

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Financial Statements
Year Ended December 31, 2017

WORLD HOPE INTERNATIONAL, (CANADA) INC.
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Year Ended December 31, 2017

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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, 2017 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 donations, 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 donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2017, current assets and net assets as at December 31, 2017.

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, 2017 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.

Collins Barrow WCM LLP

Winchester, Ontario
April 11, 2018

Chartered Professional Accountants, Licensed Public Accountants

WORLD HOPE INTERNATIONAL, (CANADA) INC.
Statement of Financial Position
December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 16,022	\$ 20,719
Restricted cash	102,911	62,032
Contributions and grants receivable	1,330	5,503
Harmonized sales tax recoverable	7,111	3,384
Prepaid expenses	5,544	3,326
Prepaid project costs	5,641	12,671
	138,559	107,635
CAPITAL ASSETS (Note 4)	2,000	2,500
	\$ 140,559	\$ 110,135
LIABILITIES		
CURRENT		
Bank indebtedness (Note 5)	\$ -	\$ 20,000
Accounts payable	13,083	29,684
Government remittances payable	1,935	16,765
Deferred contributions (Note 6)	102,911	62,032
Current portion of long term debt (Note 7)	11,096	7,008
	129,025	135,489
LONG TERM DEBT (Note 7)	23,833	22,423
	152,858	157,912
NET ASSETS	(12,299)	(47,777)
	\$ 140,559	\$ 110,135

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, 2017

	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ (47,777)	\$ (27,751)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	35,478	(20,026)
NET ASSETS - END OF YEAR	\$ (12,299)	\$ (47,777)

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

WORLD HOPE INTERNATIONAL, (CANADA) INC.**Statement of Operations****Year Ended December 31, 2017**

	2017	2016
REVENUES		
Donations	\$ 640,027	\$ 619,337
Grand Challenges income	39,379	-
Donation of goods (<i>Note 9</i>)	48,061	-
Other revenues (expenses)	810	(948)
	<u>728,277</u>	<u>618,389</u>
EXPENSES		
Administrative	8,413	8,861
Amortization	500	500
Fundraising	25,947	22,723
General	33,459	33,536
Interest on long term debt	1,792	119
Office	30,757	25,266
Personnel	149,599	174,776
Project and program costs	442,332	372,634
	<u>692,799</u>	<u>638,415</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	<u>\$ 35,478</u>	<u>\$ (20,026)</u>

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

WORLD HOPE INTERNATIONAL, (CANADA) INC.**Statement of Cash Flow**
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 35,478	\$ (20,026)
Item not affecting cash:		
Amortization of capital assets	500	500
	<u>35,978</u>	<u>(19,526)</u>
Changes in non-cash working capital:		
Contributions and grants receivable	4,173	57,101
Accounts payable	(16,601)	(19)
Deferred contributions	40,879	29,082
Prepaid expenses	(2,218)	(61)
Harmonized sales tax payable	(3,727)	2,999
Prepaid project costs	7,030	(12,671)
Government remittances payable	(14,830)	10,625
	<u>14,706</u>	<u>87,056</u>
Cash flow from operating activities	<u>50,684</u>	<u>67,530</u>
FINANCING ACTIVITIES		
Loan payable	-	(59,000)
Proceeds from callable debt financing	20,250	47,500
Proceeds from long term financing	15,500	30,000
Repayment of callable debt	(40,250)	(56,000)
Repayment of long term debt	(10,002)	(569)
	<u>(14,502)</u>	<u>(38,069)</u>
Cash flow used by financing activities	<u>(14,502)</u>	<u>(38,069)</u>
INCREASE IN CASH FLOW	36,182	29,461
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	82,751	53,290
CASH - END OF YEAR	\$ 118,933	\$ 82,751
CASH CONSISTS OF:		
Cash	\$ 16,022	\$ 20,719
Restricted cash	<u>102,911</u>	<u>62,032</u>
	\$ 118,933	\$ 82,751

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

WORLD HOPE INTERNATIONAL, (CANADA) INC.

Notes to Financial Statements

Year Ended December 31, 2017

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, 2017**

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.

Contributions of 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, 2017

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, 2017.

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 currency rate risk and interest rate risk.

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 held in U.S. dollars, 2017 - \$25,241 (2016 - \$18,697). The company does not use derivative instruments to reduce its exposure to foreign currency 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.

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WORLD HOPE INTERNATIONAL, (CANADA) INC.

**Notes to Financial Statements
Year Ended December 31, 2017**

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	2017 Net book value	2016 Net book value
Computer equipment	\$ 922	\$ 922	\$ -	\$ -
Furniture and fixtures	5,000	3,000	2,000	2,500
	<u>\$ 5,922</u>	<u>\$ 3,922</u>	<u>\$ 2,000</u>	<u>\$ 2,500</u>

5. BANK INDEBTEDNESS

The organization has secured a revolving line of credit facility to a maximum of \$30,000, of which, \$nil was used as at December 31, 2017 (2016 - \$20,000). The line of credit bears interest at prime plus 1.5% per annum.

6. DEFERRED CONTRIBUTIONS

	2017	2016
Deferred contributions, beginning of year	\$ 62,032	\$ 32,950
Amounts taken into income during the year	(62,032)	(32,950)
Amounts received and not spent during the year	102,911	62,032
Deferred contributions, end of year	<u>\$ 102,911</u>	<u>\$ 62,032</u>

WORLD HOPE INTERNATIONAL, (CANADA) INC.

**Notes to Financial Statements
Year Ended December 31, 2017**

7. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
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.	\$ 22,423	\$ 29,431
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.	12,506	-
	34,929	29,431
Less: current portion of long term debt	(11,096)	(7,008)
	\$ 23,833	\$ 22,423

Principal repayment terms are approximately:

2018	\$ 11,096
2019	11,628
2020	11,499
2021	706
	<u>34,929</u>
	\$ 34,929

8. RELATED PARTY TRANSACTIONS

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

	<u>2017</u>	<u>2016</u>
World Hope International, Inc. <i>Partner</i> Donations received	\$ 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, 2017

9. DONATION OF GOODS

During the year the organization received donated goods, primarily consisting of medical supplies for emergency relief in Cuba.

10. 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:

2018	\$	11,572
2019		3,857
		<u>15,429</u>
	\$	<u>15,429</u>

11. COMPARATIVE FIGURES

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