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Financial Statements of

CHF

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Directors of CHF

We have audited the accompanying financial statements of CHF which comprise the statement of financial position as at March 31, 2011, the statements of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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.

Auditors' 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 an audit to obtain reasonable assurance about whether the consolidated 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 our 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, we consider 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CHF as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 25, 2011

Ottawa, Canada

CHF

Statement of Financial Position

March 31, 2011, with comparative figures for 2010


	2011	2010
Assets		
Current assets:		
Cash	\$ 1,496,281	\$ 1,365,696
Project contributions receivable and advances	963,650	1,008,171
Amounts receivable (note 4)	1,147,222	82,513
Prepaid expenses	9,379	12,806
	<u>3,616,532</u>	<u>2,469,186</u>
Investments (note 3)	189,020	185,410
Investments - Sprott Endowment for International Development (note 4)	10,050,361	6,552,655
Capital assets (note 5)	767,753	771,860
	<u>\$ 14,623,666</u>	<u>\$ 9,979,111</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,546,258	\$ 760,179
Deferred contributions (note 6)	1,843,576	1,653,324
Current portion mortgage payable (note 7)	33,333	33,333
	<u>3,423,167</u>	<u>2,446,836</u>
Mortgage payable (note 7)	397,223	430,556
Net assets (deficiency):		
Invested in capital assets (note 8)	337,197	307,971
Internally restricted:		
Freedom from Hunger Fund (note 9)	138,069	140,855
Sprott Endowment for International Development (notes 4 and 9)	11,050,361	6,552,655
Endowments (note 9(d))	14,562	12,437
Unrestricted	(736,913)	87,801
	<u>10,803,276</u>	<u>7,101,719</u>
Contingencies (note 10)		
Commitments (note 11)		
	<u>\$ 14,623,666</u>	<u>\$ 9,979,111</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

CHF

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Fundraising donations	\$ 1,185,485	\$ 1,073,500
Unrestricted donation – Sprott Foundation (note 4)	2,000,000	–
CIDA:		
Bilateral contribution agreements	6,013,409	6,263,080
Responsive programs	553,171	810,339
Other funding	814,450	796,472
Investment	341,947	137,753
Provincial grants	11,117	20,184
Kildare house	90,135	87,432
Foreign exchange gain (loss)	(37,889)	42,838
Other	15,130	2,560
	<u>10,986,955</u>	<u>9,234,158</u>
Expenses:		
Program:		
Bilateral contribution agreements	6,216,012	6,506,961
Responsive programs	818,087	1,171,891
Program development	249,002	238,594
Meetings and conferences	71,084	1,755
Other program funding	1,034,317	934,019
Staff salaries and benefits	2,437,942	2,254,460
Fundraising operations	432,137	417,943
Public awareness	91,450	53,582
Kildare house	162,962	173,812
Administration	267,762	217,997
	<u>11,780,755</u>	<u>11,971,014</u>
Deficiency of revenue over expenses, before the following	(793,800)	(2,736,856)
Recovery of operational expenses	1,582,523	1,692,645
Excess (deficiency) of revenue over expenses	<u>\$ 788,723</u>	<u>\$(1,044,211)</u>

See accompanying notes to financial statements.

CHF

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Internally Restricted				Total 2011	Total 2010
	Invested in capital assets	Freedom From Hunger Fund	Endowment International Development	Sprott for International		
Net assets, beginning of year	\$ 307,971	\$ 140,855	\$ 6,552,655	\$ 12,437	\$ 7,101,719	\$ 9,089,774
Excess (deficiency) of revenue over expenses	-	-	2,000,000	-	788,723	(1,044,211)
Mortgage principal payments	33,333	-	-	-	(33,333)	-
Capital asset additions	37,064	-	-	-	(37,064)	-
Amortization of capital assets	(41,171)	-	-	-	41,171	-
Distribution (notes 3 and 4)	-	(11,997)	(403,792)	-	415,789	-
Endowment contributions	-	-	-	2,125	2,125	750
Net change in cumulative unrealized gains (losses) on investments (notes 3 and 4)	-	9,211	2,901,498	-	2,910,709	(944,594)
Net assets (deficiency), end of year	\$ 337,197	\$ 138,069	\$ 11,050,361	\$ 14,562	\$ 10,803,276	\$ 7,101,719

See accompanying notes to financial statements.

CHF

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 788,723	\$(1,044,211)
Items not involving cash:		
Amortization of capital assets	41,171	41,292
Realized gains on investments	(335,643)	(133,189)
Change in non-cash operating working capital:		
Decrease (increase) in project contributions receivable and advances	44,521	(604,087)
Decrease (increase) in amounts receivable	(1,064,709)	31,474
Decrease (increase) in prepaid expenses	3,427	(2,725)
Increase in accounts payable and accrued liabilities	786,079	326,688
Increase in deferred contributions	190,252	763,259
	<u>453,821</u>	<u>(621,499)</u>
Investing:		
Capital asset additions	(37,064)	(16,593)
Additions to investments	(6,394)	(2,869)
Additions to investments - Sprott Endowment for International Development	(1,000,000)	-
Proceeds on disposal of investments	13,474	13,637
Proceeds on disposal of investments - Sprott Endowment for International Development	737,956	491,109
	<u>(292,028)</u>	<u>485,284</u>
Financing:		
Mortgage principal payments	(33,333)	(33,333)
Endowment contributions	2,125	750
	<u>(31,208)</u>	<u>(32,583)</u>
Increase (decrease) in cash	130,585	(168,798)
Cash, beginning of year	1,365,696	1,534,494
Cash, end of year	<u>\$ 1,496,281</u>	<u>\$ 1,365,696</u>

CHF paid interest in the year of \$21,443 (2010 - \$20,952).

See accompanying notes to financial statements.

CHF

Notes to Financial Statements

Year ended March 31, 2011

1. Description:

CHF (formerly Canadian Hunger Foundation) is a registered charitable foundation that raises funds to support self-help projects that enable poor communities to meet their basic human needs, attain food security, and develop sustainable livelihoods.

CHF was incorporated on April 1, 1997, without share capital under the provisions of the Canada Corporations Act. CHF is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Revenue recognition:

CHF uses the deferral method of accounting for contributions for not-for-profit organizations.

Unrestricted contributions are recognized as revenue when received or receivable. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expense is recognized. Contributions to endowments are recognized as direct increases in net assets in the period received.

Restricted investment income is recognized as revenue in the year that the related expenses are incurred. Unrestricted investment income is recognized as revenue in the year earned.

Recovery of operational expenses is recorded as revenue in the statement of operations in accordance with the terms in the individual contribution agreements.

(b) Financial instruments:

(i) Investments:

Investments are designated as available for sale and are recorded at fair value. Realized investment income (loss) recorded in the statement of operations includes interest income, dividends and realized gains and losses on sale of investments. Unrealized gains or losses from the change in fair value are recorded in the statement of changes in net assets until the investment is sold or impaired at which time the amount is recorded in the statement of operations. Fair value is determined at quoted market prices. Sales and purchases of investments are recorded on the settlement date. Transactions costs related to the acquisition of investments are expensed.

CHF

Notes to Financial Statements, page 2

Year ended March 31, 2011

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

(ii) Other financial instruments:

CHF has classified amounts receivable, project contributions receivable and advances as loans and receivables and accounts payable and accrued liabilities and mortgage payable as other liabilities.

Upon initial recognition, these financial assets and liabilities are measured at fair value. Subsequent to initial recognition, these financial assets and liabilities are measured at amortized cost using the effective interest method of amortization.

(c) Foreign exchange:

Transactions conducted in a foreign currency are translated into Canadian dollars at the average exchange rate for the period. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Foreign exchange gains and losses are included in revenue or expenses on the statement of operations.

(d) Capital assets:

Capital assets are recorded at cost. Amortization is provided on the straight-line basis.

	Term
Building	30 years
Computer equipment	50%
Computer software	20%
Furniture and fixtures	20%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Expenses:

In the statement of operations, CHF presents its expenses by function except for staff salaries and benefits.

Expenses are recognized in the year incurred and are recorded in the function to which they are directly related. CHF does not allocate expenses between functions after initial recognition.

CHF

Notes to Financial Statements, page 3

Year ended March 31, 2011

2. Significant accounting policies (continued):

(f) Contributed materials and services:

Contributed materials and services, which are used in the normal course of CHF's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution when the fair value can be reasonably estimated.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the period in which they become known.

3. Investments:

(a) Investments are primarily held by CHF to fund its endowments and Freedom from Hunger Fund. The cost and fair value of the investments are as follows:

	2011		2010	
	Cost	Fair value	Cost	Fair value
MD Bond Fund	\$ 50,188	\$ 53,818	\$ 52,069	\$ 55,687
Trimark Advantage Bond Fund	56,789	53,660	56,375	51,691
MD Equity Fund	29,864	51,276	31,994	48,578
MD Growth Fund	18,980	22,105	20,409	22,029
MD US Large Cap Growth Fund	7,642	8,127	8,217	7,391
MD Money Market Fund	34	34	34	34
	\$ 163,497	\$ 189,020	\$ 169,098	\$ 185,410

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Year ended March 31, 2011

3. Investments (continued):

(b) Cumulative unrealized gains (losses) on investments:

	2011	2010
Balance, beginning of year	\$ 16,312	\$ (14,076)
Previously unrealized gains realized on investments recorded in investment income	(1,479)	(996)
Unrealized gains on investments	10,690	31,384
Change in cumulative unrealized gains on investments	9,211	30,388
Balance, end of year	\$ 25,523	\$ 16,312

Withdrawals from investments are done annually at a rate of 7% to be used for operations of CHF. In the year ended March 31, 2011, CHF withdrew \$11,996 (2010 - \$13,637) from investments realizing a gain on sale of investments of \$1,479 (2010 - \$996).

CHF regularly reviews its investments to determine whether unrealized losses represent temporary changes in fair value or are a result of other than temporary impairments. The consideration of whether an investment is other than temporarily impaired is based on a number of factors which include, but are not limited to, the financial condition of the issuer and the length and magnitude of the unrealized loss on specific credit events.

CHF also considers its intent and ability to hold an investment for a sufficient period of time for the value of the unrealized loss to recover. Based on the evaluation as of March 31, 2011, no unrealized losses are considered to be other than temporary.

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Year ended March 31, 2011

4. Investments - Sprott Endowment for International Development:

The Sprott Endowment for International Development was established in February of 2002, based on a decision by the Board of Directors to internally restrict donations received from the Sprott Foundation for the purpose of supporting CHF's charitable activities on an ongoing basis. During the year, CHF received \$2,000,000 in donations from the Sprott Foundation, of which \$1,000,000 was receivable at March 31, 2011, and was received subsequent to year-end.

(a) Investments:

The cost and market value of the investments held for the Sprott Endowment for International Development are as follows:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Sprott Charitable Trust Fund	\$ 5,214,246	\$ 9,700,037	\$ 4,606,708	\$ 6,331,515
Sprott Gold and Precious Minerals Fund	150,413	350,323	161,743	221,139
	\$ 5,364,659	\$ 10,050,360	\$ 4,768,451	\$ 6,552,654

Withdrawals from investments are done annually at a rate of 7% to be used for operations of CHF. In the year ended March 31, 2011, CHF withdrew \$737,956 (2010 - \$491,109) from the investments and realized a gain on sale of investments of \$334,164 (2010 - \$132,193).

(b) Cumulative unrealized gains (losses) on investments:

	2011	2010
Balance, beginning of year	\$ 1,784,203	\$ 2,759,185
Previously unrealized gains realized on investments, recorded in investment income	(334,164)	(132,193)
Unrealized gains (losses) on investments	3,235,662	(842,789)
Net change in cumulative unrealized losses on investments	2,901,498	(974,982)
Balance, end of year	\$ 4,685,701	\$ 1,784,203

CHF

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Year ended March 31, 2011

5. Capital assets:

	2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 610,000	\$ -	\$ 610,000	\$ 610,000
Building	445,025	304,514	140,511	135,814
Computer equipment	211,932	204,756	7,176	8,054
Computer software	25,751	25,475	276	367
Furniture and fixtures	100,814	91,024	9,790	17,625
	<u>\$ 1,393,522</u>	<u>\$ 625,769</u>	<u>\$ 767,753</u>	<u>\$ 771,860</u>

Cost and accumulated amortization at March 31, 2010 amounted to \$1,356,458 and \$584,598 respectively.

6. Deferred contributions:

Deferred contributions consist of amounts received from funding agencies and donors for specific projects for which project expenses have not been incurred. The changes in the deferred contributions balance are as follows:

	2011	2010
Balance, beginning of year	\$ 1,653,324	\$ 890,065
Received during the year	7,854,279	8,489,854
Recognized as revenue during the year	(7,664,027)	(7,726,595)
	<u>\$ 1,843,576</u>	<u>\$ 1,653,324</u>

7. Mortgage payable:

	2011	2010
TD Canada Trust, prime plus 2.05%, repayable in monthly principal installments of \$2,778 plus interest, due February 20, 2024, secured by land and building	\$ 430,556	\$ 463,889
Less: current portion	33,333	33,333
	<u>\$ 397,223</u>	<u>\$ 430,556</u>

CHF

Notes to Financial Statements, page 7

Year ended March 31, 2011

7. Mortgage payable (continued)

Principal due within each of the next four years and thereafter are as follows:

2012	\$	33,333
2013		33,333
2014		33,333
2015		33,333
Thereafter		297,224
	\$	430,556

8. Invested in capital assets:

	2011	2010
Capital assets – net book value	\$ 767,753	\$ 771,860
Less: mortgage payable (note 9)	430,556	463,889
Invested in capital assets	\$ 337,197	\$ 307,971

9. Capital disclosures:

(a) Capital management:

CHF considers its capital to consist of its net assets. CHF's objectives in managing capital are to safeguard its ability to continue as a going concern and to provide services and benefits to their stakeholders. Management continually monitors the impact of changes in economic conditions on its program commitments.

(b) The Freedom from Hunger Fund:

The Freedom from Hunger Fund has been internally restricted by the Board of Directors of CHF, and has two specific purposes: first, to provide long-term funding to enable CHF to continue to implement its programs in the future; and second, to cover costs incurred in the process of researching, planning, and implementing new programs or partnerships. The Freedom from Hunger Fund assets are to be held in perpetuity with the investment income used to support CHF's program goals. An annual 7% distribution has been agreed upon by the Board of Directors to be used for general purposes of the organization.

CHF

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Year ended March 31, 2011

9. Capital disclosures (continued):

(c) The Sprott Endowment for International Development

The Sprott Endowment for International Development has been internally restricted by the Board of Directors of CHF to provide long term funding to enable CHF to implement its programs in the future. The Endowment assets are to be held in perpetuity with the investment income used to support CHF's program goals. An annual 7% distribution has been agreed upon by the Board of Directors to be used for general purposes of the organization.

(d) Endowments:

The endowment balance consists of externally, permanently endowed donations to fund current CHF development projects. The investment income earned on the balance is used for this purpose.

10. Contingencies:

Program revenues of CHF are subject to conditions regarding the expenditure of the funds. CHF's accounting records, as well as those of agencies delegated to execute the projects, are subject to audit by CIDA to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to CIDA. Currently, there are two CIDA audits in progress.

11. Commitments:

CHF has committed to make future minimum payments for equipment leases and overseas leased premises as follows:

2012	\$	26,066
2013		13,295
2014		6,586
2015		5,251
2016		326

12. Line of credit:

CHF has a \$500,000 (2010 - \$200,000) line of credit with a general security agreement. The line of credit bears interest at prime plus 0.5%. As of March 31, 2011, the line of credit has not been drawn on by CHF.

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Notes to Financial Statements, page 9

Year ended March 31, 2011

13. Financial instruments:

(a) Fair value:

The carrying value of cash, project contributions receivable and advances, amounts receivable and accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments. The mortgage payable balance approximates fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

(b) Foreign currency risk:

CHF's exposure to foreign currency risk arises from its cash holdings in foreign currencies. Amounts received in foreign currencies are generally disbursed in the same currency, mitigating CHF's exposure to currency fluctuations. CHF holds cash for projects in the following foreign currencies:

Project	Amount	Currency
CHF office and Guyana laDB	20,602,643	Guyana
Vietnam Sung Bung 4	2,534,689,745	Vietnam
Vietnam office	17,078	US
CHF office and Food Security Project	139,163	Ethiopia
Pakistan Reconstruction	468,331	Pakistan
Projects in Sudan	15,348	Sudan
Sudan operations	22,771	US

These amounts are the equivalent of approximately \$273,895 in Canadian dollars.

CHF also has U.S. Dollar cash resources of \$63,079 (2010 - \$13,379), which are the equivalent of approximately \$65,110 (2010 - \$13,588) in Canadian dollars.

CHF believes that it is not exposed to significant foreign currency risk.

(c) Interest rate and credit risk:

CHF's exposure to interest rate risk relates to its investments in Bond Funds and its mortgage payable.

CHF's exposure to credit risk relates to its investments and receivables. CHF believes that its exposure to interest rate and credit risk is not significant.

14. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.