

# **Emergency Relief and Development Overseas**

Consolidated Financial Statements  
**December 31, 2010**

June 23, 2011

## **Independent Auditor's Report**

### **To the Board of Directors of Emergency Relief and Development Overseas**

We have audited the accompanying consolidated financial statements of Emergency Relief and Development Overseas and its controlled entities, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and the related notes, which are comprised of a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated 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 the 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for qualified opinion**

In common with many charitable organizations, Emergency Relief and Development Overseas derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Emergency Relief and Development Overseas and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenditures, current assets and fund balances.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Emergency Relief and Development Overseas and its controlled entities as at December 31, 2010 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Other matter**

The consolidated financial statements of Emergency Relief and Development Overseas for the year ended December 31, 2009 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on March 9, 2010.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants

# Emergency Relief and Development Overseas

Consolidated Statement of Financial Position

As at December 31, 2010

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	2010 \$	2009 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	526,387	229,090
Restricted cash and short-term deposits	3,689,088	2,031,672
Due from PAOC (note 5)	39,493	142,200
Accounts receivable	39,093	12,619
Prepaid expenses	17,159	15,118
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	4,311,220	2,430,699
<b>Investment in Canadian Foodgrains Bank Association (CFGB)</b> (note 6)	1,038,286	911,822
<b>Property and equipment</b> (note 7)	97,540	106,080
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	5,447,046	3,448,601
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	442,066	352,404
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<b>Fund Balances</b>		
Operations - unrestricted	180,066	46,623
Invested in property and equipment	97,540	106,080
Internally restricted	599,261	359,261
Designated funds	3,089,827	1,672,411
Invested in CFGB (note 6)	1,038,286	911,822
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	5,004,980	3,096,197
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	5,447,046	3,448,601
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Approved by the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes.

# Emergency Relief and Development Overseas

Consolidated Statement of Revenue and Expenditures

For the year ended December 31, 2010

				2010	2009
	Operations	Designated funds	Invested in CFGB	Total	Total
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Child sponsorships	400,340	2,573,686	-	2,974,026	2,637,173
Donations	535,892	3,024,747	-	3,560,639	1,704,743
Program income	379,400	-	-	379,400	113,958
Cash and grain contributions	-	-	261,993	261,993	355,429
CIDA grants and other	-	-	469,275	469,275	2,339,699
Bequests	140,256	82,083	-	222,339	114,412
Other	71,418	-	-	71,418	75,614
	1,527,306	5,680,516	731,268	7,939,090	7,341,028
<b>Expenditures</b>					
Child sponsorships disbursed	-	2,412,536	-	2,412,536	2,096,752
Crisis response	-	758,498	-	758,498	121,992
Food aid/relief	-	435,283	-	435,283	436,174
Community development	-	380,081	-	380,081	473,431
Canadian Foodgrains Bank Projects	-	-	515,198	515,198	2,537,047
Other program	261,203	94,202	-	355,405	345,681
	261,203	4,080,600	515,198	4,857,001	6,011,077
Total programs	261,203	4,080,600	515,198	4,857,001	6,011,077
Resource development	572,854	-	-	572,854	433,926
Support services	510,846	-	-	510,846	398,406
	1,344,903	4,080,600	515,198	5,940,701	6,843,409
<b>Excess of revenue over expenditures before undernoted items</b>	182,403	1,599,916	216,070	1,998,389	497,619
<b>Net loss on sale of grain inventory</b> (note 7)	-	-	-	-	(40,973)
<b>Net loss on sale of property and equipment</b> (note 7)	-	-	-	-	(38,992)
<b>Excess of revenue over expenditures for the year</b>	182,403	1,599,916	216,070	1,998,389	417,654

See accompanying notes.

# Emergency Relief and Development Overseas

Consolidated Statement of Changes in Fund Balances

For the year ended December 31, 2010

						2010	2009
	Operations \$	Invested in property and equipment \$	Internally restricted \$	Designated funds \$	Invested in CFGB \$	Total \$	Total \$
<b>Fund balances - Beginning of year</b>	46,623	106,080	359,261	1,672,411	911,822	3,096,197	2,678,543
Excess of revenue over expenditures for the year	182,403	-	-	1,599,916	216,070	1,998,389	417,654
Interfund transfers (note 9)	(57,500)	-	240,000	(182,500)	-	-	-
CFGB transfer (note 6)	-	-	-	-	(89,606)	(89,606)	-
Net change in equity invested in property and equipment	8,540	(8,540)	-	-	-	-	-
<b>Fund balances - End of year</b>	180,066	97,540	599,261	3,089,827	1,038,286	5,004,980	3,096,197

See accompanying notes.

# Emergency Relief and Development Overseas

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures for the year	1,998,389	417,654
Items not involving cash		
Amortization of property and equipment	56,673	40,194
Net loss on sale of property and equipment	-	38,992
Net loss on sale of grain inventory	-	40,973
Expense recoveries from prior years	-	(27,715)
CFGB transfer (note 6)	(89,606)	-
Increase in investment in CFGB	(126,464)	(158,081)
	<u>1,838,992</u>	<u>352,017</u>
Net change in non-cash working capital items		
Accounts receivable	(26,474)	(11,674)
Prepaid expenses	(2,041)	(9,672)
Due to the PAOC	102,707	94,897
Grain inventory	-	140,677
Accounts payable and accrued liabilities	89,662	297,444
	<u>163,854</u>	<u>511,672</u>
	<u>2,002,846</u>	<u>863,689</u>
<b>Financing activities</b>		
Repayment of mortgage payable	-	(430,779)
<b>Investing activities</b>		
Collection of notes receivable	-	1,000
Repayment of amounts previously collected on notes receivable	-	(111,285)
Proceeds of sale of property and equipment	-	934,463
Purchase of property and equipment	(48,133)	(74,655)
	<u>(48,133)</u>	<u>749,523</u>
<b>Change in cash, restricted cash and short-term deposits during the year</b>	1,954,713	1,182,433
<b>Cash, restricted cash and short-term deposits - Beginning of year</b>	<u>2,260,762</u>	<u>1,078,329</u>
<b>Cash, restricted cash and short-term deposits - End of year</b>	<u>4,215,475</u>	<u>2,260,762</u>
<b>Cash, restricted cash and short-term deposits are comprised of</b>		
Cash	526,387	229,090
Restricted cash	417,674	619,334
Restricted short-term deposits	3,271,414	1,412,338
	<u>4,215,475</u>	<u>2,260,762</u>

See accompanying notes.

# Emergency Relief and Development Overseas

Notes to Consolidated Financial Statements

December 31, 2010

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## 1 Purpose of organization

Emergency Relief and Development Overseas (ERDO or the organization) was established to provide a compassionate response internationally to basic human needs, where there is poverty, disaster and injustice. Its primary activities are: (1) crisis response; (2) a child sponsorship program, known as Child Care Plus; and (3) food aid, much of which is provided through funds generated by Canadian farm-based Growing Projects and the organization's partnership with Canadian Foodgrains Bank Association Inc. (CFGB). This partnership gives access to funds from the Canadian International Development Agency (CIDA), which enhances the capacity for effective food aid and food security overseas. The organization is also increasingly involved in community development initiatives that offer hope for the future by enabling communities to provide for themselves.

The organization is governed by an elected board of directors. The board directs and monitors organizational performance and is responsible for its strategic direction, policy decisions and financial accountability. The board reports to its corporate members on an annual basis to ensure the agreed upon organizational outcomes are being fulfilled.

## 2 Consolidated financial statements

These consolidated financial statements include ERDO, SIPHO, SIPHO Foundation and SIPHO Services Inc., together operating as Emergency Relief and Development Overseas. ERDO, SIPHO and SIPHO Foundation are non-profit corporations without share capital, incorporated under the laws of Canada in 2003 and are also registered as Canadian charities with the Canada Revenue Agency. As such, they are exempt from income taxes under the Income Tax Act (Canada). SIPHO Services Inc. is a non-profit corporation without share capital, incorporated under the laws of Canada in 2003.

Historically, ERDO operated as a department of The Pentecostal Assemblies of Canada (the PAOC) - International Missions Division. Effective December 1, 2005, ERDO began to operate as a corporate entity distinct from the PAOC and its related assets were transferred from the PAOC to ERDO. These consolidated financial statements include the results of ERDO's operations for the year ended December 31, 2010, along with the SIPHO Foundation's results for its year ended July 31, 2010. Currently, SIPHO and SIPHO Services Inc. are inactive.

## 3 Fund accounting

The organization's funds are comprised of the following:

- The operations fund consists of donations, other revenues, and related expenditures pertaining to the operations of the organization, which are not included in designated funds or in the CFGB fund.
- The property and equipment fund reports the assets, revenue and expenses related to ERDO capital asset transactions.
- The internally restricted fund accounts for activities for which the use of these funds is restricted by the board. The internally restricted fund may only be used for strategic initiatives with specific board of director approval.

# Emergency Relief and Development Overseas

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- Designated funds include donations designated by contributors for specific projects, child sponsorships, and gifts for children.
- Invested in CFGB are cash and grain contributions, as well as CIDA grants and other revenue and related program expenditures pertaining to the organization's partnership with the CFGB.

## 4 Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

### Revenue recognition

ERDO follows the restricted fund method of accounting for contributions. Child sponsorships, donations, program income, cash and grain contributions and bequests are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. CIDA grants are recorded as income when the related funds are expended.

### Restricted cash and short-term deposits

Restricted cash and short-term deposits are made of the funds in the internally restricted and the designated fund balances.

### Property and equipment

Property and equipment are recorded at cost less amortization. Amortization commences in the year subsequent to the year in which the asset is purchased and is calculated to amortize the cost of the assets over their estimated useful lives on a straight-line basis as follows:

Computer hardware and software	50%
Website development	50%
Furniture and equipment	10%

### Allocation of expenditures

The organization engages in providing international programs. The costs of each program include the costs of personnel and other expenses that relate to providing the programs. In addition, the organization allocates the amortization and administration service costs from the PAOC (note 5) based on the head count of ERDO employees who are directly involved in providing the program services. Amounts allocated are detailed in note 8.

# Emergency Relief and Development Overseas

Notes to Consolidated Financial Statements

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## Financial instruments

The organization's financial instruments included in the consolidated statement of financial position are comprised of cash, restricted cash and short-term deposits, accounts receivable (classified as loans and receivables) and accounts payable (classified as other liabilities). The carrying values of the organization's cash, restricted cash and short-term deposits, accounts receivable and accounts payable approximate their fair values due to their short-term maturities.

It is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from its financial instruments.

ERDO has chosen to continue to apply The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

## Foreign operations, assets and measurement uncertainty

The organization has consistently followed the policy of expensing all costs for overseas operations, and property and equipment through its overseas project expenditures, unless these amounts represent advances that are to be repaid to the organization. This policy is based on the practice that such assets, while generally redeployable under the direction of the organization's board, are not always accessible for redeployment due to foreign property titling regulations and international fund transfer and foreign currency exchange limitations. While the organization may specifically assign title to national overseas partners, it generally retains control of title while considering an orderly transfer of assets to stable national overseas partners. Accordingly, these assets and operations are not included in the consolidated financial statements.

## Contributed services

The value of contributed services is not reflected in these consolidated financial statements as the fair value of these services cannot be reasonably estimated.

## Adoption of accounting standards

Effective January 1, 2010, the organization adopted retrospectively CICA Handbook Section 4470, Disclosure of Allocated Expenses By Not-for-Profit Organizations, which requires an organization to disclose its allocation policy if it classifies expenses by function and allocates some of its fundraising and general support costs to another function. This standard impacts the organization's disclosures (note 8) but does not affect the organization's results or consolidated financial position.

## Use of estimates

The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenue

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and expenditures during the year. Actual results could differ from those estimates as additional information becomes available in the future.

## 5 Due from PAOC and related party transactions

The organization is related to the PAOC through the membership level of the organization. In addition, two of the members of the board of directors of the organization are also board members of the PAOC. The organization has a partnership agreement with the PAOC that identifies mutually agreed upon goals and defines a scope of services provided by the PAOC.

The amount due from the PAOC is unsecured, non-interest bearing, with no set terms of repayment. The receivable balance as at December 31, 2010 represents the net of donations collected by the PAOC on behalf of the organization and the amounts owed to the PAOC.

Included in expenditures is \$129,823 (2009 - \$228,740) paid by the organization to the PAOC in fulfillment of the services agreed upon in the partnership agreement.

The above transactions are recorded at their exchange amount, which is the amount agreed upon by the two parties.

## 6 Canadian Foodgrains Bank Association Inc.

The organization is one of 15 members in the CFGB. CFGB, with support from its partners and CIDA, provides support to developing countries.

The amount invested in CFGB is maintained under the guidance and control of the mandate of CFGB as a registered Canadian charity in partnership with the Canadian government for international food aid.

The objective is to create an equity account for each member, ERDO-PAOC being one of 15 church members. The organization then uses that equity for food programming that would suit the organization's purposes alongside the PAOC Missions focus. The use of the equity is subject to rules of international food aid and CIDA. For approved food aid programming, based on compliance with government standards, the organization typically receives matching funds from CIDA. This requires that the organization invest other resources in necessary staffing as CFGB equity cannot be used for the organization's own staffing or organizational costs.

The investment in CFGB represents residual funds held by CFGB for the organization. The balance and results of operations related to CFGB were extracted from the December 31, 2010 and 2009 internal records of CFGB. CFGB's records are audited as of its year-end of March 31. Accounting policies followed by CFGB are consistent with accounting policies followed by ERDO except for the revenue recognition of CIDA grants. CIDA grants are recorded as income when the related funds are expended.

As part of the operating agreement, should the organization ever cease to be a member, the balance with CFGB is non-refundable and remains with CFGB.

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During the year, ERDO made equity contributions to CFGF in the amount of \$89,606 (2009 - \$nil) required as part of the funding structure for programming of CIDA grant money with CFGF. CFGF contributed \$25,391 (2009 - \$1,887) toward ERDO's support for international partners and organization expenses.

## 7 Property and equipment

			<u>2010</u>	<u>2009</u>
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	169,148	77,870	91,278	96,542
Website development	5,125	1,708	3,417	5,125
Furniture and equipment	14,522	11,677	2,845	4,413
	<u>188,795</u>	<u>91,255</u>	<u>97,540</u>	<u>106,080</u>

Amortization expense for the year ended 2010 totalled \$56,673 (2009 - \$40,194).

During fiscal 2009, the organization sold its farmland, buildings and farming equipment. Net proceeds of \$551,619 for farmland and building and \$238,449 for equipment resulted in a gain on sale of property and equipment of \$22,613. From the net proceeds on the sale, the organization repaid the related mortgage payable in its entirety. In addition, grain inventory was sold at a net loss of \$40,973.

## 8 Allocation of expenses

As described in note 3, amortization and administration service costs have been allocated to program, resource development and support services on the consolidated statement of revenue and expenditures as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Other program		
Amortization	10,304	8,932
Administration services	23,604	50,831
	<u>33,908</u>	<u>59,763</u>
Resource development		
Amortization	30,912	22,330
Administration services	70,812	127,078
	<u>101,724</u>	<u>149,408</u>

# Emergency Relief and Development Overseas

Notes to Consolidated Financial Statements

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	2010 \$	2009 \$
Support services		
Amortization	15,457	8,932
Administration services	35,407	50,831
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	50,864	59,763
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## 9 Interfund transfers

During the year, amounts that had previously been subject to internal restrictions were reclassified as unrestricted and transferred to operations, consistent with donor stipulations. The organization also internally restricted \$240,000, which is to be used for specific program execution over the next two years of board approved initiatives. This transfer was approved by the board.

## 10 Capital management

ERDO defines its capital as the amounts included in its net assets balances.

ERDO's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the compassionate response internationally to those in need.

A portion of ERDO's capital is restricted in that ERDO is required to meet certain requirements in order to utilize its internally and externally restricted net assets balances, as described in note 3. ERDO has internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

## 11 Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2010 consolidated financial statements.