

**HOPE International Development
Agency
Consolidated Financial Statements
For the year ended December 31, 2016**

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Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Board of Directors of HOPE International Development Agency

We have audited the accompanying consolidated financial statements of HOPE International Development Agency, which comprise the Consolidated Statement of Financial Position as at December 31, 2016, the Consolidated Statement of Operations and Changes in Net Assets, Consolidated Statement of 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, HOPE International Development 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 of revenues over (under) costs, cash flow from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015, and net assets as at January 1 and December 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of HOPE International Development Agency as at December 31, 2016, and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 13, 2017

HOPE International Development Agency
Consolidated Statement of Financial Position

December 31	Unrestricted Fund	Restricted/ Designated Fund	Total 2016	Unrestricted Fund	Restricted/ Designated Fund	Total 2015
Assets						
Current						
Cash and investments (Note 2)	\$ 1,683,954	\$ 245,901	\$ 1,929,855	\$ 1,767,721	\$ 211,567	\$ 1,979,288
Government receivables	12,322	-	12,322	23,109	-	23,109
Amounts receivable	10,245	-	10,245	18,941	-	18,941
Prepaid expenses	33,413	-	33,413	42,473	-	42,473
	1,739,934	245,901	1,985,835	1,852,244	211,567	2,063,811
Capital assets (Note 3)	228,597	-	228,597	234,771	-	234,771
	\$ 1,968,531	\$ 245,901	\$ 2,214,432	\$ 2,087,015	\$ 211,567	\$ 2,298,582

Liabilities and Net Assets

Liabilities

Current

Accounts payable and accrued liabilities

	\$ 216,389	\$ -	\$ 216,389	\$ 201,573	\$ -	\$ 201,573
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Net assets

Unrestricted

Restricted/designated

Invested in capital assets (Note 4)

	1,523,545	-	1,523,545	1,650,671	-	1,650,671
	-	245,901	245,901	-	211,567	211,567
	228,597	-	228,597	234,771	-	234,771

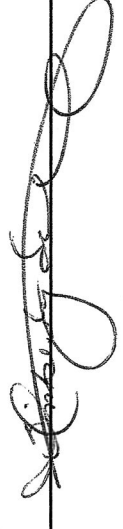
	1,752,142	245,901	1,998,043	1,885,442	211,567	2,097,009
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	\$ 1,968,531	\$ 245,901	\$ 2,214,432	\$ 2,087,015	\$ 211,567	\$ 2,298,582
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Approved by:



Director



Director

The accompanying notes are an integral part of these financial statements

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

For the year ended December 31	Unrestricted Fund	Restricted/ Designated Fund	2016	%	Unrestricted Fund	Restricted/ Designated Fund	2015	%
Program revenue and support								
Cash donations	\$ 4,398,448	\$ 2,513,955	\$ 6,912,403	34.95	\$ 3,802,170	\$ 2,230,570	\$ 6,032,740	33.17
Donation of goods-in-kind	-	12,240,049	12,240,049	61.88	-	11,346,479	11,346,479	62.38
Grants from:								
Global Affairs Canada ("GAC")	-	500,000	500,000	2.53	-	627,410	627,410	3.45
Provincial governments	-	108,953	108,953	0.55	-	153,320	153,320	0.84
Other	18,189	-	18,189	0.09	26,807	-	26,807	0.15
	4,416,637	15,362,957	19,779,594	100.00	3,828,977	14,357,779	18,186,756	99.99
Program costs								
Information to and education of Canadian public	1,052,811	-	1,052,811	5.32	987,059	-	987,059	5.43
Overseas development programs	-	17,743,198	17,743,198	89.70	-	17,386,531	17,386,531	95.60
Administration and other operating expenses (Schedule)	716,478	-	716,478	3.62	638,196	-	638,196	3.51
Head office	366,073	-	366,073	1.85	340,996	-	340,996	1.87
Projects								
	2,135,362	17,743,198	19,878,560	100.49	1,966,251	17,386,531	19,352,782	106.41
Excess (deficiency) of revenue over costs for the year	2,281,275	(2,380,241)	(98,966)	(0.49)	1,862,726	(3,028,752)	(1,166,026)	(6.42)
Net assets, beginning of year	1,885,442	211,567	2,097,009	-	2,548,034	715,001	3,263,035	-
Designated to projects	(2,414,575)	2,414,575	-	-	(2,525,318)	2,525,318	-	-
Net assets, end of year	\$ 1,752,142	\$ 245,901	\$ 1,998,043	-	\$ 1,885,442	\$ 211,567	\$ 2,097,009	-

The accompanying notes are an integral part of these financial statements

HOPE International Development Agency
Consolidated Statement of Cash Flows

For the year ended December 31

2016

2015

Cash provided by (used in)

Operating activities

Deficiency of revenue over costs for the year	\$ (98,966)	\$ (1,166,026)
Item not involving cash		
Amortization of capital assets	15,280	18,412
	(83,686)	(1,147,614)
Changes in non-cash working capital balances		
Amounts receivable	8,696	7,686
Government receivables	10,787	(1,278)
Prepaid expenses	9,060	(8,621)
Accounts payable and accrued liabilities	14,816	(12,544)
	(40,327)	(1,162,371)

Investing activities

Acquisition of capital assets	(9,106)	(17,215)
Transfers from (to) restricted/designated cash	(34,334)	503,434
	(43,440)	486,219

Decrease in cash and investments during the year (83,767) (676,152)

Unrestricted cash and investments, beginning of year 1,767,721 2,443,873

Unrestricted cash and investments, end of year \$ 1,683,954 \$ 1,767,721

HOPE International Development Agency

Notes to the Consolidated Financial Statements

December 31, 2016

1. Significant Accounting Policies

(a) Purpose

HOPE International Development Agency (the "Agency"), a charitable organization incorporated under the Society Act (British Columbia) on February 25, 1975, the Canada Corporations Act on October 13, 1977, and continued under Section 211 of the Canada Not for Profit Corporations Act on September 23, 2014. The Agency is dedicated to help the neediest of the needy in Third World countries and to challenge, educate and involve the general public regarding Third World issues. The Agency's activities are financed through donations from individuals and government organizations. The Agency is registered as a charity with Canada Revenue Agency.

HOPE International Development Agency (Singapore) Limited ("HOPE SG") was incorporated under the Companies Act (Cap 50) in Singapore as a public company limited by guarantee on January 23, 2013. HOPE International Development Agency (HK) Limited ("HOPE HK") was incorporated in Hong Kong under the Companies Ordinance on October 7, 2013. The Agency is the sole member of both entities.

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). HOPE HK has been granted tax exemption status under Section 88 of the Hong Kong Inland Revenue Ordinance. HOPE SG is registered as an International Charitable Organization in Singapore under the Charities Act, and as such receives automatic tax exemption.

(b) Basis of Accounting

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

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Agency and its subsidiaries HOPE SG and HOPE HK. All intercompany transactions and balances are eliminated upon consolidation.

(d) Fund Accounting

Donations not specifically marked restricted by a donor are reported as revenue of the unrestricted fund. Donations stipulated by the donor and other program support with a specific purpose are recorded in the restricted/designated fund. All expenses associated with the overseas development programs are recorded in the restricted/designated fund. Expenses related to administrative activities are reported in the unrestricted fund. The Agency's capital assets are also recorded in the unrestricted fund. During the year ended December 31, 2016 amounts included in program revenue and support on the Statement of Operations that had externally imposed restrictions on spending were \$1,930,422 (2015 - \$1,908,593). All of this noted funding was spent on overseas development programs during the year received.

HOPE International Development Agency
Notes to the Consolidated Financial Statements

December 31, 2016

1. Significant Accounting Policies - Continued

(e) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. 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 are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items, remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

(f) Capital Assets

Purchased 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:

Building and parking lot	- 20 years
Computer equipment	- 3 years
Furniture and equipment	- 5 years

(g) Revenue Recognition

The Agency records donations and grants from the general public, government and other agencies as revenue on receipt. Donations and grants from governments and other agencies are recorded as revenue prior to receipt only when the donor makes a commitment to provide funds for program costs already incurred and collection is reasonably assured.

(h) Goods-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 losses relating to improper packaging, damage during transportation and mis-labeling. Goods denominated in US dollars are valued at the fair market value of a standard representative unit of goods on the Canadian market.

(i) Donated Services

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

(j) 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.

HOPE International Development Agency
Notes to the Consolidated Financial Statements

December 31, 2016

1. Significant Accounting Policies - Continued

(j) Expense Allocations - Continued

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

- Salaries and employee benefits, 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, consulting fees, 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.

(k) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Agency operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Agency's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Operations.

(l) Use of Estimates

The consolidated 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 capital assets, the value of donated goods-in-kind, the allocation of administration and other operating expenses between head office operations and projects. Actual results may ultimately differ from these estimates. The consolidated 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 Consolidated Financial Statements

December 31, 2016

2. Cash and Investments

	2016	2015
Cash	\$ 1,039,420	\$ 833,264
Guaranteed investment certificates	800,000	764,296
Investment savings accounts	90,435	381,728
	\$ 1,929,855	\$ 1,979,288

The Agency's cash for its Canadian location as well as its Hong Kong and Singapore subsidiaries are held at four major financial institutions and earned interest at the prevailing rates for savings accounts. Included in cash are funds held in Hong Kong dollar of \$35,870 (2015 - \$14,427) and funds held in Singapore dollar of \$30,534 (2015 - \$24,219) denominated in Canadian dollars.

The guaranteed investment certificates have maturities ranging from January 2017 to March 2017 and bear interest at rates ranging from 1.45% to 1.55% (2015 - 1.30% to 1.52%) per annum. Upon maturity, the funds may be reinvested.

The investments are accessible for current operations and can be readily converted to cash, and as such have been disclosed as current investments and included in the Statement of Cash Flows.

3. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 165,294	\$ -	\$ 165,294	\$ 165,294
Building and parking lot	248,471	201,229	47,242	46,228
Computer equipment	114,729	107,783	6,946	13,045
Furniture and equipment	81,043	71,928	9,115	10,204
	\$ 609,537	\$ 380,940	\$ 228,597	\$ 234,771

HOPE International Development Agency
Notes to the Consolidated Financial Statements

December 31, 2016

4. Net Assets Invested in Capital Assets

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

	<u>2016</u>	<u>2015</u>
Amortization of capital assets	\$ (15,280)	\$ (18,412)
Acquisition of capital assets	9,106	17,215
	<u>\$ (6,174)</u>	<u>\$ (1,197)</u>

5. Pension Plans

During the year, the Agency made contributions of \$33,475 (2015 - \$30,956) to a defined contribution pension plan.

6. Financial Instrument Risks

The Agency, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at December 31, 2016.

(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 consist primarily of cash and investments and amounts receivable. The Agency limits its exposure to credit risk by placing its cash and investments with high credit quality investments in accordance with investment policies adopted by the Agency.

(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 income denominated investments. The interest rates and terms of investments are as disclosed in Note 2.

HOPE International Development Agency
Notes to the Consolidated Financial Statements

December 31, 2016

6. Financial Instrument Risks - Continued

(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.

(d) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is exposed to foreign exchange risk (Note 1(k)(ii)); however, these assets and liabilities are of a short-term nature and management does not believe they represent a significant risk to the Company.

(e) Capital Risk Management

The Agency's capital consists of its net assets; restricted/designated, unrestricted and amounts invested in capital assets. Its restricted/designated net assets consist of amounts for specific future programs. The Agency's objectives when managing its capital are to continue helping the neediest of the needy in Third World countries, educate and involve the general public regarding Third World issues and to administer its corporate affairs. Annual budgets are developed and monitored to ensure that the Agency's capital is maintained at an appropriate level.

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

7. Comparative Figures

The comparative figures presented in the financial statements have been reclassified to conform to the current year's presentation.

HOPE International Development Agency
Schedule - Consolidated Administration and Other Operating Expenses

For the year ended December 31

Unrestricted fund	2016			2015		
	Head Office	Projects	Total	Head Office	Projects	Total
Amortization expense	\$ 7,580	\$ 7,700	\$ 15,280	\$ 9,086	\$ 9,326	\$ 18,412
Bank and processing fees	20,758	56,806	77,564	21,079	59,242	80,321
Board expenses	10,435	22,077	32,512	5,752	16,242	21,994
Communication	5,870	17,608	23,478	5,458	15,434	20,892
Consulting fees	-	-	-	26,157	-	26,157
Dues, memberships and conferences	5,397	5,102	10,499	14,194	8,293	22,487
Insurance	9,971	9,971	19,942	6,732	6,732	13,464
Office and equipment rental	7,205	5,128	12,333	6,077	3,809	9,886
Office expenses	4,634	2,814	7,448	10,029	6,626	16,655
Postage and mailing costs	60,820	3,645	64,465	59,920	2,149	62,069
Professional fees	28,389	25,605	53,994	33,925	45,457	79,382
Property taxes and utilities	11,338	6,659	17,997	11,288	6,630	17,918
Repairs and maintenance	9,034	9,104	18,138	10,493	10,968	21,461
Salaries and employee benefits	521,796	180,981	702,777	417,340	150,088	567,428
Travel and automobile	13,251	12,873	26,124	666	-	666
	\$ 716,478	\$ 366,073	\$ 1,082,551	\$ 638,196	\$ 340,996	\$ 979,192