

**LEGAL COPY**

**HOPE FOR THE NATIONS**

**FINANCIAL STATEMENTS**

(Audited)

**JULY 31, 2019**

# HOPE FOR THE NATIONS

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JULY 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hope for the Nations

### Report on the Audit of the Financial Statements - Qualified Opinion

We have audited the financial statements of Hope for the Nations, which comprise of the statement of financial position as at July 31, 2019, and the statement of operations, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Hope for the Nations as at July 31, 2019 and its financial performance and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

A common item 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, 2019.

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 Hope for the Nations 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 our qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Hope for the Nations' 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 assets of Hope for the Nations or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hope for the Nations financial reporting process.

### Auditor's Responsibility 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 the 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:

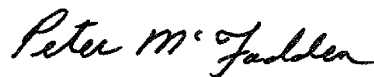
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Hope for the Nations 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 events or conditions that may cast significant doubt on Hope for the Nations' 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 our auditor's report. However, future events or conditions may cause Hope for the Nations 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Kelowna, BC**  
**September 30, 2019**



**CHARTERED PROFESSIONAL ACCOUNTANTS**

# HOPE FOR THE NATIONS

## STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2019

(Audited)

### ASSETS

	2019	2018
<b>CURRENT</b>		
Cash	\$ 243,137	\$ 186,883
Restricted cash (Note 2)	150,167	149,381
Investments	229,181	200,346
GST receivable	1,433	1,519
Prepaid expenses	2,402	6,044
	626,320	544,173
<b>WEBSITE UNDER DEVELOPMENT</b>	15,959	-
<b>TANGIBLE CAPITAL ASSETS (Note 3)</b>	1,348	2,045
	\$ 643,627	\$ 546,218

### LIABILITIES

<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 33,094	\$ 27,706
Vacation payable	8,176	6,859
Employee deductions payable	5,689	5,188
Deferred contributions (Note 4)	54,466	84,790
	101,425	124,543

### FUND BALANCES

<b>INVESTED IN TANGIBLE CAPITAL ASSETS</b>	1,347	2,045
<b>UNRESTRICTED</b>	445,154	355,040
<b>INTERNALLY RESTRICTED (Note 5)</b>	95,701	64,590
	542,202	421,675
	\$ 643,627	\$ 546,218

APPROVED ON BEHALF OF THE BOARD:

 Director

 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, 2019

(Audited)

	2019	2018
<b>RECEIPTS</b>		
Donations	\$ 2,178,809	\$ 1,786,412
Food for Thought funding	73,937	98,731
Interest income	13,333	3,989
	2,266,079	1,889,132
<b>DISBURSEMENTS</b>		
Advertising and promotion	6,467	6,905
Bank, fees and interest	19,977	17,354
Field staff - wages and benefits	20,719	53,405
Insurance	3,390	3,093
Office	45,653	67,762
Professional fees	26,621	25,581
Project and coalition payments	1,629,413	1,229,459
Project payments - Food for Thought	90,441	55,753
Rent	10,956	15,877
Repairs and maintenance	2,204	4,281
Software	9,034	10,373
Telecommunications	1,691	2,803
Travel	1,546	3,464
Wages and benefits	280,073	260,548
	2,148,185	1,756,658
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS FROM OPERATIONS</b>	117,894	132,474
<b>GAIN (LOSS) ON FOREIGN EXCHANGE</b>	3,331	(1,779)
<b>AMORTIZATION</b>	(698)	(1,168)
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	\$ 120,527	\$ 129,527

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, 2019

(Audited)

	INVESTED IN TANGIBLE CAPITAL ASSETS	INTERNALLY RESTRICTED (Note 5)	UN-RESTRICTED	2019	2018
<b>FUND BALANCES</b> , beginning of year	\$ 2,045	\$ 64,590	\$ 355,040	\$ 421,675	\$ 292,145
(Deficiency) excess of receipts over disbursements	(698)	-	121,225	120,527	129,527
Internally imposed restriction	-	38,303	(38,303)	-	-
Board approved expenditures	-	(7,192)	7,192	-	-
<b>FUND BALANCES</b> , end of year	\$ 1,347	\$ 95,701	\$ 445,154	\$ 542,202	\$ 421,672

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

# HOPE FOR THE NATIONS

## STATEMENT OF CASH FLOWS

JULY 31, 2019

(Audited)

	2019	2018
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Excess of receipts over disbursements	\$ 120,527	\$ 129,527
<b>Items not requiring an outlay of cash:</b>		
Amortization	698	1,168
	121,225	130,695
<b>CHANGES IN NON-CASH WORKING CAPITAL</b>		
Decrease (increase) in GST receivable	86	(232)
Decrease (increase) in prepaid expenses	3,642	(1,993)
Increase (decrease) in accounts payable and accrued liabilities	5,388	(3,868)
Increase (decrease) in vacation payable	1,317	(2,075)
Increase in employee deductions payable	500	839
(Decrease) increase in deferred contributions	(30,324)	41,464
	(19,391)	34,135
	101,834	164,830
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	-	(985)
Website under construction	(15,959)	-
	(15,959)	(985)
<b>NET INCREASE IN CASH</b>	85,875	163,845
<b>NET CASH, beginning of year</b>	536,610	372,765
<b>NET CASH, end of year</b>	\$ 622,485	\$ 536,610
<b>NET CASH CONSISTS OF:</b>		
Unrestricted cash	\$ 243,137	\$ 186,883
Restricted cash	150,167	149,381
Investments	229,181	200,346
	\$ 622,485	\$ 536,610

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



# HOPE FOR THE NATIONS

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## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

(Audited)

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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, 2019

(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:

	2019	2018
<b>Externally restricted</b>	\$ 54,466	\$ 84,791
<b>Internally restricted</b>		
Contingency fund	65,284	62,756
Disaster Relief fund	398	1,834
Impact Fund	30,019	-
	<b>\$ 150,167</b>	<b>\$ 149,381</b>

# HOPE FOR THE NATIONS

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

(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 2019	Net 2018
Computer equipment	\$ 25,871	\$ 25,235	\$ 636	\$ 1,155
Computer software	2,751	2,751	-	-
Furniture and fixtures	5,185	4,473	712	890
Leasehold improvements	3,833	3,833	-	-
Peer Giving Solutions software	256,250	256,250	-	-
	\$ 293,890	\$ 292,542	\$ 1,348	\$ 2,045

### 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:

	2019	2018
Food For Thought - Central Okanagan Foundation	\$ 1	\$ 10,000
Food For Thought - City of Kelowna	-	17,000
Food For Thought - Kelowna Sunrise Rotary Club	5,306	-
Food For Thought - Okanagan United Way	1	654
Food For Thought - President's Choice Children's Charity	7,260	7,058
Food For Thought - Telus Corporation	-	1,562
Food For Thought - Vancouver Foundation	-	1,307
Indonesia - Health Care	24,335	20,571
Mexico Orphanage - Las Golondrinas	14,640	22,800
Water Projects - Live 4 Aqua Inc.	2,923	3,838
	\$ 54,466	\$ 84,790

# HOPE FOR THE NATIONS

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019

(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, Disaster Relief Fund and Impact Fund. Changes in internally restricted funds are as follows:

(a) Contingency Fund

	2019	2018
Balance, July 31, 2018	\$ 62,756	\$ 59,147
Internally imposed restriction	6,606	13,653
Board approved expenditures	(4,078)	(10,044)
Balance, July 31, 2019	\$ 65,284	\$ 62,756

**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.

(b) Disaster Relief Fund

	2019	2018
Balance, July 31, 2018	\$ 1,834	\$ 2,112
Internally imposed restriction	720	1,372
Board approved expenditures	(2,156)	(1,650)
Balance, July 31, 2019	\$ 398	\$ 1,834

**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

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2019  
(Audited)

### 5. INTERNALLY RESTRICTED FUND BALANCES (continued)

#### (c) Impact Fund

	2019		2018	
Balance, July 31, 2018	\$	-	\$	-
Internally imposed restriction		30,977		-
Board approved expenditures		(958)		-
Balance, July 31, 2019	\$	30,019	\$	-

**Impact Fund** - The Impact Fund is comprised of monies that have been internally restricted by the Board is intended to be used towards HOPE approved project and activities for nonrecurring expenses that will have direct impact for program beneficiaries. The funds set aside are amounts by a Country Director, Agent Liaison, or Executive Staff when a HOPE Agent expresses a project need outside of usual expenses.

### 6. 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.

### 7. COMPARATIVE FIGURES

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