
Financial statements of CARE Canada

June 30, 2021

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Independent Auditor's Report

To the Board of Directors of
CARE Canada

Opinion

We have audited the financial statements of CARE Canada (the "Organization"), which comprise the statement of financial position as at June 30, 2021, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in cursive that reads "Deloitte LLP". The signature is written in dark ink on a white background.

Chartered Professional Accountants
Licensed Public Accountants
December 9, 2021

CARE Canada**Statement of financial position**

As at June 30, 2021

(In thousands of dollars)

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		29,213	23,995
Amounts receivable	5	8,045	7,591
Contributions receivable from donors	6	6,730	7,123
Prepaid expenses		170	515
		44,158	39,224
Restricted investments	7	235	237
Loans receivable	10	201	223
Capital assets	8	3,221	4,092
		47,815	43,776
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		7,357	12,430
Government remittances payable		27	334
Deferred contributions	7	33,463	25,033
Current portion of long-term debt	12	146	—
		40,993	37,797
Long-term debt	12	766	—
Deferred contributions	7	230	230
		41,989	38,027
Commitments, contingent liabilities and guarantees	11 & 13		
Fund balances			
Annual Fund			
Unrestricted		3,517	1,657
Invested in capital assets		2,309	4,092
		5,826	5,749
		47,815	43,776

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

On behalf of the Board

 _____, Director

 _____, Director

CARE Canada
Statement of operations

Year ended June 30, 2021
(In thousands of dollars)

	Notes	2021 \$	2020 \$
Support and revenue			
Fundraising		5,423	5,534
Canadian funded		37,293	42,113
Globally funded		251	429
CARE International members		756	572
Miscellaneous and investment revenue		1,275	528
		44,998	49,176
Expenses			
Program activities			
Humanitarian programs		16,658	19,571
Development programs			
Food & Nutrition Security and Resilience to Climate Change		6,821	9,701
Sexual, Reproductive and Maternal Health		2,799	3,238
Women's Economic Empowerment		8,774	7,166
Other		283	134
Country office management and international programming		1,931	2,076
		37,266	41,886
Support services			
Management and general		5,349	5,651
Fundraising, public and donor relations		1,184	1,163
Membership in CARE International		598	718
		7,131	7,532
		44,397	49,418
Excess (deficiency) of revenue over expenses			
from continued operations		601	(242)
Discontinued operations	4	(524)	(84)
Excess (deficiency) of revenue over expenses		77	(326)

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

CARE Canada**Statement of changes in fund balances**

Year ended June 30, 2021

(In thousands of dollars)

	Venture and Emergency Fund	Annual Fund		Total
		Invested in capital assets	Unrestricted	
	\$	\$	\$	\$
Fund balance, June 30, 2019	79	3,587	2,409	6,075
Deficiency of revenue over expenses	—	—	(326)	(326)
Interfund transfer	(79)	—	79	—
Net change in invested in capital assets ¹	—	505	(505)	—
Fund balance, June 30, 2020	—	4,092	1,657	5,749
Excess of revenue over expenses	—	—	77	77
Net change in invested in capital assets ¹	—	(1,783)	1,783	—
Fund balances, June 30, 2021	—	2,309	3,517	5,826

	2021	2020
	\$	\$
¹ Net change in invested in capital assets		
Acquisition of capital assets	62	665
Amortization of capital assets	(261)	(160)
Disposition of capital assets	(672)	—
Long Term Loan	(912)	—
	(1,783)	505

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

CARE Canada**Statement of cash flows**

Year ended June 30, 2021

(In thousands of dollars)

	Note	2021 \$	2020 \$
Operating activities			
Excess (deficiency) of revenue over expenses		77	(326)
Item not affecting cash			
Amortization of capital assets		261	160
		338	(166)
Changes in non-cash operating working capital items			
(Increase) decrease in amounts receivable		(454)	(4,668)
Decrease (increase) in contributions receivable from donors		393	(1,030)
Decrease (increase) in prepaid expenses		345	(60)
(Decrease) increase in accounts payable and accrued liabilities		(5,073)	4,862
(Decrease) increase in government remittances payable		(307)	177
Increase (decrease) in deferred contributions		8,430	(6,900)
		3,672	(7,785)
Investing activities			
Acquisition of capital assets		(62)	(665)
Disposition of capital assets - Discontinued operations	4	672	—
Decrease in loans receivable		22	108
Decrease in restricted long-term investments		2	8
		634	(549)
Financing activity			
Purchase of long term loan		912	—
		5,218	(8,334)
Net increase (decrease) in cash		23,995	32,329
Cash and cash equivalents, beginning of year		29,213	23,995
Cash and cash equivalents, end of year		29,213	23,995

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

CARE Canada

Notes to the financial statements

June 30, 2021

(In thousands of dollars)

1. Description of the organization

CARE Canada was established in 1946 and was incorporated in 1977 under Part II of the *Canada Corporations Act*. In 2014, CARE Canada received a certificate of continuance under the *Canada Not-for-profit Corporations Act*. CARE Canada is a not-for-profit, non-governmental organization in the field of relief, reconstruction and development in developing countries and is governed by a volunteer Board of Directors whose services are provided at no cost to CARE Canada.

CARE Canada is a registered charitable organization for purposes of the *Income Tax Act* (Canada) and as such is not subject to income tax. CARE Canada is an independent member of CARE International.

2. Accounting Policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of presentation

These financial statements include the assets and liabilities of CARE Canada's operations in Canada and Cuba for which it has responsibility, and the revenues and expenses for which CARE Canada and its operations in the Cuba office enter into contracts with donors for the funding of projects. During the fiscal year 2021, CARE Canada transferred its oversight of country offices in Chad, Kenya, Zambia and Zimbabwe to another CARE International member, the impact on financial reporting is described in Note 4.

Controlled entities

CARE Canada established the CEP Investment Trust in 2007 and provided the trust with long-term loans to facilitate investments in pro-poor businesses in the Third World. CARE Canada is the sole beneficiary of the CEP Investment Trust. The CEP Investment Trust's financial statements have not been consolidated with CARE Canada's financial statements. The CEP Investment Trust has a December 31 year-end.

Fund accounting

CARE Canada follows the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to CARE Canada, the accounts of CARE Canada are classified for reporting purposes into funds in accordance with activities or objectives specified by the donors or in accordance with the directives issued by the Board of Directors. Transfers between funds are recorded as approved by CARE Canada's Board of Directors.

The Annual Fund reports resources to be used for CARE Canada's programs and administrative activities. This fund reports unrestricted resources and restricted contributions.

The Venture and Emergency Fund includes donations and contributions of which the use is restricted by donors for the Emergency Relief Rapid Response and Pro-Poor Business Programs.

The balance of the Venture and Emergency Fund is \$Nil as of June 30, 2021 and 2020.

CARE Canada

Notes to the financial statements

June 30, 2021

(In thousands of dollars)

2. Accounting policies (continued)

Revenue recognition

Unrestricted contributions are recorded as revenue of the Annual Fund in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue in the Annual Fund in the year in which the related expenses are incurred.

Other investment revenue is recognized as revenue of the Annual Fund when earned.

Canadian funded and globally funded

CARE Canada enters into contracts with the Canadian government (the department of Global Affairs Canada (GAC)) and other donors for the funding of projects in various countries. These funds are recorded as revenue of the Annual Fund as related expenses are incurred. Any indirect cost recovery, management fee or procurement fee that are applicable to CARE Canada are recorded as revenue of the Annual Fund in accordance with the terms in the individual contracts.

The portion of the contributions that relates to a future period is deferred and recognized as revenue of the Annual Fund in the period in which the contributions are spent. Any contribution expended in excess of the contributions received from the donors is shown in the statement of financial position as contributions receivable from donors.

Contributions and donated services

Contributions in kind received from multilateral donors, the Canadian government and other organizations are recorded as revenue and program activity expenses at fair value.

Wherever government and local communities in countries in which CARE Canada operates contribute labour services, transportation and storage facilities to various projects, the value of such contributions is not reflected in the financial statements because of the difficulty of measurement.

Similarly, contributions in kind by various media for public information and fundraising campaigns are not reflected in the financial statements because of the difficulty of measurement.

Donated capital assets are capitalized and amortized and contributions received toward the acquisition of capital assets are deferred and amortized to revenue on the same basis as the related depreciable capital assets are amortized.

Expense allocation

CARE Canada's expenses are recorded and reported by program and support services. CARE Canada incurs a number of general support expenses that are common to the administration of CARE Canada and its programs. General support expenses incurred in CARE Canada's Canadian operations are included under Country office management and international programming, Management and general and Fundraising, public and donor relations. There is no allocation of Canadian general support expenses to different program activities. General support expenses, such as budgeting, accounting, human resources, and information technology, incurred in CARE Canada's one (five in 2020) overseas country office is allocated to program activities. Personnel costs are allocated based on the percentage of relevant employees' time involved in supporting the program and other operating and general expenses are allocated on a proportionate basis relating to the function. Such allocations are reviewed, updated and applied on a prospective basis.

CARE Canada
Notes to the financial statements

June 30, 2021
(In thousands of dollars)

2. Accounting policies (continued)

Financial instruments

CARE Canada's financial instruments consist of cash and cash equivalents, amounts receivable, contributions receivable from donors, restricted investments, loans receivable, accounts payable and accrued liabilities, government remittances payable and long-term debt.

CARE Canada initially measures its financial assets and financial liabilities at fair value. CARE Canada subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and cash equivalents and restricted investments which are measured at fair value.

Transaction costs related to financial assets measured at fair value are expensed as incurred. Transaction costs related to other financial assets and liabilities are included or deducted in the initial measurement of the asset or liability.

Cash and cash equivalents

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents. In accordance with the investment policy approved by the Board of Directors, cash and cash equivalents are held in highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capital assets

Capital assets acquired for direct use in donor-funded projects are expensed in the year of acquisition as CARE Canada is not entitled to ownership. Those that are not project-specific are capitalized and amortized over their estimated useful life. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Vehicles	3 years
Office equipment	5 years
Computer equipment	3 years
Computer software	1 to 7 years

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the net carrying value of the asset over its residual value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. All other assets and liabilities are translated at their historical rate. Revenue and expense projects are translated using first in first out rates (FIFO) and in some cases monthly average rates. Any resulting foreign exchange gains or losses are recorded in the statement of operations.

CARE Canada

Notes to the financial statements

June 30, 2021

(In thousands of dollars)

2. Accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in estimating the recoverability of project expenditures and the determination of the allowance for doubtful contributions receivable from donors, the allowance for doubtful amounts receivable, the useful life of capital assets, the fair value of restricted investments, the amount of certain accrued liabilities and the fair value of contributions in kind. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Capital management

CARE Canada's objectives in managing capital are:

- (a) to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual budget and business plan review;
- (b) to safeguard its ability to continue as a charitable organization and meet the objectives of the Annual Fund as described in Note 2;
- (c) to maintain the Annual Fund's unrestricted reserve to an equivalent of a minimum of six months of operating expenses; and
- (d) to invest funds in financial instruments that conform to the investment policy and which present a low risk for CARE Canada.

CARE Canada manages several funding agreements with external restrictions that specify the conditions for using these financial resources. CARE Canada has complied with the requirements respecting these restricted contributions. CARE Canada monitors its capital by reviewing various financial metrics, including cash flows and variances to forecasts and budgets.

Capital management objectives, policies and procedures are unchanged since the preceding year. CARE Canada has complied with all the capital requirements.

CARE Canada

Notes to the financial statements

June 30, 2021

(In thousands of dollars)

4. Discontinued operations

In 2021, CARE Canada transferred its oversight of country offices in Zambia and Zimbabwe (February 1st), Kenya (March 1st), Chad (April 1st), to another CARE International member (CARE Indonesia country office in 2020).

Revenue and expenses from discontinued operations, relating to the four country offices being transferred to other confederation members, amounts to \$37,308 (\$49,318 in 2020) and \$37,832 (\$49,383 in 2020) respectively and are detailed as follows:

	\$	\$
	2021	2020
Support and revenue		
Canadian funded	4,033	3,374
Globally funded	10,658	18,753
CARE International members	21,646	26,932
Miscellaneous and investment revenue	971	1,567
	37,308	50,626
Expenses		
Program activities		
Humanitarian programs	26,337	33,286
Development programs		
Food & Nutrition Security and Resilience to Climate Change	6,144	9,344
A Life Free from Violence	18	44
Sexual, Reproductive and Maternal Health	754	873
Women's Economic Empowerment	1,014	978
Other	1,813	4,846
Country office management and international programming	1,752	1,339
	37,832	50,710
Deficiency of revenue over expenses	(524)	(84)

Included in the globally funded revenue and humanitarian programs expense reported above, are Contributions in Kind received from multilateral donors recorded at fair value as disclosed below.

	2021	2020
	\$	\$
Country Offices		
Zimbabwe	—	2,087
Kenya	2,311	6,372
	2,311	8,459

CARE Canada
Notes to the financial statements

June 30, 2021
(In thousands of dollars)

4. Discontinued operations (continued)

Allocation of expenses

A portion of program activities is related to administration costs incurred in CARE Canada's five (five in 2020) overseas country offices. These costs have been allocated as follows:

	2021	2020
	\$	\$
Allocated to		
Program activities	1,954	1,785
Humanitarian programs		
Development programs		
Food & Nutrition Security and Resilience to Climate Change	456	557
A Life Free from Violence	-	3
Sexual, Reproductive and Maternal Health	39	106
Women's Economic Empowerment	100	90
Other	197	760
	2,746	3,301
Allocated from		
Support services	2,746	3,301

5. Amounts receivable

	2021	2020
	\$	\$
General funding receivable	7,604	7,340
Government remittances	441	251
	8,045	7,591

6. Contributions receivable from donors

	2021	2020
	\$	\$
Contributions receivable from donors	7,565	7,705
Allowance for doubtful accounts	(835)	(582)
	6,730	7,123

CARE Canada
Notes to the financial statements

June 30, 2021

(In thousands of dollars)

7. Deferred contributions

Short-term deferred contributions represent externally restricted contributions to fund program expenses for the next twelve months.

	2021	2020
	\$	\$
Balance, beginning of year		
Short-term deferred contributions	25,033	31,933
Contributions receivable from donors	(7,123)	(6,093)
	17,910	25,840
Amounts received during the year		
Cash	79,173	67,951
In-kind	2,311	8,459
	81,484	76,410
Amounts recognized as revenue	(72,661)	(84,340)
	8,823	(7,930)
Balance, end of year	26,733	17,910
Balance, end of year represented by		
Short-term deferred contributions	33,463	25,033
Contributions receivable from donors (Note 6)	(6,730)	(7,123)
	26,733	17,910

Contributions receivable include \$4,116 (\$3,045 in 2020) associated with projects held with GAC.

Short-term deferred contributions include \$5,429 (\$2,381 in 2020) of advances to partners that are unspent as at June 30, 2021. This amount is included in amounts receivable in the statement of financial position.

Amounts recognized as revenue totaling \$72,662 (\$84,340 in 2020) are allocated between fundraising, Canadian funded, globally funded, CARE International members and miscellaneous and investment revenue.

Included above in the categories "Amounts received during the year" and in "Amounts recognized in revenue" is \$37,308 (\$49,318 in 2020) related to discontinued operations as presented in Note 4.

Restricted investments

Long-term deferred contributions of \$230 (\$230 in 2020) are represented by restricted investments in fixed income securities. The principal of \$230 must be maintained until 2031. The fair value of the restricted investments is \$235 (\$237 in 2020) which consists of Canadian bonds. Coupon rates on the bonds as at June 30, 2021, range between 2.38% and 3.05% (between 2.38% and 3.05% in 2020) and will mature between April 2023 and January 2025 (April 2023 and January 2025 in 2020).

CARE Canada
Notes to the financial statements

June 30, 2021
(In thousands of dollars)

8. Capital assets

	2021			2020
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Land	249	—	249	249
Buildings	4,390	1,833	2,557	2,664
Vehicles	—	—	—	151
Office equipment	314	314	—	28
Computer equipment	884	867	17	68
Computer software	1,088	690	398	932
	6,925	3,704	3,221	4,092

In 2021, CARE Canada transferred a total of \$5,800 of Cost and \$5,128 Accumulated amortization (Net book value of \$672) to another CARE International member (Note 4).

9. Pension plan

The pension plan for employees of CARE Canada (the "Plan") is a defined contribution plan covering all employees of CARE Canada who meet eligibility requirements as specified in the plan agreement. CARE Canada is required to contribute 5% of the employee's gross earnings for all members. CARE Canada contributed \$318 (\$328 in 2020) during the year.

10. Controlled entity

CARE Canada has committed to provide funds to the CEP Investment Trust to fund certain investment activities. The loans are unsecured and without any established term of repayment. The fair value of the loan's receivable is approximately \$201 (\$223 in 2020).

As at December 31, 2020, the CEP Investment Trust had total assets of \$200 (\$200 in 2020), total liabilities of \$203 (\$220 in 2020) and a capital deficit of \$3 (deficit of \$20 in 2020). Total revenues in 2021 were \$22 (\$116 in 2020) and expenses were \$5 (\$118 in 2020).

11. Commitments and contingent liabilities

Legal actions

In the ordinary course of business, CARE Canada becomes involved in various legal actions. While the ultimate effect of such actions cannot be ascertained at this time, management believes that their resolution will not have a material adverse effect on the financial statements.

Uncertain tax position

While CARE Canada was responsible for managing the country office operational platform in Kenya, two tax disputes emerged. The first tax dispute was related to Kenya Revenue Authority (KRA) denying exempt taxation status of expatriate staff. A judgment has been awarded in CARE Canada favour, however the KRA has appealed. CARE Canada is negotiating with the KRA on the second tax dispute related to reporting compliance. A portion of CARE Canada's estimated exposure in these disputes has been reflected in these financial statements and is included in accounts payable and accrued liabilities at \$625 (\$624 in 2020).

CARE Canada
Notes to the financial statements

June 30, 2021
(In thousands of dollars)

12. Long Term debt

Credit facility

In September 2020, CARE Canada secured financing in the amount of \$1,000.

	2021	2020
	\$	\$
Loan repayable in monthly installments of \$13 including capital and interest, 2.49%, maturing in September 2027 and secured by land and building located at 9 Gurdwara Road, Ottawa, Ontario	912	-
Current portion	146	-
	766	-

The payments for the next five years are as followed:

	\$
2022	146
2023	146
2024	146
2025	146
2026	146
2027 and following	182
	<u>912</u>

An unsecured line of credit of \$2,000 (\$2,000 in 2020), renewable on an annual basis, is available for use by CARE Canada. Advances under the line of credit bear interest at the bank's prime rate and are repayable on demand. As at June 30, 2021 and 2020, there was no outstanding balance. A funded project in Cuba by Global Affairs Canada (GAC) required a letter of guarantee of \$500. This reduces the amount of available credit.

13. Government contributions

As stated in Note 2, the contributions from Global Affairs Canada (GAC) and other donors may be subject to restrictions as to the use of the funds. CARE Canada's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by GAC and other funding agencies 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 the funding agency. Adjustments to the financial statements as a result of these audits, if any, will be recorded in the period in which they become known.

CARE Canada
Notes to the financial statements

June 30, 2021
(In thousands of dollars)

14. Financial instruments

Fair values

The carrying values of amounts receivable, contributions receivable from donors, accounts payable and accrued liabilities and government remittances payable approximate their fair values due to the relatively short periods to maturity of the instruments.

Refer to Note 7 for fair values related to CARE Canada's other financial instruments.

Investment risk

CARE Canada's Board of Directors has approved an investment policy that provides the guidelines for managing the investments of the organization. The overall objective of CARE Canada's investment program is to allocate the assets of CARE Canada in order to support the strategic and operational objectives of the organization.

Market risk

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk. CARE Canada is mainly exposed to currency risk and interest rate risk.

Currency risk

CARE Canada operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. CARE Canada does not use derivatives to hedge its foreign exchange risk but relies on prudent cash management practices to minimize exposure to foreign exchange risk.

Amounts denominated in foreign currencies are as follows:

	2021		2020	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
	\$	\$	\$	\$
United States dollars	10,135	9,358	14,346	14,253
British pounds	1,104	116	1,020	750
Euros	2,631	3,420	2,985	4,374
Chad XAF	1,522	1,040	4,581	2,629
Kenyan shillings	331	164	1,266	785
Zambian kwachas	312	345	1,112	900
Australian dollars	—	229	—	—
	16,035	14,672	25,310	23,691

Monetary assets include cash and cash equivalents, amounts receivable and contributions receivable from donors. Monetary liabilities include accounts payable and accrued liabilities and deferred contributions.

CARE Canada
Notes to the financial statements

June 30, 2021

(In thousands of dollars)

14. Financial instruments (continued)

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on CARE Canada's cash flows, financial position, investment income and interest expenses.

CARE Canada's fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

Long term debt bears interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of CARE Canada is represented by the fair value of the restricted investments and all receivables as presented in the statement of financial position.

15. Tax receipted donations

CARE Canada is a member of Imagine Canada and has adopted the Ethical Fundraising and Financial Accountability Code (the "Code"). The Code requires disclosure of donations that are receipted for income tax purposes. During the year, CARE Canada issued donation receipts for income tax purposes in the amount of \$3,270 (\$3,840 in 2020). This figure does not include non-receiptable fundraising revenues received during the year from other charitable organizations.

16. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.