

WORLD HOPE INTERNATIONAL (CANADA) INC.

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2022

To The Directors,  
World Hope International (Canada) Inc.

### **Opinion**

We have audited the financial statements of World Hope International (Canada) Inc., which comprise the balance sheet as at December 31, 2022 and December 31, 2021 and the statement of income and retained earnings and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of World Hope International (Canada) Inc. as at December 31, 2022 and December 31, 2021 and the results of its operations and cashflows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### **Basis for Opinion**

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 World Hope International (Canada) Inc. 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### **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 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:

- 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.
- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 the events or conditions that may cast significant doubts on the entity'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 the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- 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.

Saint John, N.B.  
May 10, 2023

  
Chartered Professional Accountants

WORLD HOPE INTERNATIONAL (CANADA) INC.

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2022

ASSETS

	<u>2022</u>	<u>2021</u>
Current		
Cash and equivalents - Note 4	\$ 357,464	\$ 259,694
Contributions and grants receivable	6,972	46,536
Government remittances recoverable	2,255	-
Prepaid expenses	19,394	-
	<u>386,085</u>	<u>306,230</u>
Capital assets - Note 5	4,635	3,433
Restricted cash - reserves - Note 13	<u>10,000</u>	<u>10,000</u>
	<u>\$ 400,720</u>	<u>\$ 319,663</u>

LIABILITIES

Current		
Accounts payable	\$ 135,016	\$ 32,864
Government remittances payable	-	304
Deferred contributions - Note 6	124,906	95,763
	<u>259,922</u>	<u>128,931</u>
Long-term debt - Note 8	\$ <u>-</u>	\$ <u>30,000</u>
	<u>-</u>	<u>30,000</u>
	<u>259,922</u>	<u>158,931</u>

NET ASSETS

Net assets		
General Operating	130,798	150,732
General Operating Reserve	<u>10,000</u>	<u>10,000</u>
	<u>140,798</u>	<u>160,732</u>
	<u>\$ 400,720</u>	<u>\$ 319,663</u>

APPROVED ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

WORLD HOPE INTERNATIONAL (CANADA) INC.

STATEMENT OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Revenue		
Donations	\$ 845,683	\$ 662,873
Expenditures		
Administrative	\$ 38,389	\$ 12,219
Project and program costs	646,882	402,651
Fundraising	-	2,833
General	16,282	6,517
Office	20,376	20,358
Personnel	152,018	134,170
Rent	3,000	4,250
	<u>876,947</u>	<u>582,998</u>
Excess (deficiency) of revenue over expenditures from operations	(31,264)	79,875
Amortization of capital assets	1,880	3,110
Other expenses (revenues) - Note 14	(13,210)	(38,442)
	<u>(11,330)</u>	<u>(35,332)</u>
Excess (deficiency) of revenue over expenditures	\$ (19,934)	\$ 115,207
Net assets - beginning of years	<u>160,732</u>	<u>45,525</u>
Net assets - end of years	<u>\$ 140,798</u>	<u>\$ 160,732</u>

WORLD HOPE INTERNATIONAL (CANADA) INC.

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2022

	<u>General</u> <u>Operating</u>	<u>Strategic</u> <u>Project Reserve</u>	<u>General</u> <u>Reserve</u>	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 150,732	\$ -	\$ 10,000	\$ 160,732	\$ 45,525
Transfers to reserves	-	-	-	-	-
Transfers from reserves	-	-	-	-	-
Excess (deficiency) of revenue over expenditures	<u>(19,934)</u>	<u>-</u>	<u>-</u>	<u>(19,934)</u>	<u>115,207</u>
Balance - end of year	<u>\$ 130,798</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 140,798</u>	<u>\$ 160,732</u>

WORLD HOPE INTERNATIONAL (CANADA) INC.

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022

Cash provided by (used in) :

	<u>2022</u>	<u>2021</u>
<u>Operations</u>		
Excess (deficiency) of revenue over expenditures	\$ (19,934)	\$ 115,207
Items not requiring an outlay of funds		
Amortization of capital assets	1,880	3,110
	<u>(18,054)</u>	<u>118,317</u>
Net change in non-cash working capital balances related to operations		
Accounts receivable	39,564	(12,637)
Prepaid expenses	(19,394)	-
Accounts payable	102,152	(21,894)
Government remittances payable	(304)	304
Government remittances receivable	(2,255)	5,314
Deferred contributions	29,143	2,983
	<u>130,852</u>	<u>92,387</u>
<u>Investing</u>		
Purchase of capital assets	<u>(3,082)</u>	<u>(4,920)</u>
<u>Financing</u>		
Decrease in long-term debt	(30,000)	-
Transfers to reserves	-	(10,000)
	<u>(30,000)</u>	<u>(10,000)</u>
Net increase in cash position during the years	97,770	77,467
Cash and equivalents - Note 4 - beginning of years	<u>259,694</u>	<u>182,227</u>
Cash and equivalents - Note 4 - end of years	<u>\$ 357,464</u>	<u>\$ 259,694</u>

WORLD HOPE INTERNATIONAL (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

1. Purpose of the Organization

The organization is an incorporated charity that 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. It was formed under articles of incorporation in the Province of New Brunswick without share capital and is a registered charity under the Income Tax Act of Canada.

The organization is a registered not-for-profit and is exempt from income taxes under Section 149 of the Income Tax Act.

2. Significant Accounting Policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Use of Estimates

The preparation of these 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, 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. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

The organization's accounting estimates are restricted to the useful lives of capital assets as well as the collectability of amounts receivable.

Capital Assets

Capital assets are stated at cost or deemed cost. Amortization of capital assets is calculated using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful lives. Amortization rates are as follows:

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

Capital assets are reviewed regularly to eliminate obsolete items. Government grants, when received, are treated as a reduction of the cost of the related capital asset. Any capital assets acquired, but not put into use in the year, are not amortized until the year in which they are put into use.

Revenue Recognition

The organization follows the deferral method of accounting for contributions, which includes donations and voluntary contributions to projects and special events. Contributions are recognized as revenue in the year in which the related expenses are recognized. 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. All other sources of revenue are recognized on the accrual basis. Endowment contributions are recognized as direct increases in net assets.



WORLD HOPE INTERNATIONAL (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

2. Significant Accounting Policies (Cont'd)

Foreign Currency Translation

Accounts in foreign denominated 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 the 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. Any gains and losses resulting from foreign exchange are including in the determination of earnings.

Voluntary Services

The organization receives the benefit of voluntary services provided by members. Since such services are not normally purchased and because of the difficulty of determining their fair value, these donated services have not been recorded in the financial statements.

Restricted Cash and Deferred Contributions

The organization follows the deferral method of accounting for contributions, which includes donations and voluntary contributions to projects and special events. Contributions for which expenses have yet to be recognized are considered to be deferred and will only be taken into earnings in the year in which the related expenses are incurred. The cash related to these contributions is considered by the organization to be restricted and to be used in the future for the related projects only. Both restricted cash and deferred contributions have been treated as current items on the financial statements as they are expected to be taken into earnings in the next 12 months.

Cash and Equivalents

Cash and equivalents is represented by cash held on deposit accounts with financial institutions net of cheques issued and outstanding at the reporting date.

Financial Instruments

The organization's financial instruments consist of accounts receivable, contributions receivable,. It is management's opinion that the organization is not exposed to significant currency or credit risk arising from these financial instruments.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The organization's accounting policy for each category is as follows:

**Assets held-for-trading**

Financial instruments classified as held-for-trading are reported at fair market value at each balance sheet date and any change in fair value is recognized in net surplus (deficit) in the period during which the change occurs. Transaction costs are expensed when incurred. In these financial statements investments and contributions receivable have been classified as held-for-trading.

**Loans, receivables and other financial liabilities**

Financial instruments classified as loans and receivables and other financial liabilities are reported at their carrying values which are estimated to approximate their fair value. In these financial statements accounts receivable have been classified as loans and receivables and accounts payable have been classified as other financial liabilities.

WORLD HOPE INTERNATIONAL (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

2. Significant Accounting Policies (Cont'd)

**Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized into earnings. The 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. Any reversals are recognized into earnings.

*Transaction costs*

The entity recognizes its transaction costs in net income 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.

Reserves

During the year, the organization created two special-purpose reserve funds: the general operating reserve and the the strategic project reserve. The general operating reserve was established in order to mitigate financial risks to the organization in the event of an economic downturn and the related decreases in revenues to ensure that the World Hope International (Canada) Inc. could continue to operate and fulfill its' mandate. The strategic project reserve was established to support existing approved projects or the creation of new projects to accomplish the mission and vision of World Hope International (Canada) Inc. Both of these reserves are internally restricted only with any transfers to and from the reserves initiated by the Chief Executive Officer and Treasurer with approval by the Executive Committee. Due to their long-term nature, these reserves are treated as long-term restricted assets.

3. Bank Loans

At December 31, 2022 the organization had an authorized operating loan limit of \$30,000 of which \$0 had been drawn down (2021 - \$0). The loan bears interest of prime plus 1.50%. The operating loan is unsecured.

4. Cash and Equivalents

	<u>2022</u>	<u>2021</u>
Cash at bank	\$ 242,948	\$ 118,338
Restricted Cash - deferred contributions	<u>114,516</u>	<u>141,356</u>
	<u>\$ 357,464</u>	<u>\$ 259,694</u>

5. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2022 Net Book Value</u>	<u>2021 Net Book Value</u>
Furniture and fixtures	\$ 6,498	\$ 6,175	\$ 323	\$ 973
Computer hardware	<u>11,324</u>	<u>7,012</u>	<u>4,312</u>	<u>2,460</u>
	<u>\$ 17,822</u>	<u>\$ 13,187</u>	<u>\$ 4,635</u>	<u>\$ 3,433</u>

WORLD HOPE INTERNATIONAL (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

6. Deferred Contributions

Deferred contributions represent the unused amount of project contributions received in the year net of recognized expenses relating to those projects as well as general donations relating to the next year. Deferred contributions are included in revenue in the period in which the related expense is recognized and consist of the following:

	<u>2022</u>	<u>2021</u>
Project contributions	\$ 91,786	\$ 95,763
General donations	33,120	-
	<u>\$ 124,906</u>	<u>\$ 95,763</u>

7. Contractual Obligations

The organization has entered into an agreement for the rental of office space from the Atlantic District of the Wesleyan Church of Canada. This agreement has no formal end date. The payments to be made under this agreement for the next five years are as follows:

2023	\$ 3,000
2024	3,000
2025	3,000
2026	3,000
	<u>\$ 12,000</u>

8. Long-Term Debt

Government of Canada, Canada Emergency Business Account, interest-free with no regularly scheduled payments until December 31, 2023. If 75% of the loan has been repaid by that date, the remaining 25% is to be forgiven. Any balance remaining on the loan will be converted into a term loan on January 1, 2024 bearing interest at 5% per annum over a term not to exceed three years.

	<u>2022</u>	<u>2021</u>
	\$ -	\$ 30,000
	-	30,000
Less current portion	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 30,000</u>

9. Related Party Transactions

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

	<u>2022</u>	<u>2021</u>
World Hope International, Inc. (partner)		
Donations received	\$ -	\$ 59
	<u>\$ -</u>	<u>\$ 59</u>

WORLD HOPE INTERNATIONAL (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

10. Financial Instruments

The organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include liquidity risk, credit risk, market risk, currency risk, and interest rate risk. Price risk arises in changes in interest rates, foreign currency exchange rates and market prices.

Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect to its account payable. To mitigate liquidity risk the organization maintains a line of credit with a major financial institution and monitors its liquidity regularly.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable and contributions receivable. The organization believes it is not exposed to significant credit risk as its cash, accounts receivable and contributions receivable.

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 the market prices. Market risk comprises three types of risk: currency risk, 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 is exposed to interest rate risks on its fixed and floating interest rate financial instruments. The organization mitigates this risk through regular review of investments with its external investment advisor and as a result believes there is no significant risk arising from interest rate risk.

Currency Risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates. The organization is exposed to currency risk to the extent of its expenditures in foreign currencies. The organization had at year-end \$28,203 in USD in the bank (2021 - \$14,959 and had USD transactions in the year totalling \$28,474.

11. Donations of Goods

The organization periodically receives non-cash donations in the form of either goods or services. When received, they are recognized into income at their estimated fair value. In 2022, there donated goods were \$0 (2021 - \$0).

12. Managing Capital

The organization's objectives when managing capital are:

To safeguard the organization's ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders. The organization holds sufficient unrestricted net assets to enable it to withstand negative unexpected financial

To continue to provide adequate return on investments commensurate with the level of risk.

The organization seeks to maintain sufficient liquidity to enable it to meet its obligations when they become due. The organization holds cash reserves to ensure liquidity.

WORLD HOPE INTERNATIONAL (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

13. Restricted Cash - Reserves

	<u>2022</u>	<u>2021</u>
General operating reserve	\$ 10,000	\$ 10,000
Strategic project reserve	<u>-</u>	<u>-</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

14. Other Revenues (Expenses)

	<u>2022</u>	<u>2021</u>
Grants - Province of New Brunswick	\$ 7,953	\$ -
Grants - Government of Canada	4,345	-
Canada Emergency Wage Subsidy	-	37,672
Interest	606	186
Miscellaneous	<u>306</u>	<u>584</u>
	<u>\$ 13,210</u>	<u>\$ 38,442</u>

Client: **World Hope International (Canada) Inc.**  
 Engagement: **Year end**  
 Period Ending: **2022-12-31**  
 Trial Balance: **02-2 - Trial Balance**  
 Workpaper: **02-3 - Combined Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To move funds into the restricted General Reserve Bank Account				
1056	Retricted Cash-General Reserve		10,000.00	
1055	Restricted Bank Account			10,000.00
<b>Total</b>			<b>10,000.00</b>	<b>10,000.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
to agree opening balances of capital asset accounts				
1875	Computer Equipment		600.00	
1876	Accum. Amort. - Computer Equipment			600.00
<b>Total</b>			<b>600.00</b>	<b>600.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To record amortization expense for 2022				
5660	Amortization	45A-01	1,880.01	
1821	Office Furniture & Equipment			650.00
1876	Accum. Amort. - Computer Equipment			1,230.01
<b>Total</b>			<b>1,880.01</b>	<b>1,880.01</b>
<b>Adjusting Journal Entries JE # 4</b>				
To reclassify CRA HST/PSB rebate receivable at year end (DO NOT POST)				
2315	GST/HST Paid on Purchases		6,433.72	
1200	Accounts Receivable			6,433.72
<b>Total</b>			<b>6,433.72</b>	<b>6,433.72</b>
<b>Adjusting Journal Entries JE # 5</b>				
to capitalize Mac Book and Apple Care warranty				
1875	Computer Equipment		3,082.30	
1320	Prepaid Expenses			3,082.30
<b>Total</b>			<b>3,082.30</b>	<b>3,082.30</b>
<b>Adjusting Journal Entries JE # 6</b>				
To reclassify source deduction remittance for Dec 2022 (DO NOT POST)				
2100	Accounts Payable		4,254.24	
2140	Employee Deductions			4,254.24
<b>Total</b>			<b>4,254.24</b>	<b>4,254.24</b>
<b>Adjusting Journal Entries JE # 7</b>				
To take into income and reconcile deferred contributions for projects for 2022				
2630	Deferred Contributions	100A-01	3,977.14	
4255	Deferred Contributions of Revenue			3,977.14
<b>Total</b>			<b>3,977.14</b>	<b>3,977.14</b>

WORLD HOPE INTERNATIONAL (CANADA) INC.

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2022

ASSETS

	<u>2022</u>	<u>2021</u>
Current		
Cash and equivalents - Note 4	\$ 357,464	\$ 259,694
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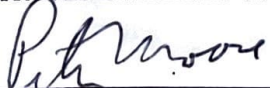
LIABILITIES

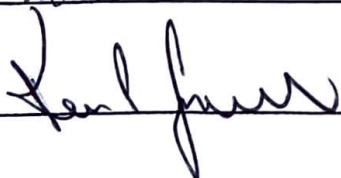
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Long-term debt - Note 8	\$ -	\$ 30,000
	<u>-</u>	<u>30,000</u>
	<u>259,922</u>	<u>158,931</u>

NET ASSETS

Net assets		
General Operating	130,798	150,732
General Operating Reserve	10,000	10,000
	<u>140,798</u>	<u>160,732</u>
	<u>\$ 400,720</u>	<u>\$ 319,663</u>

APPROVED ON BEHALF OF THE BOARD

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director