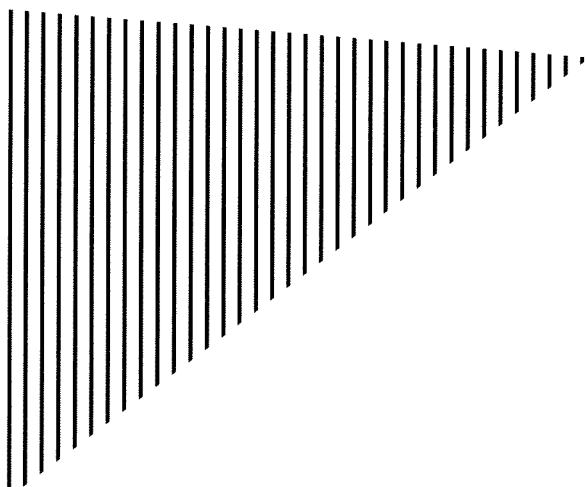


THE MISSION TO CHILDREN
FINANCIAL STATEMENTS
JUNE 30, 2010



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, 2010 and the statements of changes in net assets, operations and cash flows 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of Chartered Accountants.

Ernst & Young LLP

Edmonton, Alberta
December 17, 2010

Chartered Accountants

**THE MISSION TO CHILDREN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010**

	ASSETS	
	<u>2010</u>	<u>2009</u>
Current		
Cash	\$ 46,613	\$ 140,685
Temporary investments <i>[note 6]</i>	505,696	825,020
Accounts receivable	2,835	20,257
Prepaid expenses	<u>2,695</u>	<u>848</u>
	<u>557,839</u>	<u>986,810</u>
Long-term investment <i>[note 7]</i>	<u>220,403</u>	<u>-</u>
	<u>\$ 778,242</u>	<u>\$ 986,810</u>
	LIABILITIES	
Current		
Accounts payable and accrued liabilities	\$ 61,813	\$ 68,780
Sponsorship donations related to future year <i>[note 8]</i>	<u>24,940</u>	<u>32,750</u>
	<u>86,753</u>	<u>101,530</u>
	NET ASSETS	
Net assets	<u>691,489</u>	<u>885,280</u>
	<u>\$ 778,242</u>	<u>\$ 986,810</u>

See accompanying notes

Approved on behalf of the Board:

_____ Director

**THE MISSION TO CHILDREN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
Net assets, beginning of year	\$ 885,280	\$ 1,079,385
Deficiency of revenue over expenditures for the year	<u>(193,791)</u>	<u>(194,105)</u>
Net assets, end of year	\$ <u>691,489</u>	\$ <u>885,280</u>

See accompanying notes

**THE MISSION TO CHILDREN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Donations	\$ 548,283	\$ 589,950
Sponsorship donations carried forward from prior year	32,750	30,915
Sponsorship donations related to future year	(24,940)	(32,750)
Interest income	<u>14,287</u>	<u>31,068</u>
	<u>570,380</u>	<u>619,183</u>
 Program expenditures		
International ministry	149,128	136,267
Overseas child welfare	440,792	489,517
Religious publishing and broadcasting	<u>68,700</u>	<u>71,158</u>
Total program expenditures	<u>658,620</u>	<u>696,942</u>
 Administration expenditures		
Bank charges	2,926	2,619
Contracted services	16,531	13,601
Fundraising	14,703	12,930
Insurance	1,380	675
Licences, fees and dues	21	28
Office and general administration	49,223	62,447
Professional fees	15,916	19,085
Rent	3,821	4,190
Telephone	<u>1,030</u>	<u>771</u>
Total administration expenditures	<u>105,551</u>	<u>116,346</u>
Total expenditures	<u>764,171</u>	<u>813,288</u>
Deficiency of revenue over expenditures for the year	<u>\$ (193,791)</u>	<u>\$ (194,105)</u>

See accompanying notes

**THE MISSION TO CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	\$ <u>(193,791)</u>	\$ <u>(194,105)</u>
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable	17,422	(18,629)
Increase in prepaid expenses	(1,847)	(690)
Decrease in accounts payable and accrued liabilities	(6,967)	(5,469)
(Decrease) increase in sponsorship donations related to future year	<u>(7,810)</u>	<u>1,835</u>
	<u>798</u>	<u>(22,953)</u>
Cash used in operating activities	<u>(192,993)</u>	<u>(217,058)</u>
CASH PROVIDED BY (USED IN) INVESTING AND FINANCING ACTIVITIES		
Decrease in temporary and long-term investments	<u>98,921</u>	<u>190,693</u>
Net decrease in cash during the year	(94,072)	(26,365)
Cash, beginning of year	<u>140,685</u>	<u>167,050</u>
Cash, end of year	\$ <u>46,613</u>	\$ <u>140,685</u>

See accompanying notes

**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Nature of operations

The Mission to Children (the "Charity") 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 (Canada).

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

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the following significant accounting policies.

(a) Basis of presentation

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

(b) 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.

(c) Statement of cash flows

The statement of cash flows has been prepared using the indirect method.

**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

2. Significant accounting policies - continued

(d) 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 temporary 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, temporary and long-term investments, accounts receivable, and accounts payable and accrued liabilities.

All financial instruments have been measured at fair value. The fair value of cash, temporary and long-term investments, accounts receivable, and accounts payable and accrued liabilities approximates their carrying value due to their short term nature.

As at June 30, 2010, cash and temporary 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.

3. Changes in accounting policies

Effective July 1, 2009, the Charity complied retroactively with certain amendments made to the series 4400 sections of the CICA Handbook related to not-for-profit organizations. These amendments had minimal impact on the disclosures in and presentation of the financial statements.

4. Recent accounting pronouncements issued but not yet adopted

The Canadian Accounting Standards Board ("AcSB") is currently examining the needs of the financial statement users of not-for-profit organizations to determine the most appropriate financial reporting approach. Stakeholders had the opportunity to provide input to the AcSB on the new proposed standards, including the timing of the changes from existing standards, during 2010. Until any new standards are implemented, not-for-profit organizations will continue to apply existing accounting standards.

**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

5. Management of capital resources

The Charity 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, 2010, the Charity has met its capital management objectives.

6. Temporary investments

	<u>2010</u>	<u>2009</u>
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 4.15% per annum, maturing June 14, 2010	\$ -	\$ 203,143
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 0.75% per annum, maturing August 5, 2010	374,908	412,132
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 0.40% per annum, maturing June 14, 2011	<u>130,788</u>	<u>209,745</u>
	\$ <u>505,696</u>	\$ <u>825,020</u>

7. Long-term investment

	<u>2010</u>	<u>2009</u>
Canadian Imperial Bank of Commerce Guaranteed Investment Certificate bearing interest at 2.55% per annum, maturing June 14, 2012	\$ <u>220,403</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 future year.

**THE MISSION TO CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

9. Externally restricted donations

During the year, the Charity received donations of \$203,207 from donors who requested that it be used for specific programs as follows:

Projects	\$ 68,519
Sponsorship	119,108
Children's Ministry	<u>15,580</u>
	<u>\$ 203,207</u>

It is 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.

10. Commitments

Under the terms of the Income Tax Act (Canada), the Charity is required to disburse a minimum amount of funds each year for charitable purposes. The Charity's disbursement quota is based on 3.5% of property not used directly in charitable activities. Based on receipted donations for the year ended June 30, 2010, the Charity has a requirement to spend \$19,574 on charitable work in 2011.

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