

LEGAL COPY

HOPE FOR THE NATIONS

FINANCIAL STATEMENTS
(Audited)

JULY 31, 2015

HOPE FOR THE NATIONS

JULY 31, 2015

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INDEPENDENT AUDITOR'S REPORT

*To the Members of:
Hope for the Nations*

We have audited the accompanying financial statements of Hope for the Nations, which are comprised of the statement of financial position as at July 31, 2015 and the statements of receipts and disbursements, changes in members' surplus and cash flows 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 of 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.

Basis for Qualified Opinion

In common with many charitable organizations, Hope for the Nations derives its revenue from the general public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Hope for the Nations, and we were not able to determine whether or not adjustments might be necessary to revenue, net fund balances and cash flows from operating activities for the year ending July 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Hope for the Nations as at July 31, 2015 and its financial performance and cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Kelowna, BC
November 17, 2015

Peter M. Fadden

CHARTERED PROFESSIONAL ACCOUNTANTS

HOPE FOR THE NATIONS

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2015
(Audited)

ASSETS

	2015	2014
CURRENT		
Cash	\$ 384,556	\$ 459,193
Restricted cash (Note 2)	76,772	26,154
Accounts receivable	1,723	1,000
GST receivable	1,160	1,706
Prepaid expenses	2,386	1,364
	466,597	489,417
TANGIBLE CAPITAL ASSETS (Note 3)	1,419	1,733
	\$ 468,016	\$ 491,150

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 23,416	\$ 18,672
Employee deductions payable	4,789	5,210
Deferred contributions (Note 4)	76,772	26,154
	104,977	50,036

MEMBERS' SURPLUS

INVESTED IN TANGIBLE CAPITAL ASSETS	1,420	1,733
UNRESTRICTED	361,619	439,381
	363,039	441,114
	\$ 468,016	\$ 491,150

RELATED PARTY TRANSACTIONS (Note 5)
COMMITMENTS (Note 6)

APPROVED ON BEHALF OF THE BOARD:

Alphil Gularan
Alphil Gularan (Nov 17, 2015)

Director

Josh Berkley Kent Byron
Josh Berkley Kent Byron (Nov 17, 2015)
Director

HOPE FOR THE NATIONS

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JULY 31, 2015

(Audited)

	2015	2014
RECEIPTS		
Donations (Note 5)	\$ 2,342,642	\$ 2,136,147
Interest income	846	6,081
	<u>2,343,488</u>	<u>2,142,228</u>
DISBURSEMENTS		
Advertising and promotion	10,479	8,541
Bank charges and interest	9,399	10,590
Foreign exchange (gain) loss	(2,382)	86
Insurance	1,800	3,172
Office	96,141	74,649
Professional fees	26,105	20,488
Project and coalition payments	2,009,658	1,819,226
Repair and maintenance	5,503	7,109
Rent	14,448	9,600
Telecommunications	4,802	2,722
Travel	139	-
Wages and benefits	244,512	231,260
	<u>2,420,604</u>	<u>2,187,443</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS FROM OPERATIONS	(77,116)	(45,215)
AMORTIZATION	959	52,415
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	\$ (78,075)	\$ (97,630)

HOPE FOR THE NATIONS

STATEMENT OF CHANGES IN MEMBERS' SURPLUS

FOR THE YEAR ENDED JULY 31, 2015

(Audited)

	INVESTED IN TANGIBLE CAPITAL ASSETS	UN- RESTRICTED	2015	2014
SURPLUS , beginning of year	\$ 1,733	\$ 439,381	\$ 441,114	\$ 538,745
Deficiency of receipts over disbursements	(959)	(77,116)	(78,075)	(97,630)
Investment in tangible capital assets	646	(646)	-	-
SURPLUS , end of year	\$ 1,420	\$ 361,619	\$ 363,039	\$ 441,115

HOPE FOR THE NATIONS

STATEMENT OF CASH FLOWS

JULY 31, 2015
(Audited)

	2015	2014
CASH USED IN OPERATING ACTIVITIES		
Deficiency of receipts over disbursements	\$ (78,075)	\$ (97,630)
Items not requiring an outlay of cash:		
Amortization	959	52,415
CHANGES IN NON-CASH WORKING CAPITAL		
(Increase) in accounts receivable	(721)	(595)
Decrease in GST receivable	547	4,541
(Increase) decrease in prepaid expenses	(1,022)	274
Increase (decrease) in accounts payable and accrued liabilities	4,322	(23,099)
Increase (decrease) in deferred contributions	50,618	5,617
	(23,372)	(58,477)
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		
Purchase of tangible capital assets	(646)	(1,284)
Proceeds from sale of investments	-	46,532
	(646)	45,248
NET DECREASE IN CASH	(24,018)	(13,229)
NET CASH, beginning of year	485,347	498,576
NET CASH, end of year	\$ 461,329	\$ 485,347
NET CASH CONSISTS OF:		
Unrestricted cash	\$ 384,556	\$ 459,193
Restricted cash	76,772	26,154
	\$ 461,328	\$ 485,347

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

(Audited)

The Society is a charitable organization, incorporated federally under the Canada Not-for-Profit Corporations Act, whose purpose is to support and assist children at risk due to poverty, illiteracy, war and child trafficking through community-based projects. These projects include agriculture, micro-enterprise and health-related programs to feed, educate, care and sponsor children in developing countries throughout the world.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations Part III of the CICA Handbook. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Revenue Recognition

The Society follows the deferral method of accounting for contributions.

Contributions containing conditions as to its use are deferred until the conditions are fulfilled. Contributions not containing conditions as to its use and other revenue are recognized when received.

(b) Contributed Materials and Services

The Society receives a substantial contribution of volunteer hours and contributed materials by various donors from around the world. Only those items which qualify for a donation receipt under the Income Tax Act are recorded in the books and records.

(c) Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenditures have been translated using exchange rates prevailing on the transaction dates. Gains and losses arising from these translation policies are included in the statement of receipts and disbursements in foreign exchange loss.

(d) Use of Estimates

The preparation of these financial statements 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 receipts and disbursements during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from these estimates.

(e) Income Taxes

The Society qualifies as a not-for-profit organization as defined in the Income Tax Act and, as such, is exempt from income tax, provided that certain requirements under the Income Tax Act are met.

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

(Audited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fair Values of Financial Instruments

The Society's financial instruments consist of cash, restricted cash, accounts receivable and accounts payables and accrued liabilities.

Cash and unrestricted cash are measured at fair value, and accounts receivable and accounts payable and accrued liabilities are measured at amortized cost. Changes in fair value are recognized in the statement of operations in the period in which they arise.

(g) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost less accumulated amortization. When management determines that certain tangible capital assets no longer contribute to the Society's ability to provide services, their carrying amount is written down to its residual value.

Assets are being amortized at rates calculated to write off the assets over their estimated useful lives as follows, with full amortization taken in the year of acquisition:

Computer equipment	- 45%	diminishing balance
Computer software	- 100%	diminishing balance
Furniture and fixtures	- 20%	diminishing balance
Leasehold improvements	- 1/5	straight line
Peer Giving Solutions software	- 1/5	straight line

2. RESTRICTED CASH

Restricted cash is comprised of contributions received by the Society in the year from donors that have provided certain conditions on how the funds can be used by the Society.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
Computer equipment	\$ 23,077	\$ 22,013	\$ 1,064	\$ 1,289
Computer software	2,751	2,751	-	-
Furniture and fixtures	4,079	3,724	355	444
Leasehold improvements	3,833	3,833	-	-
Peer Giving Solutions software	256,250	256,250	-	-
	\$ 289,990	\$ 288,571	\$ 1,419	\$ 1,733

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NOTES TO THE FINANCIAL STATEMENTS

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4. DEFERRED CONTRIBUTIONS

Deferred contributions balance at the year end is comprised of the unspent portion of funds received by the Society containing conditions as to their use which has been communciated to the Society by the donors. The following is a summary of the deferred contributions at the year end by the regions the funds have been deferred towards:

	2015	2014
Mtwapa & Kenya - Community Development	\$ 10,390	\$ -
Mexico Orphanage - Las Golondrinas	47,280	-
Philippines - Hope Rising	18,932	-
Cambodia - Asian Outreach (ACTS)	170	26,154
	\$ 76,772	\$ 26,154

5. RELATED PARTY TRANSACTIONS

The Society is affiliated with other not-for-profit organizations, as the organizations share common Board members with the Society. The Society receives donations and professional fees for administrative functions provided by the Society to the affiliated organizations. During the year a total of \$43,356 (2014 - \$47,591) was received as donation revenue from the affiliated organizations and \$880 (2014 - \$1,245) was received as professional fees for administrative services provided. For donations received the amounts are measured at the fair value on the date of the contributions are received. For services the amounts are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

6. COMMITMENTS

- (a) The Society has a premise lease with monthly payments of \$800, expiring in August 2016. The Society also has a lease for a telecommunication system with monthly payments of \$52, expiring in September 2015.

Minimum payments expected in each of the next two years until expiry are as follows:

Year	Total
2016	\$ 9,703
2017	\$ 800

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

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(Audited)

6. COMMITMENTS (continued)

- (b) In 2010, the Society received funds from a Canadian foundation, in the amount of \$300,000, for the purpose of purchasing and operating a new website program, operated by Peer Giving Solutions. While there is no formal agreement in place, the donor has indicated that he may request repayment of these funds at some point in the future from a portion of the donations brought in through the website program from Peer Giving Solutions. The purpose of this repayment is to push the Society to utilize the program to its full potential to bring in more donations, as well as to allow someone else to benefit from a similar arrangement in a "pay it forward" way. Repayment has been waived for the current year and future repayments cannot currently be estimated. As such, no accrual has been made in these financial statements.

7. FINANCIAL RISKS AND CONCENTRATION OF RISKS

The Society is exposed to foreign exchange risk with respect to operations being conducted using foreign currencies. Changes in the foreign exchange rate can cause fluctuations in receipts, disbursements and cash flows. The Society does not use derivative financial instruments to alter the effects of this risk. Unless otherwise disclosed, the Society is not exposed to any significant interest rate or credit risk.

8. COMPARATIVE INFORMATION

Certain financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.