

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Financial Statements
Year Ended December 31, 2018

WORLD HOPE INTERNATIONAL, (CANADA) INC.
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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of World Hope International, (Canada) Inc.

Qualified Opinion

We have audited the financial statements of World Hope International, (Canada) Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and donations of goods, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 1 Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- 1 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 1 Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- 1 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly REO LLP

Winchester, Ontario
April 11, 2019

Chartered Professional Accountants, Licensed Public Accountants

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ -	\$ 16,022
Restricted cash	97,463	102,911
Contributions and grants receivable	9,712	1,330
Harmonized sales tax recoverable	2,891	7,111
Prepaid expenses	7,391	5,544
Prepaid project costs	-	5,641
	117,457	138,559
CAPITAL ASSETS (Note 4)	4,723	2,000
	\$ 122,180	\$ 140,559
LIABILITIES		
CURRENT		
Bank overdraft	\$ 2,590	\$ -
Bank indebtedness (Note 5)	14,000	-
Accounts payable	19,582	13,083
Government remittances payable	5,829	1,935
Deferred contributions (Note 6)	97,463	102,911
Current portion of long term debt (Note 7)	11,628	11,096
	151,092	129,025
LONG TERM DEBT (Note 7)	11,745	23,833
	162,837	152,858
NET ASSETS	(40,657)	(12,299)
	\$ 122,180	\$ 140,559

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Statement of Changes in Net Assets
Year Ended December 31, 2018

	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ (12,299)	\$ (47,777)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(28,358)</u>	<u>35,478</u>
NET ASSETS - END OF YEAR	\$ (40,657)	\$ (12,299)

See notes to financial statements

WORLD HOPE INTERNATIONAL, (CANADA) INC.**Statement of Operations****Year Ended December 31, 2018**

	2018	2017
REVENUES		
Donations	\$ 546,207	\$ 640,027
Grand Challenges income	36,419	39,379
Donation of goods (Note 9)	1,581	48,061
Other revenues	2,572	788
	<u>586,779</u>	<u>728,255</u>
EXPENSES		
Administrative	10,569	8,391
Amortization	1,175	500
Fundraising	8,417	25,947
General	30,278	33,459
Interest on long term debt	948	1,792
Office	31,552	30,757
Personnel	170,833	149,599
Project and program costs	361,365	442,332
	<u>615,137</u>	<u>692,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	\$ (28,358)	\$ 35,478

See notes to financial statements

WORLD HOPE INTERNATIONAL, (CANADA) INC.

**Statement of Cash Flows
Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (28,358)	\$ 35,478
Item not affecting cash:		
Amortization of capital assets	1,175	500
	<u>(27,183)</u>	<u>35,978</u>
Changes in non-cash working capital:		
Contributions and grants receivable	(8,382)	4,173
Accounts payable	6,499	(16,601)
Deferred contributions	(5,448)	40,879
Prepaid expenses	(1,847)	(2,218)
Harmonized sales tax payable	4,220	(3,727)
Prepaid project costs	5,641	7,030
Government remittances payable	3,894	(14,830)
	<u>4,577</u>	<u>14,706</u>
Cash flow from (used by) operating activities	<u>(22,606)</u>	<u>50,684</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(3,898)</u>	-
FINANCING ACTIVITIES		
Proceeds from bank line of credit	14,000	20,250
Proceeds from long term financing	-	15,500
Repayment of callable debt	-	(40,250)
Repayment of long term debt	(11,556)	(10,002)
	<u>2,444</u>	<u>(14,502)</u>
Cash flow from (used by) financing activities	<u>2,444</u>	<u>(14,502)</u>
INCREASE (DECREASE) IN CASH FLOW	(24,060)	36,182
CASH - BEGINNING OF YEAR	118,933	82,751
CASH - END OF YEAR	\$ 94,873	\$ 118,933
CASH CONSISTS OF:		
Cash	\$ -	\$ 16,022
Restricted cash	97,463	102,911
Bank overdraft	(2,590)	-
	<u>\$ 94,873</u>	<u>\$ 118,933</u>

See notes to financial statements

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2018

1. PURPOSE OF THE ORGANIZATION

World Hope International, (Canada) Inc. (the "organization") is incorporated, without share capital, under the Companies Act of New Brunswick. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization partners with individuals and organizations around the world to promote justice, encourage self-sufficiency, and inspire hope through programs such as micro-economic development, leadership and skill training, child sponsorship and community health education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	2 years	straight-line method
Furniture and fixtures	10 years	straight-line method

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

World Hope International, (Canada) Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Contributions of goods and materials are recorded at fair value, if the fair value can be reasonably determined.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Management uses estimates in the determination of the useful life of capital assets and accrued liabilities at year end. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Volunteers

Volunteers have donated a significant amount of time to the organization. Their efforts are not reflected in the financial statements as no objective basis is available to measure the value of such services.

WORLD HOPE INTERNATIONAL, (CANADA) INC.

Notes to Financial Statements
Year Ended December 31, 2018

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its donors and other related sources, long-term debt, and accounts payable.

(c) 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 rate risk, interest rate risk and other price risk. The organization is mainly exposed to currency rate risk and interest rate risk.

(d) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash and restricted cash held in U.S. dollars, 2018 - \$14,118 (2017 - \$25,241). The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

(e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2018

3. FINANCIAL INSTRUMENTS (continued)

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 3,322	\$ 1,522	\$ 1,800	\$ -
Furniture and fixtures	6,498	3,575	2,923	2,000
	\$ 9,820	\$ 5,097	\$ 4,723	\$ 2,000

5. BANK INDEBTEDNESS

The organization has secured a revolving line of credit facility to a maximum of \$30,000, of which \$14,000 was used as at December 31, 2018 (2017 - \$nil). The line of credit bears interest at prime plus 1.5% per annum.

6. DEFERRED CONTRIBUTIONS

	2018	2017
Deferred contributions, beginning of year	\$ 102,911	\$ 62,032
Amounts taken into income during the year	(102,911)	(62,032)
Amounts received and not spent during the year	97,463	102,911
Deferred contributions, end of year	\$ 97,463	\$ 102,911

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2018

7. LONG TERM DEBT

	2018	2017
Central Canada District of the Wesleyan Church loan bearing interest at 4.7% per annum, repayable in monthly blended payments of \$687. The loan matures October 2020 and is unsecured.	\$ 14,282	\$ 22,423
Central Canada District of the Wesleyan Church loan bearing interest at 4.7% per annum, repayable in monthly blended payments of \$355. The loan matures February 2021 and is unsecured.	9,091	12,506
	23,373	34,929
Less: current portion of long term debt	(11,628)	(11,096)
	\$ 11,745	\$ 23,833

Principal repayment terms are approximately:

2019	\$ 11,628
2020	11,039
2021	706
	\$ 23,373

8. RELATED PARTY TRANSACTIONS

The following is a summary of the organization's related party transactions:

	2018	2017
World Hope International, Inc. <i>Partner</i>		
Donations received	\$ 50,627	\$ 36,618
Reimbursement of expenses	33,180	-
	\$ 83,807	\$ 36,618

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2018

9. DONATION OF GOODS

During the year the organization received donated goods, primarily consisting of goods for a fundraising event.

10. CONTRACTUAL OBLIGATIONS

The organization has entered into an agreement for office space until April 2020. The minimum lease payments required over the next the years are as follows:

2019	\$	13,315
2020		4,438
		<u>17,753</u>
	\$	<u>17,753</u>

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
