

HOPE FOR THE NATIONS

FINANCIAL STATEMENTS

(Audited)

JULY 31, 2022

HOPE FOR THE NATIONS

JULY 31, 2022

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

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, 2022, 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, 2022, 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, 2022.

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 26, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

HOPE FOR THE NATIONS

STATEMENT OF FINANCIAL POSITION

AS AT JULY 31, 2022

(Audited)

ASSETS		2022	2021
CURRENT			
Cash	\$	524,348	\$ 699,581
GST receivable		2,160	2,633
Prepaid expenses		8,931	5,078
		535,439	707,292
RESTRICTED CASH (Note 2)		375,365	373,015
INVESTMENTS (Note 3)		575,247	357,855
TANGIBLE CAPITAL ASSETS (Note 4)		21,584	20,623
	\$	1,507,635	\$ 1,458,785

LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$	39,635	\$ 28,207
Vacation payable		6,296	7,090
Employee deductions payable		4,951	7,229
Deferred contributions (Note 5)		284,264	263,869
		335,146	306,395
CANADIAN EMERGENCY BUSINESS			
ACCOUNT LOAN (Note 6)		-	30,000
		335,146	336,395

FUND BALANCES			
INVESTED IN TANGIBLE CAPITAL ASSETS		21,584	20,623
UNRESTRICTED		1,059,804	992,621
INTERNALLY RESTRICTED (Note 7)		91,101	109,146
		1,172,489	1,122,390
	\$	1,507,635	\$ 1,458,785

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, 2022

(Audited)

	2022	2021
RECEIPTS		
Donations	\$ 1,954,322	\$ 1,960,689
Food For Thought funding	400,862	539,573
Interest income	4,286	2,289
	2,359,470	2,502,551
DISBURSEMENTS		
Advertising and promotion	24,202	17,450
Bank, fees and interest	21,595	15,812
Field staff - wages and benefits	29,376	22,891
Insurance	7,478	6,183
Office	20,168	12,859
Professional fees	38,997	30,972
Project and coalition payments (Note 8)	1,548,110	1,425,805
Project payments - Food For Thought (Note 8)	327,692	272,092
Rent	11,183	11,070
Repairs and maintenance	3,191	10,466
Software	13,655	16,104
Telecommunications	7,849	5,610
Travel related to programs	15,798	-
Wages and benefits	234,323	286,575
	2,303,617	2,133,889
EXCESS OF RECEIPTS OVER DISBURSEMENTS FROM OPERATIONS	55,853	368,662
(LOSS) GAIN ON FOREIGN EXCHANGE	991	-
CEBA LOAN FORGIVENESS	-	10,000
AMORTIZATION	(6,745)	(6,320)
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 50,099	\$ 372,342

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, 2022
(Audited)

	INVESTED IN TANGIBLE CAPITAL ASSETS	INTERNALLY RESTRICTED (Note 7)	UN-RESTRICTED	2022	2021
FUND BALANCES, beginning of year	\$ 20,623	\$ 109,146	\$ 992,621	\$ 1,122,390	\$ 750,048
(Deficiency) excess of receipts over disbursements	(6,745)	-	56,844	50,099	372,342
Investment in tangible capital assets	7,706	-	(7,706)	-	-
Internally imposed restriction	-	(4,256)	4,256	-	-
Board approved expenditures	-	(13,789)	13,789	-	-
FUND BALANCES, end of year	\$ 21,584	\$ 91,101	\$ 1,059,804	\$ 1,172,489	\$ 1,122,390

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

HOPE FOR THE NATIONS

STATEMENT OF CASH FLOWS

JULY 31, 2022

(Audited)

	2022	2021
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of receipts over disbursements	\$ 50,099	\$ 372,342
Items not requiring an outlay of cash:		
Amortization	6,745	6,320
CEBA loan forgiveness	-	(10,000)
	56,844	368,662
CHANGES IN NON-CASH WORKING CAPITAL		
Decrease (increase) in GST receivable	473	(465)
Increase in prepaid expenses	(3,853)	(2,280)
Increase (decrease) in accounts payable and accrued liabilities	11,428	(302)
Decrease in vacation payable	(794)	(832)
(Decrease) increase in employee deductions payable	(2,278)	1,637
Increase in deferred contributions	20,395	53,665
	25,371	51,423
	82,215	420,085
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of CEBA loan	(30,000)	-
CASH USED IN INVESTING ACTIVITIES		
Purchase of tangible capital assets	(7,706)	(4,056)
NET INCREASE IN CASH	44,509	416,029
NET CASH, beginning of year	1,430,451	1,014,422
NET CASH, end of year	\$ 1,474,960	\$ 1,430,451
NET CASH CONSISTS OF:		
Unrestricted cash	\$ 524,348	\$ 699,581
Restricted cash (Note 2)	375,365	373,015
Investments (Note 3)	575,247	357,855
	\$ 1,474,960	\$ 1,430,451

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

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022
(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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The extent to which COVID-19 impacts the Organization's future operations will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the extent to which it will impact worldwide macroeconomic conditions, including interest rates and market prices; and governmental and business reactions to the pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and an estimate of the financial effect is not practicable at this time.

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.

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022
(Audited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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, investments, accounts receivable, and accounts payables and accrued liabilities.

Cash, restricted cash, and investments 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
Website	- 1/7	straight line

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

(Audited)

2. RESTRICTED CASH

Restricted cash is comprised of the following:

	2022	2021
Externally restricted	\$ 284,264	\$ 263,869
Internally restricted		
Contingency fund	62,409	66,667
Disaster Relief fund	11,726	16,645
Impact Fund	16,966	25,834
	<u>\$ 375,365</u>	<u>\$ 373,015</u>

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 5.

Internally restricted cash consists of Board approved internal restrictions, see Note 7 for further details.

3. INVESTMENTS

Investments are comprised of the following:

	2022	2021
Guaranteed investment certificate	\$ 350,000	\$ 200,000
Savings account	129,754	157,855
Mutual funds	95,493	-
	<u>\$ 575,247</u>	<u>\$ 357,855</u>

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2022	Net 2021
Computer equipment	\$ 37,406	\$ 33,344	\$ 4,062	\$ 3,515
Computer software	2,751	2,751	-	-
Furniture and fixtures	9,020	4,820	4,200	456
Leasehold improvements	3,833	3,833	-	-
Website	23,313	9,991	13,322	16,652
	<u>\$ 76,323</u>	<u>\$ 54,739</u>	<u>\$ 21,584</u>	<u>\$ 20,623</u>

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

(Audited)

5. 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:

	2022	2021
Arhaus - PEARL Foundation	\$ 6,251	\$ 6,251
Food For Thought - A.L. Gray Foundation	13,028	-
Food For Thought - Backpack Program	92,979	72,573
Food For Thought - Breakfast Program	122,935	89,747
Food For Thought - City of Kelowna	7,500	-
Food For Thought - Emergency Food Packages	-	4,077
Food For Thought - First West Credit Union	4,250	-
Food For Thought - Garden Program	3,879	7,516
Food For Thought - Program Delivery	21,392	75,905
Kenya Music - A.L. Gray Foundation	4,250	4,250
Mexico - Heart 4 Mexico	500	500
Nepalgunj Station - PEARL Foundation	5,150	900
Pharmacy - A.L. Gray Foundation	2,150	2,150
	\$ 284,264	\$ 263,869

6. CANADIAN EMERGENCY BUSINESS ACCOUNT LOAN

	2022	2021
Loan payable with Bank of Montreal that is non-interest bearing with no required principal repayments, maturing December 2023. This loan has been repaid in the year.	-	40,000
Loan forgiveness	-	(10,000)
	\$ -	\$ 30,000

The Canadian Emergency Business Account loan was offered in the context of the COVID-19 pandemic outbreak to be used to cover non-deferrable operating costs. The Organization qualified for this loan as it had payroll in 2019 that was between \$20,000 and \$1,500,000. The Organization can make voluntary principal repayments at any time without fees or penalties. If certain requirements are met, a portion of the loan, up to 25%, will be forgiven provided that the Organization has repaid \$30,000 between January 1, 2021 to December 31, 2023. If any part of the balance is not paid by December 31, 2023, the remaining balance will be converted to a 3-year term loan with monthly payments including interest at 5% that would be due by December 31, 2025.

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022
(Audited)

7. 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

	2022	2021
Opening balance	\$ 66,667	\$ 65,284
Internally imposed restriction	742	1,592
Board approved expenditures	(5,000)	(209)
	\$ 62,409	\$ 66,667

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

	2022	2021
Opening balance	\$ 16,645	\$ 398
Internally imposed restriction	(4,919)	23,043
Board approved expenditures	-	(6,796)
	\$ 11,726	\$ 16,645

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, 2022

(Audited)

7. INTERNALLY RESTRICTED FUND BALANCES (continued)

(c) Impact Fund

	2022	2021
Opening balance	\$ 25,834	\$ 30,019
Internally imposed restriction	(79)	-
Board approved expenditures	(8,789)	(4,185)
	\$ 16,966	\$ 25,834

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.

8. DISBURSEMENTS FOR COALITION AND FOOD FOR THOUGHT

	2022	2021
East Africa		
Burundi/Dr Congo	\$ 12,005	\$ 38,757
Dr Congo	72,808	86,633
Kenya	207,801	151,547
South Africa	1,500	8,000
The Kingdom of Eswatini	13,719	14,663
Tanzania	34,010	44,014
Uganda	-	6,226
Total East Africa	341,843	349,840
Europe		
Romania	281,835	162,662
Ukraine	-	9,737
Moldova	12,746	-
Total Europe	294,581	172,399
North Asia		
Nepal	12,000	75,433
Total North Asia	12,000	75,433

HOPE FOR THE NATIONS

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2022

(Audited)

8. DISBURSEMENTS FOR COALITION AND FOOD FOR THOUGHT (continued)

	2022	2021
South Asia		
Cambodia	-	3,128
Indonesia	-	2,757
Myanmar/Thailand	30,903	32,592
Philippines	133,715	7,930
Thailand	25,831	13,633
Total South Asia	\$ 190,449	\$ 60,040
The Americas		
Canada	\$ 329,139	\$ 293,535
Mexico	297,544	231,559
Total The Americas	626,683	525,094
West Africa		
Ghana	16,128	18,561
Liberia	381,440	496,530
Syria	12,678	-
Total West Africa	410,246	515,091
Total Sent to Projects	1,875,802	1,697,897
Payments to coalitions	1,548,110	1,425,805
Food For Thought	327,692	272,092
Total Sent to Projects	\$ 1,875,802	\$ 1,697,897

9. 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.

10. COMPARATIVE FIGURES

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