kind of \$34,865 (2015 - \$30,384) were provided to field offices. As at year-end, the amount due from Plan International, Inc. was \$6,019 (2015 - \$3,057). The organization also provided funding of \$10,624 (2015 - \$5,511) to non-Plan partners, which is also recorded as international program services in the statement of operations.

12 Retirement savings plan

The organization contributes to a group retirement savings plan that covers all full-time permanent employees. The pension plan expense for the year ended June 30, 2016 was \$1,468 (2015 - \$926).

13 Net change in non-cash working capital

	2016 \$	2015 \$
Receivables and prepayments	769	(2,918)
Advances to Plan International, Inc.	(2,962)	3,784
Inventory	335	261
Advance payments by donors	(46)	(288)
Undisbursed designated contributions	270	(70)
Undisbursed grants	1,059	3,397
Accounts payable and accrued liabilities	38	216
	<hr/>	<hr/>
	(537)	4,382
	<hr/>	<hr/>

Plan International Canada Inc.

Notes to Financial Statements

June 30, 2016

(in thousands of dollars)

14 Allocation of expenses

As more fully described in note 2, marketing, development, program, administration and operating costs have been allocated as follows:

				2016
	Canadian program services \$	Fundraising \$	Operating \$	Total \$
Marketing, development and programs	12,269	24,042	2,530	38,841
Administration and operations	851	-	11,424	12,275
	<u>13,120</u>	<u>24,042</u>	<u>13,954</u>	<u>51,116</u>
				2015
	Canadian program services \$	Fundraising \$	Operating \$	Total \$
Marketing, development and programs	13,066	26,714	2,654	42,434
Administration and operations	945	137	9,359	10,441
	<u>14,011</u>	<u>26,851</u>	<u>12,013</u>	<u>52,875</u>

15 Commitments

The organization is obligated under the terms of operating leases for office premises and office equipment. Lease commitments for the next five years and thereafter are approximately as follows:

	\$
2017	809
2018	913
2019	1,056
2020	1,247
2021	1,364
Thereafter	<u>9,065</u>
	<u>14,454</u>