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AUDITORS' REPORT**To The Members of the Board of Directors of
Chalice (Canada)**

We have audited the statement of financial position of Chalice (Canada) as at June 30, 2010 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2010 and the results of operations and changes in fund balances and cash flows of the organization for the year then ended, in accordance with Canadian generally accepted accounting principles.

*WBLI***CHARTERED ACCOUNTANTS**

Bedford, Nova Scotia

August 26, 2010

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CHALICE (CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

2010

2009

\$

\$

ASSETS

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total	Total
CURRENT ASSETS							
Cash	1,433,216	-	-	-	-	1,433,216	478,579
Short-term investments (note 4)	3,652,020	-	-	-	-	3,652,020	3,866,829
Prepaid expenses and deposits	16,871	-	-	-	-	16,871	97,710
HST receivable	26,761	-	-	-	-	26,761	115,323
Due from (to) other funds (note 5)	(798,533)	198,934	406,991	127,763	64,845	-	-
	4,330,335	198,934	406,991	127,763	64,845	5,128,868	4,558,441
INVESTMENTS (note 4)	1,504,728	-	-	-	-	1,504,728	1,528,815
CAPITAL ASSETS (note 6)	1,869,526	-	-	-	-	1,869,526	1,829,158
	7,704,589	198,934	406,991	127,763	64,845	8,503,122	7,916,414

LIABILITIES

CURRENT LIABILITIES							
Accounts payable and accrued liabilities	1,722,745	-	-	-	-	1,722,745	1,407,521
Deferred contributions (note 7)	2,662,161	-	-	-	-	2,662,161	2,417,344
Current portion of promissory note payable	13,732	-	-	-	-	13,732	-
	4,398,638	-	-	-	-	4,398,638	3,824,865
Promissory note payable (note 8)	16,165	-	-	-	-	16,165	-
	4,414,803	-	-	-	-	4,414,803	3,824,865

FUND BALANCES

Invested in capital assets	1,839,629	-	-	-	-	1,839,629	1,829,158
Restricted	-	198,934	406,991	127,763	64,845	798,533	721,998
Unrestricted general	1,450,157	-	-	-	-	1,450,157	1,540,393
	3,289,786	198,934	406,991	127,763	64,845	4,088,319	4,091,549
	7,704,589	198,934	406,991	127,763	64,845	8,503,122	7,916,414

COMMITMENTS (note 8)

APPROVED ON BEHALF OF THE BOARD

[Signature]
 Director

[Signature]
 Director



CHALICE (CANADA)

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	2010		2009				
	\$		\$				
	Unrestricted Funds		Restricted Funds				
	General Fund	Invested in Capital Assets	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total
Fund balances - beginning of year	1,540,393	1,829,158	411,082	144,694	106,377	59,845	4,091,549
Excess (deficiency) of revenues over expenditures	27,542	(107,307)	(212,148)	262,297	21,386	5,000	(3,230)
Investment in capital assets	(117,778)	117,778	-	-	-	-	-
Fund balances - end of year	1,450,157	1,839,629	198,934	406,991	127,763	64,845	4,088,319
							4,091,549

CHALICE (CANADA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2010

	2010		2009			
	\$		\$			
	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	Total
REVENUES						
Sponsorship contributions	15,395,882	-	-	-	-	15,395,882
Special gift contributions	363,780	-	-	-	-	363,780
General contributions	608,925	-	-	-	-	608,925
Community Projects Fund contributions	-	339,450	-	-	-	339,450
Urgency Fund contributions	-	-	305,898	-	-	305,898
Christmas contributions	-	-	-	442,231	-	442,231
Endowment contributions	1,800	-	-	-	5,000	5,000
Scholarship contributions	589,749	-	-	-	-	589,749
Catalogue contributions	138,303	-	-	-	-	138,303
Investment income	77,316	62,775	-	-	-	140,091
Fundraising contributions	17,175,755	402,225	305,898	442,231	5,000	18,331,109
	14,751,543	614,373	43,601	420,845	-	15,830,362
Payments to sponsor sites	1,018,060	-	-	-	-	1,018,060
Program expenditures (see schedule)	727,154	-	-	-	-	727,154
Marketing expenditures (see schedule)	651,456	-	-	-	-	651,456
Administrative expenditures (see schedule)	107,307	-	-	-	-	107,307
Amortization	-	-	-	-	-	-
Loss on disposal of capital assets (note 6)	-	-	-	-	-	-
	17,255,520	614,373	43,601	420,845	-	18,334,339
Excess (deficiency) of revenues over expenditures	(79,765)	(212,148)	262,297	21,386	5,000	(3,230)
						800,874



CHALICE (CANADA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	\$	\$
	Total	Total
	General Fund	Community Projects Fund
	Urgency Fund	Christmas Fund
	Endowment Fund	Total
	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash provided from (used in) operations	(79,765)	(212,148)
Excess (deficiency) of revenues over expenditures	107,307	-
Items in earnings not involving cash	-	-
Amortization	-	-
Loss on disposal of capital assets	27,542	(212,148)
	262,297	21,386
Change in noncash working capital balances	80,839	-
Prepaid expenses and deposits	88,562	-
HST receivable	315,224	-
Accounts payable and accrued liabilities	244,817	-
Deferred contributions	756,984	(212,148)
	262,297	21,386
	5,000	-
	80,839	(88,289)
	88,562	(93,235)
	315,224	466,316
	244,817	101,030
	833,519	1,320,050
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Increase in due from (to) other funds	76,535	212,148
Borrowing of promissory note payable	41,558	-
Repayment of promissory note payable	(11,661)	-
	106,432	212,148
	(262,297)	(21,386)
	(5,000)	-
	41,558	-
	(11,661)	-
	29,897	-
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds on disposal of investments	4,244,497	-
Purchases of investments	(4,000,085)	-
Adjustment of investments to market value	(5,516)	-
Investment in capital assets	(147,675)	-
	91,221	-
	-	-
	91,221	(1,109,811)
	4,244,497	4,612,887
	(4,000,085)	(4,439,789)
	(5,516)	23,699
	(147,675)	(1,306,608)
	91,221	(1,109,811)
CHANGE IN CASH DURING THE YEAR	954,637	210,239
CASH - beginning of year	478,579	268,340
CASH - end of year	1,433,216	478,579



CHALICE (CANADA)
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010

				2010	2009
				\$	\$
	Program expenditures	Marketing expenditures	Administrative expenditures	Total	Total
Advertising and promotion	1,713	80,143	-	81,856	56,614
Bank charges and interest	37,459	36,362	4,249	78,070	61,617
Conferences	531	4,200	-	4,731	2,090
Insurance	-	285	18,042	18,327	15,701
Miscellaneous	8,972	29,671	5,186	43,829	30,692
Missions appeals - stipends	-	32,200	-	32,200	33,025
Mission appeals - travel	-	28,283	-	28,283	25,745
Office	28,136	5,298	62,248	95,682	79,840
Other	605	1,563	1,847	4,015	3,576
Postage and courier	125,317	10,279	83,183	218,779	209,381
Printing	32,521	80,254	25,072	137,847	140,820
Printing and postage - newsletter	-	94,240	-	94,240	77,184
Property taxes	2,918	56	40,682	43,656	12,708
Professional fees	6,992	85	62,911	69,988	56,039
Rent and utilities	19,449	675	8,866	28,990	30,139
Telecommunications	11,263	4,687	11,854	27,804	29,356
Travel and meetings	43,493	15,957	6,432	65,882	78,528
Wages and salaries	698,631	302,841	319,468	1,320,940	1,137,088
Subscriptions and memberships	60	75	1,416	1,551	2,237
	1,018,060	727,154	651,456	2,396,670	2,082,380

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010

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 balance sheet 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, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

During the year, amounts were invested in iMIS fundraising software. The software was not implemented until July 1, 2010, therefore no amortization has been recorded.

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 \$1,320,940, 10.84% (\$143,211) was allocated between the three functions, and 3.58% (\$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 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, 2010

4. INVESTMENTS

	2010	2009
	\$	\$
SHORT-TERM		
Fixed Income - Guaranteed Investment Certificates:		
CIBC, redeemable and non-redeemable certificates maturing between November 2010 and February 2011 with yields to maturity of 0.9% to 4.15%	1,650,000	-
Credit Union, redeemable certificates maturing in March 2011 with yields to maturity of 1.5%	1,964,881	-
CIBC, redeemable and non-redeemable certificates which matured in fiscal 2010 with yields to maturity of 0.9% - 2.9%	-	1,600,000
Credit Union, non-redeemable certificate which matured in fiscal 2010 with a yield to maturity of 3.9%	-	300,000
Accrued interest	<u>37,139</u>	<u>55,346</u>
	3,652,020	1,955,346
Investment in Credit Union advanced savings account, interest at 3.95%	-	<u>1,911,483</u>
	<u>3,652,020</u>	<u>3,866,829</u>

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

4. INVESTMENTS (continued)	2010	2009
	\$	\$
LONG-TERM		
Fixed Income - Guaranteed Investment Certificates:		
Credit Union, non- redeemable certificate maturing in November 2010 with yield to maturity of 4.15%	-	350,000
Credit Union, redeemable and non-redeemable certificates maturing February 2012 and February 2013 with yields to maturity between 2.35% and 2.85%	1,360,355	1,030,972
Accrued interest	<u>10,267</u>	<u>20,225</u>
	1,370,622	1,401,197
Investment in equities (original cost - \$124,101; 2009 - \$123,130)	<u>134,106</u>	<u>127,618</u>
	<u>1,504,728</u>	<u>1,528,815</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, 2010, the balances of the respective funds have been set up as owing from 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, 2010

6. CAPITAL ASSETS

	2010		2009	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	404,671	-	404,671	404,671
Building	1,365,728	123,048	1,242,680	1,305,823
Furniture and equipment	181,203	117,812	63,391	74,935
Computer software	23,971	20,767	3,204	4,577
Computer equipment	137,091	109,684	27,407	39,152
iMIS fundraising software	128,173	-	128,173	-
	2,240,837	371,311	1,869,526	1,829,158

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:

	2010	2009
	\$	\$
Deferred sponsorship contributions	2,342,709	2,220,729
Deferred fundraising contributions	14,544	20,438
Deferred scholarship contributions	40,281	22,651
Deferred catalogue contributions	264,627	153,526
	2,662,161	2,417,344

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

7. DEFERRED CONTRIBUTIONS (continued)

	2010	2009
	\$	\$
Changes in the deferred sponsorship contributions balance are as follows:		
Beginning balance	2,220,729	2,145,794
Less: amount recognized as revenue in the year	(1,988,518)	(1,957,213)
Add: amount received related to next year	2,110,498	2,032,148
	2,342,709	2,220,729

8. PROMISSORY NOTE PAYABLE

	2010	2009
	\$	\$
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.	29,897	-
Less current portion	(13,732)	-
	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 in December 2011 and January 2014, the annual rental of which is \$4,430 and \$7,550 respectively.

CHALICE (CANADA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

9. COMMITMENTS (continued)

The organization has committed funds in the amount of \$350,565 to various community projects in the following countries: Bolivia, Chile, Ghana, India, Kenya, Paraguay, Peru, and Tanzania. Of this amount, \$24,629 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. Of the amounts committed, there is a sufficient balance in the Community Project Fund to cover all but \$151,630.

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

	\$
2011	286,796
2012	21,604
2012	17,536

At year end, committed amounts to be paid for disaster relief funds or for critical need purposes to Haiti and Chile totals \$239,787.

10. 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.

