
CHALICE (CANADA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015 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 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.

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 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 Chalice (Canada) as at June 30, 2015 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.

W B L I L L P

CHARTERED ACCOUNTANTS

Dartmouth, Nova Scotia
October 15, 2015

CHALICE (CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2015

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	2015 \$	2014 \$
ASSETS							
CURRENT ASSETS							
Cash	668,096	-	-	-	-	668,096	242,553
Short-term investments (note 3)	-	-	-	-	-	-	2,762,955
Prepaid expenses and deposits	14,787	-	-	-	-	14,787	20,471
HST receivable	-	-	-	-	-	-	24,912
Due from (to) other funds (note 4)	(2,505,748)	1,310,379	942,451	106,485	146,433	-	-
	(1,822,865)	1,310,379	942,451	106,485	146,433	682,883	3,050,891
INVESTMENTS (note 3)	8,379,376	-	-	-	-	8,379,376	10,203,243
CAPITAL ASSETS (note 5)	3,759,524	-	-	-	-	3,759,524	1,748,245
	10,316,035	1,310,379	942,451	106,485	146,433	12,821,783	15,002,379

LIABILITIES

CURRENT LIABILITIES							
Accounts payable and accrued liabilities <i>(including government remittances of \$1,432)</i>	2,200,675	-	-	-	-	2,200,675	5,857,132
Deferred contributions (note 6)	3,098,036	-	-	-	-	3,098,036	3,041,737
	5,298,711	-	-	-	-	5,298,711	8,898,869

FUND BALANCES

Invested in capital assets	3,759,524	-	-	-	-	3,759,524	1,748,245
Restricted	-	1,310,379	942,451	106,485	146,433	2,505,748	1,816,857
Unrestricted general	1,257,800	-	-	-	-	1,257,800	2,538,408
	5,017,324	1,310,379	942,451	106,485	146,433	7,523,072	6,103,510
	10,316,035	1,310,379	942,451	106,485	146,433	12,821,783	15,002,379

COMMITMENTS (note 7)

APPROVED ON BEHALF OF THE BOARD


 Director


 Director

CHALICE (CANADA)
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted Funds		Restricted Funds				2014 \$
	General Fund	Invested in Capital Assets	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	
Fund balances - beginning of year	2,538,408	1,748,245	704,780	953,688	42,456	115,933	4,288,675
Excess (deficiency) of revenues over expenditures	984,682	(155,130)	506,718	(11,237)	64,029	30,500	1,814,835
Investment in capital assets	(2,166,409)	2,166,409	-	-	-	-	-
Interfund transfers (note 8)	(98,881)	-	98,881	-	-	-	-
Fund balances - end of year	1,257,800	3,759,524	1,310,379	942,451	106,485	146,433	6,103,510

CHALICE (CANADA)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	2015 \$	2014 \$
REVENUES							
Sponsorship contributions	18,386,217	-	-	-	-	18,386,217	17,919,301
Special gift contributions	567,913	-	-	-	-	567,913	509,478
General contributions	1,093,584	-	-	-	-	1,093,584	905,120
Community projects fund contributions	-	1,136,064	-	-	-	1,136,064	614,737
Urgency fund contributions	-	-	127,672	-	-	127,672	844,500
Christmas donations	-	-	-	661,979	-	661,979	545,287
Endowment contributions	-	-	-	-	30,500	30,500	28,000
Scholarship contributions	3,565	-	-	-	-	3,565	9,581
Catalogue contributions	1,186,729	-	-	-	-	1,186,729	984,689
Investment income	255,803	-	-	-	-	255,803	241,441
Unrealized (loss) gain on investments	(48,823)	-	-	-	-	(48,823)	521,143
Fundraising contributions	1,136,172	-	-	-	-	1,136,172	418,453
Prayer ministry contributions	6,469	-	-	-	-	6,469	22,355
Mission trip contributions	119,369	-	-	-	-	119,369	71,609
	22,706,998	1,136,064	127,672	661,979	30,500	24,663,213	23,635,694
EXPENDITURES							
Program expenditures (see schedule)	19,690,277	629,346	138,909	597,950	-	21,056,482	19,820,722
Marketing expenditures (see schedule)	1,096,551	-	-	-	-	1,096,551	969,086
Administrative expenditures (see schedule)	935,488	-	-	-	-	935,488	902,726
Amortization	155,130	-	-	-	-	155,130	128,325
	21,877,446	629,346	138,909	597,950	-	23,243,651	21,820,859
Excess (deficiency) of revenues over expenditures	829,552	506,718	(11,237)	64,029	30,500	1,419,562	1,814,835

CHALICE (CANADA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	2015 \$	2014 \$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES							
Cash provided from operations	829,552	506,718	(11,237)	64,029	30,500	1,419,562	1,814,835
Excess (deficiency) of revenues over expenditures	155,130	-	-	-	-	155,130	128,325
Items in earnings not involving cash	48,823	-	-	-	-	48,823	(521,143)
Amortization	(5,226)	-	-	-	-	(5,226)	-
Unrealized loss (gain) on investments	1,028,279	506,718	(11,237)	64,029	30,500	1,618,289	1,422,017
Contributed investments	5,684	-	-	-	-	5,684	39,116
Change in non-cash working capital balances	24,912	-	-	-	-	24,912	(2,493)
Prepaid expenses and deposits	(3,656,457)	-	-	-	-	(3,656,457)	(729,416)
HST receivable	56,299	-	-	-	-	56,299	(59,331)
Accounts payable and accrued liabilities	(2,541,283)	506,718	(11,237)	64,029	30,500	(1,951,273)	669,893
Deferred contributions	688,891	(605,599)	11,237	(64,029)	(30,500)	-	-
	(98,881)	98,881	-	-	-	-	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	590,010	(506,718)	11,237	(64,029)	(30,500)	-	-
Advances from (to) other funds	4,799,871	-	-	-	-	4,799,871	6,953,772
Interfund transfers	(256,646)	-	-	-	-	(256,646)	(9,899,931)
	(2,166,409)	-	-	-	-	(2,166,409)	(54,608)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	2,376,816	-	-	-	-	2,376,816	(3,000,767)
Proceeds on disposal of investments	425,543	-	-	-	-	425,543	(2,330,874)
Purchase of investments	242,553	-	-	-	-	242,553	2,573,427
Investment in capital assets	668,096	-	-	-	-	668,096	242,553
CHANGE IN CASH DURING THE YEAR							
CASH - beginning of the year							
CASH - end of the year							

CHALICE (CANADA)
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	Program expenditures	Marketing expenditures	Administrative expenditures	2015 \$	2014 \$
Advertising and promotion	538	56,638	874	58,050	53,051
Bank charges and interest	29,706	169,555	4,585	203,846	167,508
Conferences	-	3,972	-	3,972	4,772
Insurance	-	250	20,899	21,149	18,065
Miscellaneous	1,522	12,668	17,204	31,394	29,524
Missions appeals - stipends	-	27,825	-	27,825	26,550
Mission appeals - travel	-	23,417	-	23,417	23,124
Mission trips	107,608	-	-	107,608	55,375
Office	14,095	3,125	120,349	137,569	151,457
Other	22,038	1,181	7,191	30,410	4,280
Payments to overseas sites	17,978,851	-	-	17,978,851	17,125,338
Postage and courier	121,273	68,161	72,194	261,628	262,601
Prayer Ministry	37,230	-	-	37,230	124,069
Printing	21,764	53,059	20,586	95,409	125,018
Printing and postage - newsletter	-	70,695	-	70,695	67,137
Property taxes	482	-	47,855	48,337	19,305
Professional fees	11,335	28,830	62,884	103,049	114,733
Rent and utilities	19,992	-	20,288	40,280	39,595
Subscriptions and memberships	366	330	3,256	3,952	2,813
Telecommunications	9,957	231	20,868	31,056	31,790
Travel and meetings	42,678	41,290	6,272	90,240	76,264
Wages and salaries	1,270,842	535,324	510,183	2,316,349	1,977,247
	19,690,277	1,096,551	935,488	21,722,316	20,499,616

CHALICE (CANADA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. NATURE OF OPERATIONS

The organization was incorporated on June 30, 1992 under the Canada Corporation Act. Chalice (Canada) is a charitable organization whose main purpose is to provide financial sponsorship to children and the aging in developing countries and to advance religion through the promotion of prayer by providing spiritual and educational resources nationally and internationally.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

Fund Accounting

Chalice (Canada) 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 development 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 7.

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.

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.

CHALICE (CANADA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments include investments in guaranteed investment certificates, equities and mutual fund units.

The investments in guaranteed investment certificates are recorded at principal plus accrued interest, which approximates market value.

Equity investments and mutual fund units are recognized initially at fair value and transaction costs are taken directly to the statement of operations. They are subsequently remeasured at each year end at the fair value on the statement of financial position, with realized and unrealized gains and losses recorded in the statement of operations. Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Such indicated fair values do not necessarily represent the realizable value subsequent to year end, which may be more or less than that indicated by market quotations.

Capital Assets

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

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

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

Impairment of Long-Lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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 for some employees have been allocated between programming, marketing and administration based on the estimated proportion of time spent by these employees. Of the total wages and salaries of \$2,316,349 (2014 - \$1,977,247), \$622,055 (2014 - \$547,632) was allocated between the three functions, and of this amount, \$201,162 (2014 - \$180,712) was allocated to program expenditures.

CHALICE (CANADA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. SIGNIFICANT 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current 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.

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and mutual fund units, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investments not quoted in an active market and HST receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The carrying values as at June 30, 2015 approximate their fair values due to their relatively short term to maturity.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the statement of operations.

Transaction costs

The organization recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

CHALICE (CANADA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

3. INVESTMENTS

SHORT-TERM

Fixed Income - Guaranteed Investment Certificates:

	2015	2014
	\$	\$
Credit Union, redeemable certificates maturing between November 26, 2014 and February 25, 2016 with yields to maturity of 1.9% to 2.1%. These certificates were redeemed on July 7, 2014.	-	2,750,000
Accrued interest on guaranteed investment certificates	-	12,955
	-	2,762,955

LONG-TERM

	2015	2014
	\$	\$
CIBC Investor's Edge, equity investments (original cost - \$2,739,639; 2014 - \$2,598,633)	3,169,964	3,093,580
Investment in mutual funds (original cost - \$132,892; 2014 - \$126,652)	195,186	181,975
Credit Union, redeemable guaranteed investment certificates maturing between February 5, 2017 and June 30, 2017 with yields to maturity of 2.15% to 2.2%.	4,920,505	6,900,000
Accrued interest on guaranteed investment certificates	93,721	27,688
	8,379,376	10,203,243

4. 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, 2015, 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. CAPITAL ASSETS

			2015	2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	1,273,174	-	1,273,174	404,671
Buildings	2,903,858	550,803	2,353,055	1,183,398
Computer equipment	150,453	140,282	10,171	14,531
Computer software	286,584	209,865	76,719	86,679
Furniture and equipment	240,308	193,903	46,405	58,006
Leasehold improvements	6,241	6,241	-	960
	4,860,618	1,101,094	3,759,524	1,748,245

During the year, the organization purchased land and a building with a total costs of \$868,503 and \$1,279,032 respectively. The building has accumulated amortization of \$38,371. Approximately 30% of the building is being leased.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent sponsorship and other 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:

	2015	2014
	\$	\$
Deferred sponsorship contributions	2,867,966	2,792,716
Deferred fundraising contributions	4,000	9,905
Deferred scholarship contributions	46,330	49,895
Deferred catalogue contributions	179,740	189,221
	3,098,036	3,041,737

CHALICE (CANADA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

6. DEFERRED CONTRIBUTIONS (continued)

Changes in the deferred sponsorship contributions balance are as follows:

	2015	2014
	\$	\$
Beginning balance	2,792,716	2,805,446
Less: amount recognized as revenue during the year	(2,465,159)	(2,371,268)
Add: amount received related to subsequent years	2,540,409	2,358,538
	2,867,966	2,792,716

7. COMMITMENTS

The organization is leasing office equipment under long-term leases, expiring November 2016 and August 2019, the annual rental of which is \$4,298 and \$5,025 respectively.

The organization has committed funds in the amount of \$1,145,069 to various community projects in the following countries: Bolivia, Cameroon, Ghana, Haiti, India, and Paraguay. These 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 three years is as follows:

\$	
2016	740,833
2017	204,236
2018	200,000

The Community Project Fund has a balance of \$1,310,379 while the commitment at June 30, 2015 totals \$1,145,069, therefore adequate funds have been set aside for these commitments.

Subsequent to year-end, the organization also committed and approved additional amounts totaling \$541,848 to be paid for community projects in Bolivia, Haiti, Ukraine, Chile, Kenya and Ghana of which \$94,087 has been paid to date. Considering both the amounts committed at year end and subsequent to year end, the balance of \$376,538 is underfunded but it is anticipated to be adequately funded by contributions to the Community Projects Fund over the next three years.

At year end, the organization committed amounts to be paid for disaster relief funds or for critical need purposes to East Africa, Guatemala and the Philippines total \$848,634. The Urgency Fund has a balance of \$942,451 therefore adequate funds have been set aside for these commitments. The remaining resources of \$93,817 in the Urgency Fund are unrestricted contributions which may be used at any location when urgent circumstances arise.

Subsequent to year-end, the organization committed amounts totaling \$36,891 to be paid for disaster relief funds or for critical need purposes to sites in Peru, Philippines, India, Chile and Ukraine of which \$30,812 have been paid to date.

CHALICE (CANADA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. INTERFUND TRANSFERS

During the year, the organization approved interfund transfers from the General Fund to the Community Projects Fund in the amount of \$98,881 to support funding of community projects.

9. COMPARATIVE FIGURES

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

10. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at June 30, 2015.

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 exposed to interest rate risk and other price risk.

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 long-term investments in guaranteed investment certificates are subject to cash flow risk as market interest rates fluctuate and the rates available for re-investment upon maturity may vary from time to time. The fixed-rate instruments subject the organization to a fair value 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 equities and mutual fund units.