

THE MISSION TO CHILDREN
FINANCIAL STATEMENTS
JUNE 30, 2008



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AUDITORS' REPORT

To the Board of Directors of
The Mission to Children

We have audited the statement of financial position of The Mission to Children as at June 30, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the charity's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the charity as at June 30, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Veres Picton & Co. LLP
CHARTERED ACCOUNTANTS

Edmonton, Alberta
November 28, 2008

**THE MISSION TO CHILDREN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2008</u>	<u>2007</u>
Revenue		
Donations	\$ 627,385	\$ 792,122
Sponsorship donations carried forward from prior year	26,430	28,279
Sponsorship donations related to future year	(30,915)	(26,430)
Interest income	<u>35,745</u>	<u>20,515</u>
	<u>658,645</u>	<u>814,486</u>
Program expenditures		
Overseas child welfare	352,348	372,236
Religious publishing and broadcasting	<u>61,613</u>	<u>71,706</u>
Total program expenditures	<u>413,961</u>	<u>443,942</u>
Administration expenditures		
Bank charges	1,230	414
Contracted services	13,906	13,067
Fundraising	11,093	13,085
Licences, fees and dues	285	-
Office and general administration	60,299	60,511
Professional fees	18,347	14,096
Rent	4,939	5,460
Telephone	1,339	1,638
Wages and benefits	<u>-</u>	<u>12,740</u>
Total administration expenditures	<u>111,438</u>	<u>121,011</u>
Total expenditures	<u>525,399</u>	<u>564,953</u>
Excess of revenue over expenditures for the year	<u>\$ 133,246</u>	<u>\$ 249,533</u>

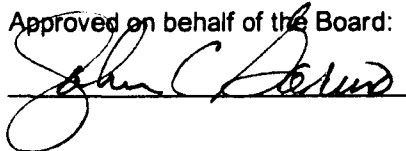
**THE MISSION TO CHILDREN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2008</u>	<u>2007</u>
Net assets, beginning of year	\$ 946,139	\$ 696,606
Excess of revenue over expenditures for the year	<u>133,246</u>	<u>249,533</u>
Net assets, end of year	\$ <u>1,079,385</u>	\$ <u>946,139</u>

**THE MISSION TO CHILDREN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008**

	Assets	<u>2008</u>	<u>2007</u>
Current			
Cash and cash equivalents (Note 5)		\$ 167,050	\$ 76,603
Short-term investments (Note 6)		812,570	979,000
Accounts receivable		1,628	2,615
Prepaid expenses		<u>158</u>	<u>-</u>
		<u>981,406</u>	<u>1,058,218</u>
Long-term investments (Note 7)		<u>203,143</u>	<u>-</u>
		<u>\$ 1,184,549</u>	<u>\$ 1,058,218</u>
	Liabilities		
Current			
Accounts payable and accrued liabilities		\$ 74,249	\$ 85,649
Sponsorship donations related to future year (Note 8)		<u>30,915</u>	<u>26,430</u>
		<u>105,164</u>	<u>112,079</u>
	Net Assets		
Net assets		<u>1,079,385</u>	<u>946,139</u>
		<u>\$ 1,184,549</u>	<u>\$ 1,058,218</u>

Approved on behalf of the Board:

 Director

**THE MISSION TO CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2008</u>	<u>2007</u>
Operating activities		
Excess of revenue over expenditures for the year	\$ <u>133,246</u>	\$ <u>249,533</u>
Changes in non-cash working capital		
Decrease in accounts receivable	987	2,513
Increase in prepaid expenses	(158)	-
(Decrease) increase in accounts payable and accrued liabilities	(11,400)	29,352
Increase (decrease) in sponsorship donations related to future year	<u>4,485</u>	<u>(1,849)</u>
	<u>(6,086)</u>	<u>30,016</u>
	<u>127,160</u>	<u>279,549</u>
Investing activities		
Net decrease (increase) in short-term investments	166,430	(979,000)
Net increase in long-term investments	<u>(203,143)</u>	<u>-</u>
	<u>(36,713)</u>	<u>(979,000)</u>
Increase (decrease) in cash and cash equivalents	90,447	(699,451)
Cash and cash equivalents, beginning of year	<u>76,603</u>	<u>776,054</u>
Cash and cash equivalents, end of year	<u>\$ 167,050</u>	<u>\$ 76,603</u>



**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Nature of operations

The Mission to Children is a registered Canadian charity operating programs since 1963 to propagate the Christian gospel and to provide funds for needy children throughout the world. The Mission to Children is incorporated under the Societies Act in the Province of Alberta. As a result, the charity is exempt from income tax under subsection 149.1(l) of the Income Tax Act.

Mission to Children is a U.S. charity operating programs since 1971 to propagate the Christian gospel and to provide funds for needy children throughout the world. Mission to Children (U.S.) is a legally separate and distinct charity from The Mission to Children (Canada) and maintains its own separate Board of Directors and prepares its own financial statements.

The Mission to Children (Canada) and Mission to Children (U.S.) operate under common goals and objectives and carry out their charitable activities jointly in order to achieve maximum efficiency and effectiveness in the use of the donations that they each receive.

2. Significant accounting policies

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(a) Basis of presentation

These financial statements are prepared using the deferral method, where donations relating to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

(b) Short-term investments and long-term investments

Short-term investments and long-term investments are recorded at the lower of cost and market value. When there has been a loss in value of an investment that is other than a temporary decline, the investment will be written down to recognize the loss.

(c) Revenue recognition

Donation revenue is recognized upon receipt of the contribution with the exception of child sponsorship donations which are deferred and recognized as revenue on a monthly basis consistent with the disbursement of funds to international sponsorship organizations.

(d) Financial instruments

The charity's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, long-term investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the charity is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values unless otherwise noted.



**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

2. Significant accounting policies - continued

(e) Statement of cash flows

The statement of cash flows is prepared using the indirect method.

(f) Risk management and fair value

Risk management

The charity is exposed to the foreign exchange risk that arises from the settlement of certain administration expenses in a foreign currency.

The charity does not believe it is subject to any significant concentration of credit risk. Cash, short-term investments and long-term investments are in place with a major financial institution. As a result, it is management's opinion that the charity is not exposed to significant interest or credit risks arising from these financial instruments.

Fair value

In accordance with the disclosure requirements of the Canadian Institute of Chartered Accountants (CICA) handbook, the charity is required to disclose certain information concerning its "financial instruments", defined as the contractual right to receive or deliver cash or another financial asset. The charity's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, long-term investments, and accounts payable and accrued liabilities.

Under adoption of the new standards as outlined in Note 3, all financial instruments have been measured at fair value. The fair value of cash and cash equivalents, short-term investments, accounts receivable, long-term investments and accounts payable and accrued liabilities approximates their carrying value due to their short term nature.

As at June 30, 2008, cash and cash equivalents, short-term investments and long-term investments have been measured at fair value due to their classification as held-for-trading. Accounts receivable have been classified as loans and receivables and therefore measured at amortized cost, which represents the par value of the investment increased or decreased by any unamortized premium or discount. Accounts payable and accrued liabilities have been classified as other financial liabilities and have therefore been measured at amortized cost, as described above.

**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

3. Accounting change

The CICA has issued the following new accounting standards effective for the charity's fiscal year commencing July 1, 2007, and which were applied on a prospective basis without restating prior periods. These standards are outlined below:

- a) Section 1506 - Accounting Changes
- b) Section 3251 - Equity
- c) Section 3855 - Financial Instruments - Recognition and Measurement
- d) Section 3861 - Financial Instruments - Disclosure and Presentation

Section 1506 - Accounting Changes prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors in order to enhance the relevance, reliability and comparability of financial statements.

Section 3251 - Equity establishes standards for the presentation of equity and changes in equity during the reporting period. This section requires that the charity present separately changes in net assets for the period arising from excess of revenue over expenditures for the year, and other changes in net assets.

Section 3855 - Financial Instruments - Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Under section 3855, financial instruments must be classified in one of the these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost using the effective interest method.

Section 3861 - Financial Instruments - Disclosure and Presentation establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Under adoption of these new standards, the charity has designated its financial instruments as described in Note 2 (f).

On July 1, 2007, the charity adopted CICA Handbook Section 1506 - Accounting Changes, providing standards for accounting treatment and disclosure of changes in accounting policies, changes in accounting for estimates and corrections of errors. The section also specifies that a change in accounting policy, if not required by a primary source of Canadian GAAP, should be made only if it results in more reliable and relevant information. Section 1506 includes disclosure rules regarding the description and the impact on the charity's financial results of future accounting standards not yet applied. The adoption of the new section did not have a material effect on the charity's financial results.

THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. Accounting change - continued

In prior years, the charity did not provide a statement of cash flows as it did not provide additional useful information to the users of the financial statements. Due to the increase in investing activities during the year, the charity has included a statement of cash flows as described in Note 2(e).

4. Recent accounting pronouncements issued but not yet adopted

As mentioned in Note 3 above, recently adopted Section 1506 of the CICA Handbook requires that recent accounting pronouncements issued but not yet adopted by the charity be disclosed in its financial statements. These standards have been outlined below.

The CICA has issued the following new recommendations which apply to fiscal years beginning on or after October 1, 2007:

- Financial Instruments - Disclosures, CICA Handbook Section 3862, describes the disclosures related to the significance of financial instruments on the charity's financial position and performance and the nature and extent of risks arising for financial instruments to which the charity is exposed and how the charity manages those risks. This section complements the principles of recognition, measurement and presentation of financial instruments of CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement.
- Financial Instruments - Presentation, CICA Handbook Section 3863, establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation.
- Capital Disclosures, CICA Handbook Section 1535, establishes standards for disclosing information about the charity's capital and how it is managed to enable users of financial statements to evaluate the charity's objectives, policies and procedures for managing capital.

The charity continues to evaluate the impact of the adoption of the above new sections on its financial statements.

5. Cash and cash equivalents

Cash and cash equivalents consist of balances with banks.



**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

6. Short-term investments

	<u>2008</u>	<u>2007</u>
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 3.75% per annum, matured June 14, 2008	\$ -	\$ 979,000
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 3.00% per annum, maturing June 12, 2009	609,427	-
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 3.25% per annum, maturing June 12, 2009	<u>203,143</u>	<u>-</u>
	<u>\$ 812,570</u>	<u>\$ 979,000</u>

7. Long-term investments

	<u>2008</u>	<u>2007</u>
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 4.15% per annum, maturing June 14, 2010	<u>\$ 203,143</u>	<u>\$ -</u>

8. Sponsorship donations related to future year

This balance represents donations made in advance of the donor's monthly sponsorship commitment. These funds will be used toward the sponsorship of children in the next year.

9. Commitments

Under terms of the Income Tax Act, the charity is required to disburse a minimum amount of funds each year for charitable purposes. The charity's disbursement quota is based on 80% of the total of the preceding year's receipted donations less amounts received from estates and trusts. Based on receipted donations for the year ended June 30, 2008, the charity has a requirement to spend \$351,997 on charitable work in 2009.

