

**LEGAL COPY**

**HOPE FOR THE NATIONS**

**FINANCIAL STATEMENTS**

(Audited)

**JULY 31, 2018**

# HOPE FOR THE NATIONS

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JULY 31, 2018

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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, 2018 and the statements of operations, changes in fund balances 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.

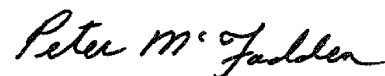
### Basis for Qualified Opinion

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, 2018.

### 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, 2018 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 7, 2018



CHARTERED PROFESSIONAL ACCOUNTANTS

# HOPE FOR THE NATIONS

## STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2018

(Audited)

### ASSETS

	2018	2017
<b>CURRENT</b>		
Cash	\$ 413,820	\$ 291,438
Restricted cash (Note 2)	122,790	81,326
GST receivable	1,519	1,287
Prepaid expenses	6,044	4,051
	544,173	378,102
<b>TANGIBLE CAPITAL ASSETS (Note 3)</b>	2,046	2,227
	\$ 546,219	\$ 380,329

### LIABILITIES

<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 27,710	\$ 31,575
Vacation payable	6,859	8,934
Employee deductions payable	5,188	4,349
Deferred contributions (Note 4)	84,790	43,326
	124,547	88,184

### FUND BALANCES

<b>INVESTED IN TANGIBLE CAPITAL ASSETS</b>	2,044	2,227
<b>UNRESTRICTED</b>	381,628	251,918
<b>INTERNALLY RESTRICTED (Note 5)</b>	38,000	38,000
	421,672	292,145
	\$ 546,219	\$ 380,329

### RELATED PARTY TRANSACTIONS (Note 6)

#### APPROVED ON BEHALF OF THE BOARD:

*Bern McAllister*

Director

*Ralph Bromley*

Director

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

# HOPE FOR THE NATIONS

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JULY 31, 2018

(Audited)

	2018	2017
<b>RECEIPTS</b>		
Donations (Note 6)	\$ 1,885,143	\$ 1,999,277
Sales	346	346
Interest income	3,989	8,200
	1,889,132	2,007,477
<b>DISBURSEMENTS</b>		
Advertising and promotion	6,905	7,945
Bank, fees and interest	17,112	17,555
Field staff - wages and benefits	53,405	26,704
Insurance	3,093	2,864
Office	69,970	65,539
Professional fees	25,581	24,705
Project and coalition payments	1,283,004	1,646,170
Rent	15,877	9,640
Repairs and maintenance	4,523	4,752
Software	10,373	7,674
Telecommunications	2,803	1,734
Travel	3,464	3,428
Wages and benefits	260,548	228,640
	1,756,658	2,047,350
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS FROM OPERATIONS</b>	132,474	(39,873)
<b>(LOSS) GAIN ON FOREIGN EXCHANGE</b>	(1,779)	161
<b>AMORTIZATION</b>	(1,168)	(1,191)
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	\$ 129,527	\$ (40,903)

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

# HOPE FOR THE NATIONS

## STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JULY 31, 2018

(Audited)

	INVESTED IN TANGIBLE CAPITAL ASSETS	INTERNALLY RESTRICTED (Note 5)	UN-RESTRICTED	2018	2017
<b>FUND BALANCES</b> , beginning of year	\$ 2,227	\$ 38,000	\$ 251,918	\$ 292,145	\$ 333,049
(Deficiency) excess of receipts over disbursements	(1,168)	-	130,695	129,527	(40,904)
Investment in tangible capital assets	985	-	(985)	-	-
Internally imposed restriction	-	1,000	(1,000)	-	-
Board approved expenditures	-	(1,000)	1,000	-	-
<b>FUND BALANCES</b> , end of year	\$ 2,044	\$ 38,000	\$ 381,628	\$ 421,672	\$ 292,145

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

# HOPE FOR THE NATIONS

## STATEMENT OF CASH FLOWS

JULY 31, 2018

(Audited)

	2018	2017
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess (deficiency) of receipts over disbursements	\$ 129,527	\$ (40,903)
<b>Items not requiring an outlay of cash:</b>		
Amortization	1,168	1,191
	130,695	(39,712)
<b>CHANGES IN NON-CASH WORKING CAPITAL</b>		
(Increase) decrease in GST receivable	(232)	441
Increase in prepaid expenses	(1,993)	(2,765)
(Decrease) increase in accounts payable and accrued liabilities	(3,867)	24,305
Decrease in vacation payable	(2,075)	(163)
Increase (decrease) in employee deductions payable	839	(454)
Increase (decrease) in deferred contributions	41,464	(9,078)
	34,136	12,286
	164,831	(27,426)
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(985)	(2,102)
<b>NET INCREASE (DECREASE) IN CASH</b>	163,846	(29,528)
<b>NET CASH, beginning of year</b>	372,764	402,292
<b>NET CASH, end of year</b>	\$ 536,610	\$ 372,764
<b>NET CASH CONSISTS OF:</b>		
Unrestricted cash	\$ 413,820	\$ 291,438
Restricted cash	122,790	81,326
	\$ 536,610	\$ 372,764

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

# HOPE FOR THE NATIONS

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

(Audited)

The Organization 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 in Part III of the CPA Canada 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 Organization follows the deferral method of accounting for contributions.

Contributions containing externally imposed stipulations as to their use are deferred until the conditions are fulfilled. Contributions not containing conditions as to their use and other revenue are recognized when received.

#### (b) Contributed Services

Volunteers contribute a significant amount of their time each year to assist the Organization in carrying out its services. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

#### (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 operations.

#### (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 the statement of operations as appropriate in the year they become known. Actual results could differ from these estimates.



# HOPE FOR THE NATIONS

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

(Audited)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes

The Organization 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.

(f) Fair Values of Financial Instruments

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

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

(g) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. When management determines that an asset no longer contributes to the Organization's ability to provide services, the asset is written down to its net recoverable amount.

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. Amortization is taken at the following rates:

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 the following:

	2018	2017
<b>Externally restricted</b>	\$ 84,790	\$ 43,326
<b>Internally restricted</b>		
Contingency fund	38,000	38,000
Disaster Relief fund	-	-
	<b>\$ 122,790</b>	<b>\$ 81,326</b>

# HOPE FOR THE NATIONS

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

(Audited)

### 2. RESTRICTED CASH (continued)

Externally restricted cash consists of contributions received by the Organization from donors that have provided restrictions on how the funds can be used by the Organization, see Note 4.

Internally restricted cash consists of Board approved internal restrictions, see Note 5 for further details.

### 3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Computer equipment	\$ 25,871	\$ 24,715	\$ 1,156	\$ 1,115
Computer software	2,751	2,751	-	-
Furniture and fixtures	5,185	4,295	890	1,112
Leasehold improvements	3,833	3,833	-	-
Peer Giving Solutions software	256,250	256,250	-	-
	\$ 293,890	\$ 291,844	\$ 2,046	\$ 2,227

### 4. DEFERRED CONTRIBUTIONS

Deferred contributions are comprised of the unspent portion of funds received by the Organization that have restrictions as to how the funds can be used, which have been communicated to the Organization 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:

	2018	2017
Food For Thought - Central Okanagan Foundation	\$ 10,000	\$ -
Food For Thought - City of Kelowna	17,000	-
Food For Thought - Okanagan United Way	654	-
Food For Thought - President's Choice Children's Charity	7,058	-
Food For Thought - Telus Corporation	1,562	-
Food For Thought - Vancouver Foundation	1,307	-
Indonesia - Health Care	20,571	10,984
Kenya - Community Development	-	1,382
Mexico Orphanage - Las Golondrinas	22,800	30,960
Water Projects - Live 4 Aqua Inc.	3,838	-
	\$ 84,790	\$ 43,326

# HOPE FOR THE NATIONS

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

(Audited)

### 5. INTERNALLY RESTRICTED FUND BALANCES

Internal restrictions of fund balances consist of monies that have been set aside for specific purposes by the Board of Directors for the Contingency Fund and Disaster Relief Fund. Changes in internally restricted funds are as follows:

<b>Year Ending July 31, 2018</b>	<b>Contingency Fund</b>	<b>Disaster Relief Fund</b>
Balance, July 31, 2017	\$ 38,000	\$ -
Internally imposed restriction	-	1,000
Board approved expenditures	-	(1,000)
<b>Balance, July 31, 2018</b>	<b>\$ 38,000</b>	<b>\$ -</b>

<b>Year ending July 31, 2017</b>	<b>Contingency Fund</b>	<b>Disaster Relief Fund</b>
Balance, July 31, 2016	\$ 38,000	\$ 1,100
Internally imposed restriction	-	-
Board approved expenditures	-	(1,100)
<b>Balance, July 31, 2017</b>	<b>\$ 38,000</b>	<b>\$ -</b>

**Contingency Fund** - The Contingency Fund is comprised of Board approved monies that have been set aside to ensure the stability of the Organizations various missions, programs, employment and ongoing operations. The main purpose of the fund is for management to have access to funds that through Board approval, can be used for unexpected one-time unbudgeted expenditures, unanticipated losses in funding sources, nonrecurring expenses that will assist with the future capacity of the Organization. The funds held in the Contingency fund must be maintained to ensure that there is sufficient cash to allow for the Organization to continue operations for a period of one month.

**Disaster Relief Fund** - The Disaster Relief Fund is comprised of monies that have been internally restricted by the Board to be used for potential natural disasters that may occur in the future, in communities where the Organization has projects to support and assist children at risk due to poverty, illiteracy, war and child trafficking. The funds set aside are amounts that remain unspent from previous contributions the Organization has raised for natural disasters.

# HOPE FOR THE NATIONS

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## NOTES TO THE FINANCIAL STATEMENTS

**JULY 31, 2018**  
(Audited)

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### **6. RELATED PARTY TRANSACTIONS**

The Organization is related to other not-for-profit organizations, as the organizations share common Board members. During the year, the Organization received from the commonly controlled organizations, a total of \$12,015 (2017 - \$16,199) as donation revenue. Donations received are measured at the fair value on the date the contributions are received.

### **7. FINANCIAL RISKS AND CONCENTRATION OF RISKS**

The Organization 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 Organization does not use derivative financial instruments to alter the effects of this risk. Unless otherwise disclosed, the Organization is not exposed to any significant interest rate or credit risk.

### **8. COMPARATIVE FIGURES**

Certain comparative figures have been revised to conform with the financial statement format adopted in the current year.