

Plan International Canada Inc.

Financial Statements

June 30, 2017

(in thousands of dollars)



November 30, 2017

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, 2017 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, 2017 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, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents	50,561	30,529
Short-term investments (note 3)	586	757
Receivables and prepayments	5,832	4,878
Advances to Plan International, Inc. (note 10)	-	6,019
	<hr/> 56,979	<hr/> 42,183
Long-term investments (note 3)	6,639	6,225
Capital assets (note 4)	5,187	5,960
Intangible assets	<hr/> 1,876	<hr/> 1,941
	<hr/> 70,681	<hr/> 56,309
Liabilities		
Current liabilities		
Advance payments by donors	3,906	3,994
Undisbursed designated contributions (note 5)	9,846	10,811
Undisbursed grants (note 6)	34,309	20,640
Accounts payable and accrued liabilities	5,109	3,941
Payable to Plan International, Inc. (note 10)	598	-
Deferred lease inducements	242	242
	<hr/> 54,010	<hr/> 39,628
Deferred lease inducements	<hr/> 2,288	<hr/> 2,530
	<hr/> 56,298	<hr/> 42,158
Net Assets		
Restricted for endowment purposes	2,840	2,687
Invested in capital and intangible assets	4,533	5,129
Unrestricted	<hr/> 7,010	<hr/> 6,335
	<hr/> 14,383	<hr/> 14,151
	<hr/> 70,681	<hr/> 56,309

Commitments (note 14)

Approved by the Board of Directors



Director



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, 2017

(in thousands of dollars)

	2017		2016	
	\$		\$	
Public support and revenue				
Child sponsorship income	74,650		77,513	
Contributions, gifts and bequests	25,447		21,484	
Government and other grants (notes 6 and 8)	89,526		76,109	
Gifts-in-kind (notes 6, 9 and 10)	33,234		34,865	
Investment and other income	64		498	
	<u>222,921</u>		<u>210,469</u>	
	%		%	
Expenditures				
Program				
International program services (note 10)	74.0	164,956	75.4	156,907
Canadian program services (note 13)	7.6	16,903	6.3	13,120
	<u>81.6</u>	<u>181,859</u>	<u>81.7</u>	<u>170,027</u>
Operations				
Fundraising (note 13)	11.3	25,108	11.6	24,042
Operating costs (note 13)	7.1	15,952	6.7	13,954
	<u>18.4</u>	<u>41,060</u>	<u>18.3</u>	<u>37,996</u>
Total expenditures	<u>100.0</u>	<u>222,919</u>	<u>100.0</u>	<u>208,023</u>
Excess of public support and revenue over expenditures for the year before the undernoted		2		2,446
Change in fair value of investments		<u>77</u>		<u>(469)</u>
Excess of public support and revenue over expenditures for the year		<u>79</u>		<u>1,977</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, 2017

(in thousands of dollars)

				2017	2016
	Restricted for endowment purposes \$	Invested in capital and intangible assets \$	Unrestricted \$	Total \$	Total \$
Balance - Beginning of year	2,687	5,129	6,335	14,151	12,003
Excess of public support and revenue over expenditures for the year	-	-	79	79	1,977
Endowment fund contributions	153	-	-	153	171
Amortization of capital assets	-	(1,240)	1,240	-	-
Amortization of intangible assets	-	(615)	615	-	-
Amortization of lease inducements invested in capital assets	-	242	(242)	-	-
Purchase of capital assets	-	467	(467)	-	-
Purchase of intangible assets	-	550	(550)	-	-
Balance - End of year	2,840	4,533	7,010	14,383	14,151

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, 2017

(in thousands of dollars)

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of public support and revenue over expenditures for the year	79	1,977
Items not involving cash		
Amortization of capital assets	1,240	1,249
Amortization of intangible assets	615	391
Amortization of deferred lease inducements	(242)	(242)
Net change in non-cash working capital (note 12)	19,447	(537)
	<hr/> 21,139	<hr/> 2,838
Investing activities		
Purchase of capital assets	(467)	(1,574)
Purchase of intangible assets	(550)	(1,195)
Sale of investments	2,415	3,996
Purchase of investments	(2,658)	(4,077)
	<hr/> (1,260)	<hr/> (2,850)
Financing activities		
Endowment fund contributions	153	171
	<hr/> 20,032	<hr/> 159
Increase in cash and cash equivalents during the year		
	20,032	159
Cash and cash equivalents - Beginning of year	<hr/> 30,529	<hr/> 30,370
Cash and cash equivalents - End of year	<hr/> 50,561	<hr/> 30,529

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

Plan International Canada Inc.

Notes to Financial Statements

June 30, 2017

(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 the 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, the 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 53 program countries. Central services, such as program support and global assurance for the program countries, are provided by Plan Limited. The 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, 2017

(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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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

The organization reviews the carrying amount, amortization and useful lives of its long-lived assets regularly. If the long-lived asset no longer contributes to Plan Canada's ability to provide services, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

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

The amounts allocated are detailed in note 13.

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

	2017 \$	2016 \$
Short-term		
Canadian fixed income	586	400
Foreign fixed income	-	357
	<u>586</u>	<u>757</u>
	2017 \$	2016 \$
Long-term		
Canadian fixed income	4,525	4,573
Foreign fixed income	683	609
Canadian equities	835	547
Foreign equities	596	496
	<u>6,639</u>	<u>6,225</u>

4 Capital assets

	<u>2017</u>		<u>2016</u>	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	3,604	2,620	984	1,297
Furniture and fixtures	1,804	1,132	672	808
Leasehold improvements	4,573	1,042	3,531	3,855
	<u>9,981</u>	<u>4,794</u>	<u>5,187</u>	<u>5,960</u>

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:

	2017 \$	2016 \$
Balance - Beginning of year	10,811	10,541
Add: Contributions received during the year	21,170	19,180
Less: Revenue recognized during the year	(22,135)	(18,910)
	<hr/>	<hr/>
Balance - End of year	9,846	10,811

6 Undisbursed grants

			2017	2016
	Government and other grants \$	Gifts-in-kind \$	Total \$	Total \$
Balance - Beginning of year	20,640	-	20,640	19,581
Add: Grants received during the year	103,195	33,234	136,429	112,033
Less: Revenue recognized during the year	(89,526)	(33,234)	(122,760)	(110,974)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance - End of year	34,309	-	34,309	20,640

Undisbursed grants include \$13,681 (2016 - \$9,142) 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 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.

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.

Plan International Canada Inc.

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June 30, 2017

(in thousands of dollars)

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.

8 Government and other grants

	2017 \$	2016 \$
Government of Canada and Provincial Governments of Saskatchewan and Manitoba	31,347	29,441
Multilaterals, UN agencies, overseas foundations, Canadian charities and other	58,179	46,668
	<hr/> 89,526	<hr/> 76,109

Included in government and other grants are contributions of \$45,903 (2016 - \$41,796), 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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(in thousands of dollars)

9 Gifts-in-kind

	2017 \$	2016 \$
Food and agriculture	16,449	17,928
Anti-malaria bed nets	12,773	9,650
Essential medicine and supplies	3,732	6,147
Other	280	1,140
	<hr/>	<hr/>
	33,234	34,865

10 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 \$128,568 (2016 - \$111,418) to Plan, an amount which is included in international program services in the statement of operations. In addition, gifts-in-kind of \$33,234 (2016 - \$34,865) were provided to country offices of Plan International, Inc.

As at year-end, the amount due to Plan International, Inc. was \$12,947 (2016 - \$1,369). Plan Canada advanced \$11,562 (2016 - \$7,388) to country offices and \$787 (2016 - \$nil) to Plan Colombia, which have yet to be spent on programs administered by Plan.

11 Retirement savings plan

The organization contributes to a group retirement savings plan that covers all full-time permanent employees. The expense for the year ended June 30, 2017 was \$1,593 (2016 - \$1,468).

12 Net change in non-cash working capital

	2017 \$	2016 \$
Receivables and prepayments	(954)	769
Advances to Plan International, Inc.	6,019	(2,962)
Inventory	-	335
Advance payments by donors	(88)	(46)
Undisbursed designated contributions	(965)	270
Undisbursed grants	13,669	1,059
Accounts payable and accrued liabilities	1,168	38
Payable to Plan International, Inc.	598	-
	<hr/>	<hr/>
	19,447	(537)

Plan International Canada Inc.

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June 30, 2017

(in thousands of dollars)

13 Allocation of expenses

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

				2017
	Canadian program services \$	Fundraising \$	Operating \$	Total \$
Marketing, development and programs	15,791	24,975	2,759	43,525
Administration and operations	1,112	133	13,193	14,438
	16,903	25,108	15,952	57,963
				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
	13,120	24,042	13,954	51,116

14 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:

	\$
2018	913
2019	1,056
2020	1,247
2021	1,364
2022	1,329
Thereafter	7,736
	<u>13,645</u>