

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Financial Statements
Year Ended December 31, 2016

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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of World Hope International, (Canada) Inc., which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets and cash flow 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.

Auditor's 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 auditor's 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 qualified audit opinion.

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Independent Auditor's Report to the Members of World Hope International, (Canada) Inc. *(continued)*

Basis for Qualified Opinion

In common with many not-for-profit organizations, World Hope International, (Canada) Inc. derives revenue from donation, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of World Hope International, (Canada) Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of World Hope International, (Canada) Inc. as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended December 31, 2015 were audited by another accounting firm and are presented for comparative purposes only.

Collins Barrow WCM LLP



Winchester, Ontario
July 27, 2017

Chartered Professional Accountants, Licensed Public Accountants

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 20,719	\$ 50,589
Restricted cash	62,032	2,701
Contributions and grants receivable	5,503	62,604
Harmonized sales tax recoverable	3,384	6,383
Prepaid expenses	3,326	3,265
Prepaid project costs	12,671	-
	107,635	125,542
CAPITAL ASSETS (Note 4)	2,500	3,000
	\$ 110,135	\$ 128,542
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 5)	\$ 20,000	\$ 28,500
Accounts payable	29,684	29,703
Government remittances payable	16,765	6,140
Deferred contributions (Note 7)	62,032	32,950
Loan payable (Note 6)	-	59,000
Current portion of long term debt (Note 8)	7,008	-
	135,489	156,293
LONG TERM DEBT (Note 8)	22,423	-
	157,912	156,293
NET ASSETS	(47,777)	(27,751)
	\$ 110,135	\$ 128,542

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director

The accompanying notes are an integral part of these financial statements.

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Statement of Changes in Net Assets
Year Ended December 31, 2016

	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ (27,751)	\$ (31,570)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(20,026)	3,819
NET ASSETS - END OF YEAR	\$ (47,777)	\$ (27,751)

The accompanying notes are an integral part of these financial statements.

WORLD HOPE INTERNATIONAL, (CANADA) INC.

Statement of Operations

Year Ended December 31, 2016

	2016	2015
REVENUES		
Grants from CIDA	\$ -	\$ 278,095
Donations	590,009	698,398
Other revenue	28,380	34,684
	<u>618,389</u>	<u>1,011,177</u>
EXPENSES		
Administrative	8,862	8,132
Amortization	500	961
Fundraising	22,723	36,299
General	33,536	23,771
Interest on long term debt	118	-
Office	25,266	25,957
Personnel	174,776	186,458
Project and program costs	372,634	725,780
	<u>638,415</u>	<u>1,007,358</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (20,026)	\$ 3,819

The accompanying notes are an integral part of these financial statements.

WORLD HOPE INTERNATIONAL, (CANADA) INC.**Statement of Cash Flow**
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (20,026)	\$ 3,819
Item not affecting cash:		
Amortization of capital assets	500	961
	<u>(19,526)</u>	<u>4,780</u>
Changes in non-cash working capital:		
Contributions and grants receivable	57,101	(40,833)
Accounts payable	(19)	4,529
Deferred contributions	29,082	(75,498)
Prepaid expenses	(61)	2,737
Harmonized sales tax payable	2,999	(1,472)
Prepaid project costs	(12,671)	-
Government remittances payable	10,625	3,140
	<u>87,056</u>	<u>(107,397)</u>
Cash flow from (used by) operating activities	<u>67,530</u>	<u>(102,617)</u>
FINANCING ACTIVITIES		
Loan payable	(59,000)	59,000
Proceeds from callable debt financing	47,500	28,500
Proceeds from long term financing	30,000	-
Repayment of callable debt	(56,000)	-
Repayment of long term debt	(569)	-
	<u>(38,069)</u>	<u>87,500</u>
Cash flow from (used by) financing activities	<u>(38,069)</u>	<u>87,500</u>
INCREASE (DECREASE) IN CASH FLOW	29,461	(15,117)
CASH - BEGINNING OF YEAR	53,290	68,407
CASH - END OF YEAR	\$ 82,751	\$ 53,290
CASH CONSISTS OF:		
Cash	\$ 20,719	\$ 50,589
Restricted cash	<u>62,032</u>	<u>2,701</u>
	\$ 82,751	\$ 53,290

The accompanying notes are an integral part of these financial statements.

WORLD HOPE INTERNATIONAL, (CANADA) INC.

**Notes to Financial Statements
Year Ended December 31, 2016**

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

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied within the framework of the significant Canadian accounting policies summarized below:

Financial instruments policy

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. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

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

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WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2016

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.

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, 2016

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, 2016.

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.

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, debt and accounts payable.

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 interest rate risk.

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.

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

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Notes to Financial Statements
Year Ended December 31, 2016

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer equipment	\$ 922	\$ 922	\$ -	\$ -
Furniture and fixtures	5,000	2,500	2,500	3,000
	\$ 5,922	\$ 3,422	\$ 2,500	\$ 3,000

5. BANK INDEBTEDNESS

The organization has secured a revolving line of credit facility to a maximum of \$30,000, of which, \$20,000 was used as at December 31, 2016. The line of credit bears interest at prime plus 1.5% per annum.

6. LOAN PAYABLE

The loan payable, bearing interest at 0%, was repaid in May 2016.

7. DEFERRED CONTRIBUTIONS

	2016	2015
Deferred contributions, beginning of year	\$ 32,950	\$ 108,448
Amounts taken into income during the year	(32,950)	(108,448)
Amounts received and not spent during the year	62,032	32,950
Deferred contributions, end of year	\$ 62,032	\$ 32,950

WORLD HOPE INTERNATIONAL, (CANADA) INC.

**Notes to Financial Statements
Year Ended December 31, 2016**

8. LONG TERM DEBT

	<u>2016</u>	2015
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.	\$ 29,431	\$ -
Less: current portion of long term debt	<u>(7,008)</u>	-
	<u>\$ 22,423</u>	<u>\$ -</u>

Principal repayment terms are approximately:

2017	\$ 7,008
2018	7,345
2019	7,697
2020	<u>7,381</u>
	<u>\$ 29,431</u>

9. CONTRACTUAL OBLIGATIONS

The organization has entered into an agreement for office space until April 2019. The minimum lease payments required over the next the years are as follows:

2017	\$ 11,572
2018	11,572
2019	<u>3,857</u>
	<u>\$ 27,001</u>
