

**THE MISSION TO CHILDREN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**



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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, 2009 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, 2009 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  
September 30, 2009

**THE MISSION TO CHILDREN  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2009</u>	<u>2008</u> (Note 10)
<b>Revenue</b>		
Donations	\$ 589,950	\$ 627,385
Sponsorship donations carried forward from prior year	30,915	26,430
Sponsorship donations related to future year	(32,750)	(30,915)
Interest income	<u>31,068</u>	<u>35,745</u>
	<u>619,183</u>	<u>658,645</u>
<b>Program expenditures</b>		
International ministry	136,267	124,616
Overseas child welfare	489,517	227,732
Religious publishing and broadcasting	<u>71,158</u>	<u>61,613</u>
<b>Total program expenditures</b>	<u>696,942</u>	<u>413,961</u>
<b>Administration expenditures</b>		
Bank charges	2,619	1,230
Contracted services	13,601	13,906
Fundraising	12,930	11,093
Insurance	675	-
Licences, fees and dues	28	285
Office and general administration	62,447	60,299
Professional fees	19,085	18,347
Rent	4,190	4,939
Telephone	<u>771</u>	<u>1,339</u>
<b>Total administration expenditures</b>	<u>116,346</u>	<u>111,438</u>
<b>Total expenditures</b>	<u>813,288</u>	<u>525,399</u>
<b>(Deficiency) excess of revenue over expenditures for the year</b>	<b>\$ <u>(194,105)</u></b>	<b>\$ <u>133,246</u></b>

**THE MISSION TO CHILDREN  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>2009</u>	<u>2008</u>
<b>Net assets, beginning of year</b>	<b>\$ 1,079,385</b>	<b>\$ 946,139</b>
(Deficiency) excess of revenue over expenditures for the year	<u>(194,105)</u>	<u>133,246</u>
<b>Net assets, end of year</b>	<b><u>\$ 885,280</u></b>	<b><u>\$ 1,079,385</u></b>

**THE MISSION TO CHILDREN  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2009**

<b>Assets</b>	<b>2009</b>	<b>2008</b>
<b>Current</b>		
Cash and cash equivalents (Note 5)	\$ 140,685	\$ 167,050
Short-term investments (Note 6)	825,020	812,570
Accounts receivable	20,257	1,628
Prepaid expenses	<u>848</u>	<u>158</u>
	<u>986,810</u>	<u>981,406</u>
<b>Long-term investments</b>	<u>-</u>	<u>203,143</u>
	<b><u>\$ 986,810</u></b>	<b><u>\$ 1,184,549</u></b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 68,780	\$ 74,249
Sponsorship donations related to future year (Note 7)	<u>32,750</u>	<u>30,915</u>
	<u>101,530</u>	<u>105,164</u>
<b>Net Assets</b>		
<b>Net assets</b>	<u>885,280</u>	<u>1,079,385</u>
	<b><u>\$ 986,810</u></b>	<b><u>\$ 1,184,549</u></b>

Approved on behalf of the Board:

\_\_\_\_\_ Director



**THE MISSION TO CHILDREN  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>		
Net (loss) earnings for the year	\$ <u>(194,105)</u>	\$ <u>133,246</u>
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(18,629)	987
Increase in prepaid expenses	(690)	(158)
Decrease in accounts payable and accrued liabilities	(5,469)	(11,400)
Increase in sponsorship donations related to future year	<u>1,835</u>	<u>4,485</u>
	<u>(22,953)</u>	<u>(6,086)</u>
	<u>(217,058)</u>	<u>127,160</u>
<b>Investing activities</b>		
Net decrease (increase) in investments	<u>190,693</u>	<u>(36,713)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(26,365)</b>	<b>90,447</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>167,050</u>	<u>76,603</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 140,685</u>	<u>\$ 167,050</u>

**THE MISSION TO CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**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 (GAAP) 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**

Short-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, 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, 2009**

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**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 and cash equivalents and short-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, 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, and accounts payable and accrued liabilities approximates their carrying value due to their short term nature.

As at June 30, 2009, cash and cash equivalents, short-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, 2009**

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**3. Accounting change**

The Canadian Institute of Chartered Accountants (CICA) has issued three new accounting standards effective for the Company's fiscal year commencing July 1, 2008, and which were applied on a prospective basis without restating prior periods. These standards are outlined below:

- a) Section 3862 - Financial Instruments - Disclosures
- b) Section 3863 - Financial Instruments - Presentation
- c) Section 1535 - Capital Disclosures

Section 3862 - Financial Instruments - Disclosures establishes the disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity 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.

Section 3863 - Financial Instruments - Presentation establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation.

Section 1535 - Capital Disclosures establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

**4. Management of capital resources**

The Mission to Children manages its capital to ensure that it will continue to effectively operate and deliver its charitable programs. The capital structure of the Charity consists of its net assets and sponsorship donations related to future year. There have been no changes to the Charity's objectives, policies and processes for managing capital from the prior fiscal year. At June 30, 2009, the Charity has met its capital management objectives.

**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, 2009**

**6. Short-term investments**

	<u>2009</u>	<u>2008</u>
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 3.00% per annum, matured June 12, 2009	\$ -	\$ 609,428
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 3.25% per annum, matured June 12, 2009	-	203,143
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 4.15% per annum, maturing June 12, 2010	<b>203,143</b>	203,143
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 0.75% per annum, maturing August 5, 2009	<b>412,132</b>	-
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 0.80% per annum, maturing June 14, 2010	<u>209,745</u>	<u>-</u>
	<b>825,020</b>	1,015,714
Less portion reported as long-term investment	<u>-</u>	<u>203,143</u>
	<b>\$ 825,020</b>	<b>\$ 812,570</b>

G.I.C. reported as a long-term investment in prior year has become a current investment as maturity date is within one year of year-end.

**7. 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.

**8. Externally restricted donations**

During the year, the organization received donations of \$220,278 which donors requested be used for specific programs.

Projects	\$ 59,675
Sponsorship	141,263
Childrens' Ministry	<u>19,340</u>
	<b>\$ 220,278</b>

It is in management's opinion that these contributions have been spent in accordance with the external restrictions. In circumstances where funds have not been spent, the deferral method of accounting has been applied.



**THE MISSION TO CHILDREN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**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, 2009, the charity has a requirement to spend \$359,106 on charitable work in 2010.

**10. Comparative figures**

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted by the charity for the year ended June 30, 2009.