
CHALICE (CANADA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

To The Members of the Board of Directors of Chalice (Canada)

We have audited the accompanying financial statements of Chalice (Canada), which comprise the statement of financial position as at June 30, 2012 and the statements of changes in fund balances, operations and cash flows for the year then ended, and 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 the audit to obtain reasonable assurance about whether the 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 the auditors' 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, the auditor considers 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Chalice (Canada) as at June 30, 2012 and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

W B L I

CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

October 26, 2012



CHALICE (CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012

	2012					2011	
	\$					\$	
ASSETS							
	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total
CURRENT ASSETS							
Cash	2,603,608	-	-	-	-	2,603,608	327,154
Short-term investments (note 4)	1,312,775	-	-	-	-	1,312,775	4,385,755
Prepaid expenses and deposits	48,821	-	-	-	-	48,821	55,643
HST receivable	27,393	-	-	-	-	27,393	27,940
Other receivables	5,760	-	-	-	-	5,760	-
Due from (to) other funds (note 5)	(1,361,955)	426,519	806,666	48,837	79,933	-	-
	2,636,402	426,519	806,666	48,837	79,933	3,998,357	4,796,492
INVESTMENTS (note 4)	5,057,512	-	-	-	-	5,057,512	1,506,955
CAPITAL ASSETS (note 6)	1,915,061	-	-	-	-	1,915,061	2,025,508
	9,608,975	426,519	806,666	48,837	79,933	10,970,930	8,328,955
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable and accrued liabilities	3,342,403	-	-	-	-	3,342,403	1,896,701
Deferred contributions (note 7)	2,955,266	-	-	-	-	2,955,266	2,838,658
Current portion of promissory note payable	1,294	-	-	-	-	1,294	14,871
	6,298,963	-	-	-	-	6,298,963	4,750,230
PROMISSORY NOTE PAYABLE (note 8)	-	-	-	-	-	-	1,294
	6,298,963	-	-	-	-	6,298,963	4,751,524
FUND BALANCES							
Invested in capital assets	1,913,767	-	-	-	-	1,913,767	2,009,342
Restricted	-	426,519	806,666	48,837	79,933	1,361,955	559,224
Unrestricted general	1,396,245	-	-	-	-	1,396,245	1,008,865
	3,310,012	426,519	806,666	48,837	79,933	4,671,967	3,577,431
	9,608,975	426,519	806,666	48,837	79,933	10,970,930	8,328,955
COMMITMENTS (note 9)							

APPROVED ON BEHALF OF THE BOARD


 Director




 Director

CHALICE (CANADA)
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted Funds					Restricted Funds				2012	2011
	General Fund	Invested in Capital Assets	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total	Total	\$	\$
Fund balances - beginning of year	1,008,865	2,009,342	219,218	234,683	30,390	74,933	3,577,431	3,577,431	4,088,316		
Excess (deficiency) of revenues over expenditures	607,424	(155,729)	6,468	612,926	18,447	5,000	1,094,536	1,094,536	(510,885)		
Investment in capital assets	(60,154)	60,154	-	-	-	-	-	-	-		
Interfund transfers (note 10)	(159,890)	-	200,833	(40,943)	-	-	-	-	-		
Fund balances - end of year	1,396,245	1,913,767	426,519	806,666	48,837	79,933	4,671,967	4,671,967	3,577,431		

CHALICE (CANADA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2012

	2012					2011	
	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total
REVENUES							
Sponsorship contributions	16,699,168	-	-	-	-	16,699,168	15,788,257
Special gift contributions	469,135	-	-	-	-	469,135	408,820
General contributions	769,943	-	-	-	-	769,943	705,529
Community Projects Fund contributions	-	242,229	-	-	-	242,229	271,315
Urgency Fund contributions	-	-	734,944	-	-	734,944	82,929
Christmas contributions	-	-	-	467,915	-	467,915	471,100
Endowment contributions	-	-	-	-	5,000	5,000	10,088
Scholarship contributions	17,031	-	-	-	-	17,031	1,500
Catalogue contributions	1,022,409	-	-	-	-	1,022,409	907,057
Investment income	121,637	-	-	-	-	121,637	114,024
Fundraising contributions	353,751	161,852	-	-	-	515,603	148,437
Prayer ministry contributions	14,284	-	-	-	-	14,284	888
Mission trip contributions	5,067	-	-	-	-	5,067	-
	19,472,425	404,081	734,944	467,915	5,000	21,084,365	18,909,944
EXPENDITURES							
Payments to sponsor sites	16,104,724	397,613	122,018	449,468	-	17,073,823	16,738,632
Program expenditures (see schedule)	1,135,611	-	-	-	-	1,135,611	1,094,296
Marketing expenditures (see schedule)	848,506	-	-	-	-	848,506	738,797
Administrative expenditures (see schedule)	776,160	-	-	-	-	776,160	696,337
Amortization	155,729	-	-	-	-	155,729	152,767
	19,020,730	397,613	122,018	449,468	-	19,989,829	19,420,829
Excess (deficiency) of revenues over expenditures	451,695	6,468	612,926	18,447	5,000	1,094,536	(510,885)



CHALICE (CANADA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	2012				2011		
	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	
						\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES							
Cash provided from (used in) operations	451,695	6,468	612,926	18,447	5,000	1,094,536	(510,885)
Excess (deficiency) of revenues over expenditures	155,729	-	-	-	-	155,729	152,767
Items in earnings not involving cash	607,424	6,468	612,926	18,447	5,000	1,250,265	(358,118)
Amortization							
Change in noncash working capital balances							
Prepaid expenses and deposits	6,822	-	-	-	-	6,822	(38,772)
HST receivable	547	-	-	-	-	547	(1,178)
Other receivables	(5,760)	-	-	-	-	(5,760)	-
Accounts payable and accrued liabilities	1,445,702	-	-	-	-	1,445,702	173,953
Deferred contributions	116,608	-	-	-	-	116,608	176,496
	2,171,343	6,468	612,926	18,447	5,000	2,814,184	(47,619)
CASH FLOWS USED IN FINANCING ACTIVITIES							
Increase (decrease) in due from (to) other funds	802,731	(207,301)	(571,983)	(18,447)	(5,000)	-	-
Repayment of promissory note payable	(14,871)	-	-	-	-	(14,871)	(13,732)
	787,860	(207,301)	(571,983)	(18,447)	(5,000)	(14,871)	(13,732)
CASH FLOWS USED IN FROM INVESTING ACTIVITIES							
Proceeds on disposal of investments	4,938,613	-	-	-	-	4,938,613	3,685,707
Purchases of investments	(5,420,796)	-	-	-	-	(5,420,796)	(4,404,930)
Interfund transfers	(159,890)	200,833	(40,943)	-	-	-	-
Adjustment of investments to market value	4,606	-	-	-	-	4,606	(16,739)
Investment in capital assets	(45,282)	-	-	-	-	(45,282)	(308,749)
	(682,749)	200,833	(40,943)	-	-	(522,859)	(1,044,711)
CHANGE IN CASH DURING THE YEAR	2,276,454	-	-	-	-	2,276,454	(1,106,062)
CASH - beginning of year	327,154	-	-	-	-	327,154	1,433,216
CASH - end of year	2,603,608	-	-	-	-	2,603,608	327,154



CHALICE (CANADA)
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

				2012	2011
				\$	\$
	Program expenditures	Marketing expenditures	Administrative expenditures	Total	Total
Advertising and promotion	151	35,004	581	35,736	47,334
Bank charges and interest	31,799	77,987	2,780	112,566	95,419
Conferences	455	100	-	555	7,516
Insurance	-	-	19,746	19,746	20,325
Miscellaneous	10,720	19,728	6,549	36,997	47,726
Missions appeals - stipends	-	16,513	-	16,513	18,200
Mission appeals - travel	-	29,494	-	29,494	26,574
Office	25,549	8,939	92,253	126,741	125,210
Other	1,933	297	6,329	8,559	8,081
Postage and courier	129,858	66,536	82,116	278,510	188,975
Printing	32,044	137,020	26,010	195,074	117,634
Printing and postage - newsletter	-	64,996	-	64,996	97,210
Property taxes	2,943	-	13,402	16,345	38,795
Professional fees	8,625	2,500	57,254	68,379	66,744
Rent and utilities	20,205	-	16,607	36,812	33,446
Telecommunications	11,464	2,799	18,205	32,468	31,198
Travel and meetings	43,187	4,278	4,815	52,280	69,903
Wages and salaries	816,618	382,240	427,772	1,626,630	1,486,713
Subscriptions and memberships	60	75	1,741	1,876	2,427
	1,135,611	848,506	776,160	2,760,277	2,529,430

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. NATURE OF OPERATIONS

The organization was incorporated on June 30, 1992 under the Canada Corporation Act. The organization is a charitable organization whose main purpose is to provide financial sponsorship to children and the aging in developing countries.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The organization follows the accrual method of accounting for financial reporting purposes.

Fund Accounting

Chalice follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. The fund reports unrestricted resources and restricted resources for which there is not an appropriate restricted fund.

The Community Projects Fund reports restricted resources that are to be used to provide funding for specific community projects under the following categories: education, nutrition, water, health care, community improvement and emergency funding.

The Urgency Fund reports only restricted resources that are to be used to provide funding to projects when urgent circumstances arise. Within the Urgency Fund, contributions may be restricted to be used at specific locations. When there is no longer a need for those resources at the specific locations, the remaining resources, which are usually minimal, can be used at any location when urgent circumstances arise. Amounts restricted to specific locations are described in note 9.

The Christmas Fund reports the restricted resources that are to be used in providing additional resources at Christmas time.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the General Fund and is used for expenses which achieve the purpose of the Endowment to which it relates.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Contributions for endowments are recognized as revenue in the Endowment Fund.

Unrestricted investment income earned on Endowment Fund resources is recognized as revenue of the General Fund. Other investment income is recognized as revenue of the General Fund when earned.

Investments

Investments include both mutual fund units as well as guaranteed investment certificates.

The investments in mutual fund units have been classified as held for trading. These units are publicly traded on a stock exchange, and as such, are recorded at fair market value on the statement of financial position as these values are readily available. Any adjustments recorded on the held for trading investments are recorded through the statement of operations.

The investments in guaranteed investment certificates have been classified as available for sale. These investments are recorded at principal plus accrued interest; therefore, the carrying value approximates the fair market value. Given that investments classified as available for sale are fully comprised of guaranteed investment certificates, there is no unrealized gain or loss to be realized on an annual basis; thus, the excess of revenue over expenditures for the year and comprehensive income are the same. As a result, there would not be any adjustments which require disclosure in a Statement of Other Comprehensive Income. No Statement of Other Comprehensive Income has been prepared, as it would not provide any additional information to the users of the financial statements.

Capital Assets

Capital assets are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Building	6%
Furniture and equipment	20%
Computer software	30%
Computer equipment	30%

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Leasehold improvements are stated at cost and amortization is provided using the straight line method over the term of the lease.

Income Taxes

Chalice (Canada) is a registered charitable organization and qualifies for tax-exempt status pursuant to paragraph 149 (1) (f) of the Income Tax Act.

Contributed Services

A number of volunteers contribute their time each year. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Allocated Expenses

Wages and salaries have been allocated to programming, marketing and administration based on the estimated proportion of time spent by employees. Of the total wages and salaries of \$1,626,630 (2011 - \$1,486,713), \$282,276 (2011 - \$204,950) was allocated between the three functions, and \$81,064 (2011 - \$61,454) was allocated to program expenditures.

Use of Estimates

The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. FINANCIAL INSTRUMENTS

Fair Values

The organization's financial instruments are comprised of cash, short-term investments, deposits, HST receivable, other receivables, long-term investments, accounts payable and accrued liabilities, and deferred contributions. The carrying values of these financial assets and financial liabilities approximate their fair values due to their short-term maturity dates except as disclosed below.

The fair values of long-term investments are approximately equal to their carrying values as the investments consist of guaranteed investment certificates plus accrued interest and investment in mutual fund units recorded at their quoted market value.

Market Risk

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

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

3. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization's short-term and long-term investments in guaranteed investment certificates are subject to cash flow risk as market interest rates fluctuate and the rates available for re-investments upon maturity may vary from time to time. The fixed-rate instruments subject the organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in mutual funds units.

4. INVESTMENTS

	2012	2011
	\$	\$
SHORT-TERM		
Fixed Income - Guaranteed Investment Certificates:		
CIBC, redeemable certificates maturing between February and May 2013 with yields to maturity of 1.25% to 1.55% (2011 - yields 1.3%).	1,000,000	1,300,000
Credit Union, non-redeemable certificate maturing February 2013 with yield to maturity of 2.35% (2011 - 2.35%).	300,000	300,000
Credit Union, redeemable certificates with yields to maturity between 1.7% and 2.85%. These certificates were redeemed during the year.	-	2,755,456
Accrued interest	<u>12,775</u>	<u>30,299</u>
	<u>1,312,775</u>	<u>4,385,755</u>

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

4. INVESTMENTS (continued)

LONG-TERM

Fixed Income - Guaranteed Investment Certificates:

Credit Union, redeemable certificates maturing between January and March 2014 with yields to maturity of 2.1%.	3,800,000	-
Credit Union, non-redeemable certificate maturing June 2014 with a yield to maturity of 2.9% (2011 - yields of 2.35% and 2.9%).	720,356	1,000,000
CIBC, redeemable certificate maturing November 2013 with a yield to maturity averaging 1.95% (2011 - average yield of 1.9%).	350,000	350,000
Accrued interest	40,468	5,661
	4,910,824	1,355,661
Investment in mutual funds (original cost - \$124,502; 2011 - \$124,101)	146,688	151,294
	5,057,512	1,506,955

5. DUE FROM (TO) OTHER FUNDS

The transactions of the Community Projects, Urgency, Christmas and Endowment Funds are administered through the main operating and investment accounts of the General Fund. As a result, at June 30, 2012, the balances of the respective funds have been set up as owing from (to) the General Fund. These loans are non-interest bearing, have no set terms of repayment and have been classified as current items on the statement of financial position.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

6. CAPITAL ASSETS

	2012		2011	
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Land	404,671	-	404,671	404,671
Building	1,597,871	288,171	1,309,700	1,393,298
Furniture and equipment	226,171	152,249	73,922	61,265
Computer software	222,822	113,324	109,498	141,808
Computer equipment	137,091	123,662	13,429	19,185
Leasehold improvements	6,241	2,400	3,841	5,281
	2,594,867	679,806	1,915,061	2,025,508

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent sponsorship revenue received in the current year that relates to a subsequent year.

The deferred contributions balance is comprised of the following externally restricted amounts for which there is not an appropriate restricted fund:

	2012	2011
	\$	\$
Deferred sponsorship contributions	2,672,539	2,511,774
Deferred scholarship contributions	73,804	79,477
Deferred catalogue contributions	208,923	247,407
	2,955,266	2,838,658

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

7. DEFERRED CONTRIBUTIONS (continued)

	2012	2011
	\$	\$
Changes in the deferred sponsorship contributions balance are as follows:		
Beginning balance	2,511,774	2,342,709
Less: amount recognized as revenue in the year	(2,233,678)	(2,098,244)
Add: amount received related to next year	2,394,443	2,267,309
	2,672,539	2,511,774

8. PROMISSORY NOTE PAYABLE

	2012	2011
	\$	\$
8% Promissory note, payable in monthly instalments of \$1,302 principal and interest, maturing in July 2012, secured by rights to the use of the software.	1,294	16,165
Less current portion	(1,294)	(14,871)
	-	1,294

9. COMMITMENTS

The organization is renting office space under a long-term lease expiring in February 2015. The annual rental amounts are between \$9,408 and \$10,373 during the lease period.

The organization is leasing office equipment under long-term leases, expiring January 2014 and November 2015, the annual rental of which is \$8,227 and \$4,298 respectively.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

9. COMMITMENTS (continued)

The organization has committed funds in the amount of \$432,468 to various community projects in the following countries: Bolivia, Chile, Guatemala, Haiti, India, Kenya, Paraguay, Peru, Philippines and Tanzania. Of this amount, \$37,223 is pending final reports, with the community project complete and the organization not anticipating any further payouts to be made. The remaining funds are expected to be paid out as the community projects meet the requirements for the funding to be advanced.

The approximate payout for these community projects within the next two years is as follows:

	\$
2013	295,245
2014	100,000

With respect to the amounts committed at June 30, 2012, there is a deficiency in the fund balance of the Community Project Fund. The Fund has a balance of \$426,519 while the commitment at June 30, 2012 totals \$432,468, therefore the deficiency in the fund is \$5,951.

Subsequent to year-end, the organization committed and approved amounts totalling \$164,384 to be paid for community projects and programs to India and Tanzania. Payments of \$179,257 have been made after year end.

At year end, committed amounts to be paid for disaster relief funds or for critical need purposes to Haiti and Chile, Philippines, India and East Africa totals \$743,937. The Urgency Fund has a balance of \$806,666, therefore adequate funds have been set aside for these commitments. The remaining resources of \$62,729 in the urgency fund may be used at any location when urgent circumstances arise.

Subsequent to year-end, the organization committed amounts totalling \$9,811 to be paid for disaster relief funds or for critical need purposes to Bolivia and Peru. Of the total committed amount of \$753,748, \$250,311 has been paid after year end.

10. INTERFUND TRANSFERS

During the year, the organization approved interfund transfers from the general fund to the community projects fund in the amount of \$200,833 to support funding of community projects.

During the year, the organization approved interfund transfers from the urgency fund to the general fund in the amount of \$40,943 to cover expenses of the urgency fund that were incurred by the general fund.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

11. CAPITAL RISK MANAGEMENT

The organization's capital is comprised of Endowment, Restricted and Unrestricted Fund balances. The organization's objectives when managing capital are to ensure that funds received are appropriately allocated based on their intended purpose. Furthermore, cash and investments are managed to ensure the financial obligations and objectives of the respective Funds are met.