

**HOPE International
Development Agency
Financial Statements
For the year ended December 31, 2020**

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Independent Auditor's Report

To the Board of Directors of HOPE International Development Agency

Qualified Opinion

We have audited the accompanying financial statements of HOPE International Development Agency (the "Agency"), which comprise the Statement of Financial Position as at December 31, 2020, the Statement of Operations and Changes in Net Assets, and Cash Flows for the year then ended, and notes and schedule to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 the Agency as at December 31, 2020, and the results of its operations for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Agency derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Agency. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, excess (deficiency) of revenues over expenses, cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 the Agency 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 audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities 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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 the Agency's 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 the Agency's 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 the Agency 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 3, 2021

HOPE International Development Agency
Statement of Financial Position

December 31	Unrestricted Fund	Project Specific Fund	Board Restricted Fund	Total 2020	Unrestricted Fund	Project Specific Fund	Total 2019
Assets							
Current							
Cash (Note 2)	\$ 2,190,760	\$ 119,654	\$ 2,023,989	\$ 4,334,403	\$ 898,646	\$ 497,374	\$ 1,396,020
Short-term investments (Note 2)	100,000	-	-	100,000	200,000	-	200,000
Government receivables	4,606	-	-	4,606	10,511	-	10,511
Accounts receivable	4,484	-	-	4,484	7,888	-	7,888
Prepaid expenses	40,265	-	-	40,265	63,887	-	63,887
Tangible capital assets held for sale	-	-	-	-	207,076	-	207,076
	<u>2,340,115</u>	<u>119,654</u>	<u>-</u>	<u>4,483,758</u>	<u>1,388,008</u>	<u>497,374</u>	<u>1,885,382</u>
Tangible capital assets (Note 3)	23,645	-	-	23,645	7,331	-	7,331
	<u>\$ 2,363,760</u>	<u>\$ 119,654</u>	<u>\$ 2,023,989</u>	<u>\$ 4,507,403</u>	<u>\$ 1,395,339</u>	<u>\$ 497,374</u>	<u>\$ 1,892,713</u>
Liabilities and Net Assets							
Liabilities							
Current							
Accounts payable and accrued liabilities	\$ 136,574	\$ -	\$ -	\$ 136,574	\$ 213,802	\$ -	\$ 213,802
Net Assets							
Unrestricted	2,203,541	-	-	2,203,541	1,174,206	-	1,174,206
Restricted/designated (Note 7)	-	119,654	2,023,989	2,143,643	-	497,374	497,374
Invested in tangible capital assets (Note 4)	23,645	-	-	23,645	7,331	-	7,331
	<u>2,227,186</u>	<u>119,654</u>	<u>2,023,989</u>	<u>4,370,829</u>	<u>1,181,537</u>	<u>497,374</u>	<u>1,678,911</u>
	<u>\$ 2,363,760</u>	<u>\$ 119,654</u>	<u>\$ 2,023,989</u>	<u>\$ 4,507,403</u>	<u>\$ 1,395,339</u>	<u>\$ 497,374</u>	<u>\$ 1,892,713</u>

Approved on behalf of the Board:

D. Coyne

Director

William R. ...

Director

The accompanying notes are an integral part of these financial statements

HOPE International Development Agency
Statement of Operations and Changes in Net Assets

For the year ended December 31	Unrestricted Fund	Project Specific Fund	Board Restricted Fund	2020	Unrestricted Fund	Project Specific Fund	2019
Program revenue and support							
Cash donations	\$ 3,363,225	\$ 1,168,995	-	\$ 4,532,220	\$ 4,738,435	\$ 1,078,981	\$ 5,817,416
Donation of gifts-in-kind	-	6,733,982	-	6,733,982	-	16,582,980	16,582,980
Global Affairs Canada ("GAC")	-	500,000	-	500,000	-	900,000	900,000
Provincial government grants	-	34,394	-	34,394	-	87,225	87,225
Canada Emergency Wage Subsidy (Note 8)	212,215	-	-	212,215	-	-	-
Other (Note 9)	2,219,289	-	-	2,219,289	2,500	-	2,500
	5,794,729	8,437,371	-	14,232,100	4,740,935	18,649,186	23,390,121
Program costs							
Information to and education of Canadian public	224,458	-	-	224,458	1,062,014	-	1,062,014
Overseas development programs	-	10,281,038	-	10,281,038	-	21,122,315	21,122,315
Administration and other operating expenses (Schedule)							
Head office	719,084	-	-	719,084	841,658	-	841,658
Projects	315,602	-	-	315,602	388,231	-	388,231
	1,259,144	10,281,038	-	11,540,182	2,291,903	21,122,315	23,414,218
Excess (deficiency) of revenue over expenses	4,535,585	(1,843,667)	-	2,691,918	2,449,032	(2,473,129)	(24,097)
Net assets, beginning of year	1,181,537	497,374	-	1,678,911	1,579,356	123,652	1,703,008
Transfers (Note 7)	(2,023,989)	-	2,023,989	-	-	-	-
Designated to projects	(1,465,947)	1,465,947	-	-	(2,846,851)	2,846,851	-
Net assets, end of year	\$ 2,227,186	\$ 119,654	\$ 2,023,989	\$ 4,370,829	\$ 1,181,537	\$ 497,374	\$ 1,678,911

The accompanying notes are an integral part of these financial statements

HOPE International Development Agency
Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Operating activities		
Excess (Deficiency) of revenue over expenses	\$ 2,691,918	\$ (24,097)
Items not involving cash		
Gain on sale of building (Note 8)	(2,189,867)	-
Amortization of tangible capital assets (Note 4)	5,752	9,653
	507,803	(14,444)
Changes in non-cash working capital balances		
Government receivables	5,905	2,234
Accounts receivable	3,404	16,835
Prepaid expenses	23,622	(19,439)
Accounts payable and accrued liabilities	(77,228)	14,512
	463,506	(302)
Investing activities		
Acquisition of tangible capital assets (Note 4)	(22,066)	(4,408)
Disposal (purchase) of short-term investments	100,000	409,273
Proceeds on sale of tangible capital asset (Note 8)	2,396,943	-
	2,474,877	404,865
Increase in cash during the year	2,938,383	404,563
Cash, beginning of year	1,396,020	991,457
Cash, end of year	\$ 4,334,403	\$ 1,396,020

HOPE International Development Agency Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies

(a) Purpose

HOPE International Development Agency (the "Agency") was originally incorporated in 1975 and then continued under Section 211 of the Canada Not for Profit Corporations Act on September 23, 2014. The Agency is dedicated to help people facing extreme poverty primarily through clean water, food security and livelihood initiatives. The Agency also educates, advocates and involves the general public regarding issues facing people in developing countries. The Agency's activities are financed through donations from individuals and government organizations. The Agency is registered as a charity with Canada Revenue Agency.

Prior to January 1, 2020, the Agency was the sole member of HOPE International Development Agency Singapore ("HOPE SG") and HOPE International Development Agency Hong Kong ("HOPE HK"). Effective January 1, 2020, the Agency is no longer the sole member of HOPE SG and HOPE HK. As of this date, these entities are governed by a Board of Directors separate from the Agency's, and over which the Agency does not have control. As a result, these entities have ceased to be subsidiaries of the Agency effective January 1, 2020 and their financial statements are not consolidated with the Agency's financial statements for the years ending December 31, 2020 and thereafter.

The incorporating documents of the Agency stipulate that as a not-for-profit organization, the Agency is to carry on its operations without primary gains to its members. Any unrestricted net assets are to be used solely in promoting its objectives.

In the event of dissolution, the net assets of the Agency shall be distributed at the discretion of the Board of Directors to any charitable not-for-profit organization in Canada and shall not be payable or otherwise available to any member.

As a registered charity, the Agency is exempt from income taxes under Section 149(1)(f) of the Income Tax Act (Canada).

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

(c) Revenue Recognition and Fund Accounting

The Agency follows the restricted fund method of accounting for contributions.

Grants and donations that are externally restricted are recognized as revenue of the project specific fund upon receipt. Such contributions are recognized as revenue prior to receipt only when the donor or grantor makes a commitment to provide funds for program costs, those costs are incurred, and collection is reasonably assured.

HOPE International Development Agency
Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies - Continued

(c) Revenue Recognition and Fund Accounting - Continued

Unrestricted grants and donations are recognized as revenue of the unrestricted fund upon receipt. Such contributions are recognized as revenue prior to receipt only when the donor or grantor makes a commitment to provide funds for program costs, those costs are incurred, and collection is reasonably assured.

Unrestricted other revenue is recognized in the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Expenses related to administrative activities are reported in the unrestricted fund. The Agency's tangible capital assets are also recorded in the unrestricted fund.

All expenses associated with the overseas development programs are recorded in the project specific fund. The Board of Directors periodically imposes restrictions on unrestricted funds by committing them to overseas development programs. Such commitments are recognized as transfers from the unrestricted fund to the project specific fund.

(d) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Transaction costs on the acquisition or issue of financial assets are expensed for those items subsequently carried at fair value and charged to the financial instrument for those measured at cost or amortized cost. In subsequent periods, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets carried at cost or amortized cost are tested for impairment when changes in circumstances indicate the asset could be impaired.

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Computer equipment	- 3 years
Furniture and equipment	- 5 years

(f) Gifts-in-Kind

Donated goods are valued at amounts as established by various Canadian medical agencies and are further reduced by a 2% allowance to account for estimated losses relating to improper packaging, damage during transportation and mis-labeling.

(g) Donated Services

The value of time and services donated by volunteers is not reflected in these financial statements.

HOPE International Development Agency
Notes to the Financial Statements

December 31, 2020

1. Significant Accounting Policies - Continued

(h) Expense Allocations

The administration and other operating expenses set out in the schedule following these financial statements are incurred with respect to both head office operations and administration of overseas projects. Each area is charged for costs that management considers to be direct costs of the area and common costs are allocated based on management's assessment of the amounts relating to each area. These common costs have been allocated based on management's determination of the primary purpose of the activity.

The Agency allocates common administration and other operating expenses between its head office and projects as follows:

- Personnel costs, automobile, board expenses, miscellaneous, office expenses, postage and mailing costs, and property taxes and utilities are allocated to head office and projects based on the assessment of the time incurred working in each category;
- Other operating expenses including amortization expense, dues, memberships and conferences, insurance, office equipment rental, telephone, professional fees, banking and processing fees, and repairs and maintenance are allocated directly to either category based on the nature of the expense or allocated between the categories in a proportion which is based on time or the extent of usage of the asset concerned.

(i) Use of Estimates

The financial statements of the Agency have been prepared by management in accordance with ASNPO which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant areas requiring management estimates included, but were not limited to, the useful life for amortization of tangible capital assets, the value of donated gifts-in-kind, including the allowance taken and allocation of administration and other operating expenses between head office operations and projects. Actual results may ultimately differ from these estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized above.

HOPE International Development Agency
Notes to the Financial Statements

December 31, 2020

2. Cash and Short-Term Investments

The Agency's cash and short-term investments are held at two major financial institutions and earned interest at the prevailing rates for savings accounts.

The Agency's policy is to classify all financial instruments that earn interest over a contractually specified term as short-term investments. As at December 31, 2020, short-term investments are comprised of a guaranteed investment certificate which matures in January 2021 and bears interest at 2.25%.

3. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	133,134	111,337	21,776	4,772
Furniture and equipment	53,096	51,226	1,870	2,559
	\$ 186,230	\$ 162,563	\$ 23,646	\$ 7,331

4. Net Assets Invested in Tangible Capital Assets

Change in net assets invested in tangible capital assets is calculated as follows:

	2020		2019	
Amortization of tangible capital assets	\$ (5,752)		\$ (9,653)	
Acquisition of tangible capital assets	22,066		4,408	
Reclassification of land, building and parking lot as tangible capital assets held for sale		-	(207,076)	
	\$ 16,314		\$ (212,321)	

HOPE International Development Agency
Notes to the Financial Statements

December 31, 2020

5. Pension Plans

During the year, the Agency made contributions of \$20,009 (2019 - \$30,475) to a defined contribution pension plan.

6. Financial Instrument Risks

The Agency is exposed to various risks through its financial assets and liabilities. The following analysis provides a measurement of those risks at December 31, 2020.

(a) Credit Risk

Credit risk is the risk that the Agency will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Agency to significant concentrations of credit risk is limited to short-term investments. The Agency limits its exposure this risk by utilizing only high credit quality investments.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Agency is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed rate short term investments. The interest rates and terms of these short-term investments are as disclosed in Note 2.

(c) Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its obligations as they fall due. The Agency maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

For all of the above noted financial instrument risks, there has been no change in the risk from the prior year.

HOPE International Development Agency
Notes to the Financial Statements

December 31, 2020

7. Restricted/Designated Net Assets

The restricted/designated balance in the Project Specific Funds represent unused contributions with external restrictions or amounts that would have been internally designated for use in specific projects.

The restricted/designated balance in the Board Restricted Fund represent amounts which have been internally designated for future investment in tangible capital assets.

8. Canada Emergency Wage Subsidy

During the year, the Agency received a total of \$212,215 (2019 - \$nil) of funding under the Canada Emergency Wage Subsidy Program.

9. Other Revenue

	<u>2020</u>	<u>2019</u>
Gain on sale of building	\$ 2,189,867	\$ -
Miscellaneous income	<u>29,422</u>	<u>2,500</u>
	<u>\$ 2,219,289</u>	<u>\$ 2,500</u>

10. Significant Events - COVID 19

During the year, the Agency's operations were significantly impacted by the Covid-19 pandemic. Fundraising events were cancelled, procurement and delivery of Gifts In Kind were negatively impacted and travel restrictions prevented in person oversight of and liaison with overseas partners. This situation continues into 2021.

HOPE International Development Agency
Schedule - Administration and Other Operating Expenses

For the year ended December 31

	2020			2019		
	Head Office	Projects	Total	Head Office	Projects	Total
Unrestricted fund						
Amortization expense	\$ 2,581	\$ 3,171	\$ 5,752	\$ 4,917	\$ 4,736	\$ 9,653
Bank and processing fees	18,972	55,373	74,345	24,320	71,583	95,903
Board expenses	48	144	192	4,895	14,496	19,391
Communication	8,533	25,612	34,145	7,508	22,465	29,973
Consulting fees	56,224	23,329	79,553	-	-	-
Dues, memberships and conferences	2,406	6,086	8,492	1,863	6,366	8,229
Insurance	7,226	8,566	15,792	6,409	7,366	13,775
Office and equipment rental	11,499	8,725	20,224	9,462	7,011	16,473
Office expenses	10,646	6,431	17,077	8,360	4,879	13,239
Office rent	16,180	9,502	25,682	-	-	-
Personnel costs	504,779	136,378	641,157	644,112	197,188	841,300
Postage and mailing costs	48,822	2,506	51,328	74,199	2,637	76,836
Professional fees	12,075	12,075	24,150	20,022	19,972	39,994
Property taxes and utilities	6,578	3,861	10,439	13,730	8,064	21,794
Repairs and maintenance	13,236	12,945	26,181	10,320	10,179	20,499
Travel and automobile	(721)	898	177	11,541	11,289	22,830
	\$ 719,084	\$ 315,602	\$ 1,034,686	\$ 841,658	\$ 388,231	\$ 1,229,889