

**HOPE International
Development Agency
Consolidated Financial Statements
For the year ended December 31, 2018**

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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 consolidated financial statements of HOPE International Development Agency (the "Agency"), which comprise the Consolidated Balance Sheet as at December 31, 2018, the Consolidated Statement of Operations and Changes in Net Asset, the Consolidated Statement of Cash Flows, and the Consolidated Schedule of Administration and Other Operating Expenses for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the Agency as at December 31, 2018, 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 of revenues over (under) costs, cash flow from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 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 Consolidated 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 consolidated 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 Consolidated 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.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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, 2019

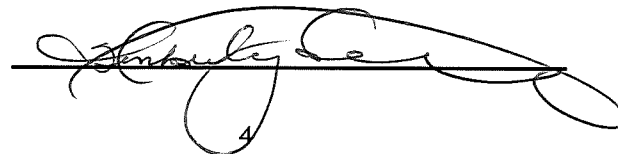
**HOPE International Development Agency
Consolidated Statement of Financial Position**

December 31	Unrestricted Fund	Project Specific Fund	Total 2018	Unrestricted Fund	Project Specific Fund	Total 2017
Assets						
Current						
Cash (Note 2)	\$ 867,805	\$ 123,652	\$ 991,457	\$ 1,681,645	\$ 251,396	\$ 1,933,041
Short-term investments (Note 2)	609,273	-	609,273	201,816	-	201,816
Government receivables	12,745	-	12,745	12,527	-	12,527
Accounts receivable	24,723	-	24,723	1,131	-	1,131
Prepaid expenses	44,448	-	44,448	27,565	-	27,565
	<u>1,558,994</u>	<u>123,652</u>	<u>1,682,646</u>	<u>1,924,684</u>	<u>251,396</u>	<u>2,176,080</u>
Tangible capital assets (Note 3)	<u>219,652</u>	<u>-</u>	<u>219,652</u>	<u>221,821</u>	<u>-</u>	<u>221,821</u>
	<u>\$ 1,778,646</u>	<u>\$ 123,652</u>	<u>\$ 1,902,298</u>	<u>\$ 2,146,505</u>	<u>\$ 251,396</u>	<u>\$ 2,397,901</u>
Liabilities and Net Assets						
Liabilities						
Current						
Accounts payable and accrued liabilities	\$ 199,290	\$ -	\$ 199,290	\$ 122,484	\$ -	\$ 122,484
Net assets						
Unrestricted	1,359,704	-	1,359,704	1,802,200	-	1,802,200
Restricted/designated	-	123,652	123,652	-	251,396	251,396
Invested in tangible capital assets (Note 4)	219,652	-	219,652	221,821	-	221,821
	<u>1,579,356</u>	<u>123,652</u>	<u>1,703,008</u>	<u>2,024,021</u>	<u>251,396</u>	<u>2,275,417</u>
	<u>\$ 1,778,646</u>	<u>\$ 123,652</u>	<u>\$ 1,902,298</u>	<u>\$ 2,146,505</u>	<u>\$ 251,396</u>	<u>\$ 2,397,901</u>

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	Project Specific Fund	2018	%	Unrestricted Fund	Project Specific Fund	2017	%
Program revenue and support								
Cash donations	\$ 5,021,234	\$ 1,266,762	\$ 6,287,996	30.65	\$ 5,281,877	\$ 1,566,367	\$ 6,848,244	31.10
Donation of gifts-in-kind	-	14,119,120	14,119,120	68.82	-	15,066,640	15,066,640	68.41
Provincial government grants	-	85,698	85,698	0.42	-	94,586	94,586	0.43
Other	22,510	-	22,510	0.11	13,711	-	13,711	0.06
	5,043,744	15,471,580	20,515,324	100.00	5,295,588	16,727,593	22,023,181	100.00
Program costs								
Information to and education of Canadian public	1,214,988	-	1,214,988	5.92	1,138,032	-	1,138,032	5.17
Overseas development programs	-	17,961,007	17,961,007	87.55	-	19,429,947	19,429,947	88.22
Write-down of expired gifts-in-kind (Note 7)	-	698,002	698,002	3.4	-	-	-	-
Administration and other operating expenses (Schedule)								
Head office	755,432	-	755,432	3.68	753,389	-	753,389	3.42
Projects	458,304	-	458,304	2.23	424,439	-	424,439	1.93
	2,428,724	18,659,009	21,087,733	102.78	2,315,860	19,429,947	21,745,807	98.74
Excess (deficiency) of revenue over expenses	2,615,020	(3,187,429)	(572,409)	(2.78)	2,979,728	(2,702,354)	277,374	1.26
Net assets, beginning of year	2,024,021	251,396	2,275,417	-	1,752,142	245,901	1,998,043	-
Designated to projects	(3,059,685)	3,059,685	-	-	(2,707,849)	2,707,849	-	-
Net assets, end of year	\$ 1,579,356	\$ 123,652	\$ 1,703,008	-	\$ 2,024,021	\$ 251,396	\$ 2,275,417	-

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	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (572,409)	\$ 277,374
Item not involving cash		
Amortization of tangible capital assets (Note 4)	10,624	12,380
	(561,785)	289,754
Changes in non-cash working capital balances		
Government receivables	(218)	(205)
Accounts receivable	(23,592)	9,114
Prepaid expenses	(16,883)	5,848
Accounts payable and accrued liabilities	76,806	(93,905)
	(525,672)	210,606
Investing activities		
Acquisition of tangible capital assets (Note 4)	(8,455)	(5,604)
Net (purchase) disposal of short-term investments	(407,457)	598,184
	(415,912)	592,580
Increase (decrease) in cash during the year	(941,584)	803,186
Cash, beginning of year	1,933,041	1,129,855
Cash, end of year	\$ 991,457	\$ 1,933,041

HOPE International Development Agency

Notes to the Consolidated Financial Statements

December 31, 2018

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 helping the neediest of the needy in Third World countries and to challenging, educating and involving 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 (Chapter 50) in Singapore 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. Both HOPE SG and HOPE HK are 'public companies limited by guarantee', and 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) Revenue Recognition and Fund Accounting

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

Grants and donations which 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 Consolidated Financial Statements

December 31, 2018

1. Significant Accounting Policies - Continued

(d) 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.

(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 carried at cost or amortized cost are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial assets 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 cost or amortized cost.

(f) 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:

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

(g) 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 losses relating to improper packaging, damage during transportation and mis-labeling.

(h) 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 Consolidated Financial Statements

December 31, 2018

1. Significant Accounting Policies - Continued

(i) 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.

(j) Translation of Foreign Operations

The financial results of HOPE SG and HOPE HK are prepared using a foreign currency unit of measure and are translated into Canadian dollars, the Agency's unit of measure, using the current rate method. Accordingly, assets and liabilities are translated at the exchange rate in effect at the balance sheet date and transactions throughout the year are recorded at the exchange rates prevailing at the date of the transactions. Gains and losses on translation are recognized in the Consolidated Statement of Operations.

(k) 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 tangible capital assets, the value of donated gifts-in-kind, and 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, 2018

2. Cash and Short-Term Investments

The Agency's cash and short-term investments for its Canadian location, as well as its Hong Kong and Singapore subsidiaries, are held at five major financial institutions and earned interest at the prevailing rates for savings accounts. Included in cash are funds held in Hong Kong dollar of CAD \$63,928 (2017 - CAD \$33,799) and funds held in Singapore dollar of CAD \$29,303 (2017 - CAD \$21,117).

Short-term investments are comprised of guaranteed investment certificates which have maturities ranging from January to August 2019 and bear interest at rates ranging from 1.82% to 2.35% (2017 - 1.45% to 1.85%) per annum. Upon maturity, the funds may be reinvested.

3. Tangible Capital Assets

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 165,294	\$ -	\$ 165,294	\$ 165,294
Building and parking lot	256,730	210,272	46,458	42,776
Computer equipment	107,640	105,176	2,464	5,638
Furniture and equipment	76,779	71,343	5,436	8,113
	<u>\$ 606,443</u>	<u>\$ 386,791</u>	<u>\$ 219,652</u>	<u>\$ 221,821</u>

4. Net Assets Invested in Tangible Capital Assets

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

	<u>2018</u>	<u>2017</u>
Amortization of tangible capital assets	\$ (10,624)	\$ (12,380)
Acquisition of tangible capital assets	8,455	5,604
	<u>\$ (2,169)</u>	<u>\$ (6,776)</u>

HOPE International Development Agency
Notes to the Consolidated Financial Statements

December 31, 2018

5. Pension Plans

During the year, the Agency made contributions of \$37,856 (2017 - \$37,037) 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, 2018.

(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.

(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 on its foreign currency denominated cash. However, these cash assets are of a short-term nature and management does not believe they represent a significant risk to the Agency.

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 Consolidated Financial Statements

December 31, 2018

7. Write-Down of Expired Gifts-in-Kind

During the year, a shipment of gifts-in-kind was required to be destroyed by the customs authority of the recipient country. This was due to a legislated change in that country which imposed more stringent dating requirements on items included in the shipment. This change occurred while the shipment was in transit. The carrying value of this shipment has been written-down to nil.

8. Subsequent Event

Subsequent to December 31, 2018, the Agency accepted an offer for the purchase of its land, building and parking lot assets. This transaction will result in a material gain to the Association, and is scheduled to complete on January 6, 2020.

9. 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

	2018			2017		
	Head Office	Projects	Total	Head Office	Projects	Total
Unrestricted fund						
Amortization expense	\$ 5,389	\$ 5,235	\$ 10,624	\$ 6,277	\$ 6,103	\$ 12,380
Bank and processing fees	27,818	82,489	110,307	24,869	71,126	95,995
Board expenses	7,001	20,722	27,723	5,271	14,797	20,068
Communication	8,211	24,437	32,648	7,174	21,417	28,591
Dues, memberships and conferences	2,973	6,080	9,053	4,128	4,892	9,020
Insurance	6,616	6,616	13,232	5,469	5,469	10,938
Office and equipment rental	8,749	6,585	15,334	7,528	5,585	13,113
Office expenses	10,207	5,966	16,173	7,660	3,445	11,105
Personnel costs	538,462	231,580	770,042	555,907	222,761	778,668
Postage and mailing costs	69,638	3,014	72,652	58,340	3,204	61,544
Professional fees	23,653	23,675	47,328	28,022	27,221	55,243
Property taxes and utilities	11,570	6,795	18,365	11,680	6,860	18,540
Repairs and maintenance	10,299	10,906	21,205	10,564	10,825	21,389
Travel and automobile	24,846	24,204	49,050	20,500	20,734	41,234
	\$ 755,432	\$ 458,304	\$ 1,213,736	\$ 753,389	\$ 424,439	\$ 1,177,828