
CHALICE (CANADA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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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, 2011, 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 (continued)

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Chalice (Canada) as at June 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

WBLI

CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

December 2, 2011

CHALICE (CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2011

	ASSETS					2011	2010
	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total
						\$	\$
CURRENT ASSETS							
Cash	327,154	-	-	-	-	327,154	1,433,216
Short-term investments (note 4)	4,385,755	-	-	-	-	4,385,755	3,652,020
Prepaid expenses and deposits	55,643	-	-	-	-	55,643	16,871
HST receivable	27,940	-	-	-	-	27,940	26,761
Due from (to) other funds (note 5)	(559,224)	219,218	234,683	30,390	74,933	-	-
	4,237,268	219,218	234,683	30,390	74,933	4,796,492	5,128,868
INVESTMENTS (note 4)	1,506,955	-	-	-	-	1,506,955	1,504,728
CAPITAL ASSETS (note 6)	2,025,508	-	-	-	-	2,025,508	1,869,526
	7,769,731	219,218	234,683	30,390	74,933	8,328,955	8,503,122
	LIABILITIES						
CURRENT LIABILITIES							
Accounts payable and accrued liabilities	1,896,700	-	-	-	-	1,896,700	1,722,748
Deferred contributions (note 7)	2,838,658	-	-	-	-	2,838,658	2,662,161
Current portion of promissory note payable	14,871	-	-	-	-	14,871	13,732
	4,750,229	-	-	-	-	4,750,229	4,398,641
Promissory note payable (note 8)	1,295	-	-	-	-	1,295	16,165
	4,751,524	-	-	-	-	4,751,524	4,414,806
	FUND BALANCES						
Invested in capital assets	2,009,342	-	-	-	-	2,009,342	1,839,628
Restricted	-	219,218	234,683	30,390	74,933	559,224	798,535
Unrestricted general	1,008,865	-	-	-	-	1,008,865	1,450,153
	3,018,207	219,218	234,683	30,390	74,933	3,577,431	4,088,316
	7,769,731	219,218	234,683	30,390	74,933	8,328,955	8,503,122
COMMITMENTS (note 9)							

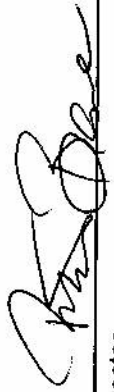
APPROVED ON BEHALF OF THE BOARD



Director



Director



CHALICE (CANADA)
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted Funds					Restricted Funds			2011	2010
	General Fund	Invested in Capital Assets	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total	\$	\$
Fund balances - beginning of year	1,450,153	1,839,628	198,935	406,993	127,762	64,845	4,088,316	4,091,547		
(Deficiency) excess of revenues over expenditures	36,791	(152,767)	(135,315)	(172,310)	(97,372)	10,088	(510,885)	(3,231)		
Investment in capital assets	(322,481)	322,481	-	-	-	-	-	-		
Interfund transfers (note 10)	(155,598)	-	155,598	-	-	-	-	-		
Fund balances - end of year	1,008,865	2,009,342	219,218	234,683	30,390	74,933	3,577,431	4,088,316		

CHALICE (CANADA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2011

2011 2010

\$ \$

\$

\$

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total
REVENUES							
Sponsorship contributions	15,788,257	-	-	-	-	15,788,257	15,395,882
Special gift contributions	408,820	-	-	-	-	408,820	363,780
General contributions	705,529	-	-	-	-	705,529	608,925
Community Projects Fund contributions	-	271,315	-	-	-	271,315	339,450
Urgency Fund contributions	-	-	82,929	-	-	82,929	305,898
Christmas contributions	-	-	-	471,100	-	471,100	442,231
Endowment contributions	-	-	-	-	10,088	10,088	5,000
Scholarship contributions	1,500	-	-	-	-	1,500	1,800
Catalogue contributions	907,057	-	-	-	-	907,057	589,749
Investment income	114,024	-	-	-	-	114,024	138,303
Fundraising contributions	148,437	-	-	-	-	148,437	140,091
Prayer ministry contributions	888	-	-	-	-	888	-
	18,074,512	271,315	82,929	471,100	10,088	18,909,944	18,331,109
EXPENDITURES							
Payments to sponsor sites	15,508,291	406,630	255,239	568,472	-	16,738,632	15,830,362
Program expenditures (see schedule)	1,094,296	-	-	-	-	1,094,296	1,018,060
Marketing expenditures (see schedule)	738,797	-	-	-	-	738,797	727,154
Administrative expenditures (see schedule)	696,337	-	-	-	-	696,337	651,456
Amortization	152,767	-	-	-	-	152,767	107,308
	18,190,488	406,630	255,239	568,472	-	19,420,829	18,334,340
(Deficiency) excess of revenues over expenditures	(115,976)	(135,315)	(172,310)	(97,372)	10,088	(510,885)	(3,231)

CHALICE (CANADA)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	2011					2010	
	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total
	\$						\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES							
Cash provided from (used in) operations (Deficiency) excess of revenues over expenditures items in earnings not involving cash Amortization	(115,976)	(135,315)	(172,310)	(97,372)	10,088	(510,885)	(3,231)
	152,767	-	-	-	-	152,767	107,308
	36,791	(135,315)	(172,310)	(97,372)	10,088	(358,118)	104,077
Change in noncash working capital balances							
Prepaid expenses and deposits	(38,772)	-	-	-	-	(38,772)	80,839
HST receivable	(1,179)	-	-	-	-	(1,179)	88,561
Accounts payable and accrued liabilities	173,952	-	-	-	-	173,952	315,224
Deferred contributions	176,497	-	-	-	-	176,497	244,818
	347,289	(135,315)	(172,310)	(97,372)	10,088	(47,620)	833,519
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES							
Increase (decrease) in due from (to) other funds	(239,311)	(20,283)	172,310	97,372	(10,088)	-	-
Borrowing of promissory note payable	-	-	-	-	-	-	41,558
Repayment of promissory note payable	(13,731)	-	-	-	-	(13,731)	(11,661)
	(253,042)	(20,283)	172,310	97,372	(10,088)	(13,731)	29,897
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES							
Proceeds on disposal of investments	3,685,707	-	-	-	-	3,685,707	4,244,497
Purchases of investments	(4,404,930)	-	-	-	-	(4,404,930)	(4,000,085)
Increase (decrease) in interfund transfers	(155,598)	155,598	-	-	-	-	-
Adjustment of investments to market value	(16,739)	-	-	-	-	(16,739)	(5,516)
Investment in capital assets	(308,749)	-	-	-	-	(308,749)	(147,675)
	(1,200,309)	155,598	-	-	-	(1,044,711)	91,221
	(1,106,062)	-	-	-	-	(1,106,062)	954,637
CHANGE IN CASH DURING THE YEAR	1,433,216	-	-	-	-	1,433,216	478,579
CASH - beginning of year	327,154	-	-	-	-	327,154	1,433,216
CASH - end of year	-	-	-	-	-	-	-

CHALICE (CANADA)
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

				2011	2010
				\$	\$
	Program expenditures	Marketing expenditures	Administrative expenditures	Total	Total
Advertising and promotion	441	46,819	74	47,334	81,856
Bank charges and interest	38,400	53,078	3,941	95,419	78,070
Conferences	33	7,483	-	7,516	4,731
Insurance	-	255	20,070	20,325	18,327
Miscellaneous	9,197	32,565	5,964	47,726	43,829
Missions appeals - stipends	-	18,200	-	18,200	32,200
Mission appeals - travel	-	26,574	-	26,574	28,283
Office	23,250	9,357	92,603	125,210	95,682
Other	471	960	6,650	8,081	4,015
Postage and courier	104,451	13,830	70,694	188,975	218,779
Printing	26,197	67,021	24,416	117,634	137,847
Printing and postage - newsletter	-	97,210	-	97,210	94,240
Property taxes	2,943	-	35,852	38,795	43,656
Professional fees	20,332	2,492	43,920	66,744	69,988
Rent and utilities	20,046	271	13,129	33,446	28,990
Telecommunications	7,907	5,143	18,148	31,198	27,804
Travel and meetings	47,446	12,976	9,481	69,903	65,882
Wages and salaries	793,122	344,563	349,028	1,486,713	1,320,940
Subscriptions and memberships	60	-	2,367	2,427	1,551
	1,094,296	738,797	696,337	2,529,430	2,396,670

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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.

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, 2011

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, 2011

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 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 \$1,486,713 (2010 - \$1,320,940), \$204,950 (2010 - \$143,211) was allocated between the three functions, and \$61,454 (2010 - \$47,260) 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, 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.

Interest Rate Risk

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.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4. INVESTMENTS

	2011	2010
	\$	\$
SHORT-TERM		
Fixed Income - Guaranteed Investment Certificates:		
CIBC, redeemable certificates maturing January and February 2012 with yields to maturity of 1.3% (2010 - yields of 0.9% to 4.15%).	1,300,000	1,650,000
Credit Union, redeemable certificates maturing February and March 2012 with yields to maturity between 1.7% and 2.85% (2010 - yields of 1.5%).	3,055,456	1,964,881
Accrued interest	<u>30,299</u>	<u>37,139</u>
	<u>4,385,755</u>	<u>3,652,020</u>
 LONG-TERM		
Fixed Income - Guaranteed Investment Certificates:		
Credit Union, redeemable and non-redeemable certificates maturing February 2013 and June 2014 with yields to maturity between 2.35% and 2.9% (2010 - yields of 2.35% to 2.85%).	1,000,000	1,360,355
CIBC, redeemable certificate maturing November 2013 with a yield to maturity of an average of 1.95%.	350,000	-
Accrued interest	<u>5,661</u>	<u>10,267</u>
	<u>1,355,661</u>	<u>1,370,622</u>
Investment in equities (original cost - \$124,502; 2010 - \$124,101)	<u>151,294</u>	<u>134,106</u>
	<u>1,506,955</u>	<u>1,504,728</u>

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, 2011, 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, 2011

6. CAPITAL ASSETS

	2011		2010	
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Land	404,671	-	404,671	404,671
Building	1,597,871	204,573	1,393,298	1,242,680
Furniture and equipment	192,927	131,662	61,265	63,391
Computer software	210,785	68,977	141,808	131,377
Computer equipment	137,091	117,906	19,185	27,407
Leaseholds	6,241	960	5,281	-
	2,549,586	524,078	2,025,508	1,869,526

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:

	2011	2010
	\$	\$
Deferred sponsorship contributions	2,511,774	2,342,709
Deferred fundraising contributions	-	14,544
Deferred scholarship contributions	79,477	40,281
Deferred catalogue contributions	247,407	264,627
	2,838,658	2,662,161

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

7. DEFERRED CONTRIBUTIONS (continued)

	2011	2010
	\$	\$
Changes in the deferred sponsorship contributions balance are as follows:		
Beginning balance	2,342,709	2,220,729
Less: amount recognized as revenue in the year	(2,098,244)	(1,988,518)
Add: amount received related to next year	2,267,309	2,110,498
	2,511,774	2,342,709

8. PROMISSORY NOTE PAYABLE

	2011	2010
	\$	\$
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.	16,166	29,897
Less current portion	(14,871)	(13,732)
	1,295	16,165

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 August 2016, the annual rental of which is \$8,227 and \$4,298 respectively.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

9. COMMITMENTS (continued)

The organization has committed funds in the amount of \$290,008 to various community projects in the following countries: Bolivia, Chile, India, Kenya, Paraguay, Peru, Philippines and Tanzania. Of this amount, \$28,849 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:

	\$	
2012	242,880	
2013	18,279	

With respect to the amounts committed at June 30, 2011, there is a deficiency in the fund balance of the Community Project Fund. The Fund has a balance of \$219,218 while the commitment at June 30, 2011 totals \$290,008, therefore the deficiency in the fund is \$70,790.

Subsequent to year-end, the organization committed and approved amounts totalling \$139,644 to be paid for community projects and programs to Bolivia, Guatemala, Haiti, Paraguay and Philippines.

At year end, committed amounts to be paid for disaster relief funds or for critical need purposes to Haiti and Chile totals \$61,626. The Urgency Fund has a balance of \$234,683, therefore adequate funds have been set aside for these commitments.

Subsequent to year-end, the organization committed amounts totalling \$21,207 to be paid for disaster relief funds or for critical need purposes to Chile and Bolivia. Of the total committed amount, \$20,775 was approved and \$432 is pending approval.

10. INTERFUND TRANSFERS

During the year, the organization approved interfund transfers from the general fund to the community projects fund in the amount of \$155,598.

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.