

**HOPE International  
Development Agency  
Consolidated Financial Statements  
For the year ended December 31, 2019**

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## Independent Auditor's Report

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### 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, 2019, 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 and other explanatory information.

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, 2019, 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, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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.



### **Auditor's Responsibilities for the Audit of the Consolidated 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 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 9, 2020

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

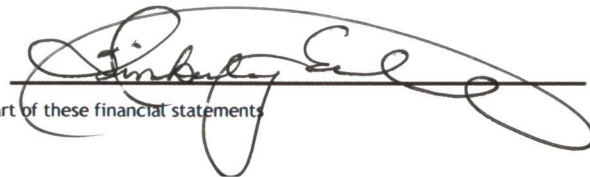
December 31	Unrestricted Fund	Project Specific Fund	Total 2019	Unrestricted Fund	Project Specific Fund	Total 2018
<b>Assets</b>						
<b>Current</b>						
Cash (Note 2)	\$ 898,646	\$ 497,374	\$ 1,396,020	\$ 867,805	\$ 123,652	\$ 991,457
Short-term investments (Note 2)	200,000	-	200,000	609,273	-	609,273
Government receivables	10,511	-	10,511	12,745	-	12,745
Accounts receivable	7,888	-	7,888	24,723	-	24,723
Prepaid expenses	63,887	-	63,887	44,448	-	44,448
Tangible capital assets held for sale	207,076	-	207,076	-	-	-
	<u>1,388,008</u>	<u>497,374</u>	<u>1,885,382</u>	<u>1,558,994</u>	<u>123,652</u>	<u>1,682,646</u>
<b>Tangible capital assets (Note 3)</b>	<u>7,331</u>	<u>-</u>	<u>7,331</u>	<u>219,652</u>	<u>-</u>	<u>219,652</u>
	<u>\$ 1,395,339</u>	<u>\$ 497,374</u>	<u>\$ 1,892,713</u>	<u>\$ 1,778,646</u>	<u>\$ 123,652</u>	<u>\$ 1,902,298</u>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accrued liabilities	\$ 213,802	\$ -	\$ 213,802	\$ 199,290	\$ -	\$ 199,290
<b>Net Assets</b>						
Unrestricted	1,174,206	-	1,174,206	1,359,704	-	1,359,704
Restricted/designated	-	497,374	497,374	-	123,652	123,652
Invested in tangible capital assets (Note 4)	7,331	-	7,331	219,652	-	219,652
	<u>1,181,537</u>	<u>497,374</u>	<u>1,678,911</u>	<u>1,579,356</u>	<u>123,652</u>	<u>1,703,008</u>
	<u>\$ 1,395,339</u>	<u>\$ 497,374</u>	<u>\$ 1,892,713</u>	<u>\$ 1,778,646</u>	<u>\$ 123,652</u>	<u>\$ 1,902,298</u>

Subsequent Events (Note 7)

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**

<b>For the year ended December 31</b>	<b>Unrestricted Fund</b>	<b>Project Specific Fund</b>	<b>2019</b>	<b>%</b>	<b>Unrestricted Fund</b>	<b>Project Specific Fund</b>	<b>2018</b>	<b>%</b>
<b>Program revenue and support</b>								
Cash donations	\$ 4,738,435	\$ 1,078,981	\$ 5,817,416	24.87	\$ 5,021,234	\$ 1,266,762	\$ 6,287,996	30.65
Donation of gifts-in-kind	-	16,582,980	16,582,980	70.90	-	14,119,120	14,119,120	68.82
Global Affairs Canada ("GAC")	-	900,000	900,000	3.85	-	-	-	-
Provincial government grants	-	87,225	87,225	0.37	-	85,698	85,698	0.42
Other	2,500	-	2,500	0.01	22,510	-	22,510	0.11
	<b>4,740,935</b>	<b>18,649,186</b>	<b>23,390,121</b>	<b>100.00</b>	<b>5,043,744</b>	<b>15,471,580</b>	<b>20,515,324</b>	<b>100.00</b>
<b>Program costs</b>								
Information to and education of Canadian public	1,062,014	-	1,062,014	4.54	1,214,988	-	1,214,988	5.92
Overseas development programs	-	21,122,315	21,122,315	90.30	-	17,961,007	17,961,007	87.55
Write-down of expired gifts-in-kind	-	-	-	-	-	698,002	698,002	-
Administration and other operating expenses (Schedule)								
Head office	841,658	-	841,658	3.60	755,432	-	755,432	3.68
Projects	388,231	-	388,231	1.66	458,304	-	458,304	2.23
	<b>2,291,903</b>	<b>21,122,315</b>	<b>23,414,218</b>	<b>100.10</b>	<b>2,428,724</b>	<b>18,659,009</b>	<b>21,087,733</b>	<b>99.38</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>2,449,032</b>	<b>(2,473,129)</b>	<b>(24,097)</b>	<b>(0.10)</b>	<b>2,615,020</b>	<b>(3,187,429)</b>	<b>(572,409)</b>	<b>0.62</b>
<b>Net assets, beginning of year</b>	<b>1,579,356</b>	<b>123,652</b>	<b>1,703,008</b>	<b>-</b>	<b>2,024,021</b>	<b>251,396</b>	<b>2,275,417</b>	<b>-</b>
Designated to projects	(2,846,851)	2,846,851	-	-	(3,059,685)	3,059,685	-	-
<b>Net assets, end of year</b>	<b>\$ 1,181,537</b>	<b>\$ 497,374</b>	<b>\$ 1,678,911</b>	<b>-</b>	<b>\$ 1,579,356</b>	<b>\$ 123,652</b>	<b>\$ 1,703,008</b>	<b>-</b>

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	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses	\$ (24,097)	\$ (572,409)
Amortization of tangible capital assets (Note 4), an item not involving cash	9,653	10,624
	(14,444)	(561,785)
Changes in non-cash working capital balances		
Government receivables	2,234	(218)
Accounts receivable	16,835	(23,592)
Prepaid expenses	(19,439)	(16,883)
Accounts payable and accrued liabilities	14,512	76,806
	(302)	(525,672)
<b>Investing activities</b>		
Acquisition of tangible capital assets (Note 4)	(4,408)	(8,455)
Disposal (purchase) of short-term investments	409,273	(407,457)
	404,865	(415,912)
<b>Increase (decrease) in cash during the year</b>	<b>404,563</b>	<b>(941,584)</b>
<b>Cash, beginning of year</b>	<b>991,457</b>	<b>1,933,041</b>
<b>Cash, end of year</b>	<b>\$ 1,396,020</b>	<b>\$ 991,457</b>

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# HOPE International Development Agency

## Notes to the Consolidated Financial Statements

December 31, 2019

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### 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 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.



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**HOPE International Development Agency**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**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:

Computer equipment	- 3 years
Furniture and equipment	- 5 years

Tangible capital assets held for sale are accounted for at the lower of their carrying amount and fair value less costs to sell, and are no longer amortized.

(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.

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**HOPE International Development Agency**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**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, 2019**

**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 dollars of CAD \$7,085 (2018 - CAD \$63,928) and funds held in Singapore dollars of CAD \$6,658 (2018 - CAD \$29,303).

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, 2019, short-term investments are comprised of guaranteed investment certificates which have maturities ranging from May to August 2020 and bear interest at rates ranging from 2.28% to 2.9% (2018 - 1.82% to 2.35%) per annum. Upon maturity, the funds may be reinvested.

**3. Tangible Capital Assets and Assets Held For Sale**

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ -	\$ -	\$ -	\$ 165,294
Building and parking lot	-	-	-	46,458
Computer equipment	112,048	107,276	4,772	2,464
Furniture and equipment	76,779	74,220	2,559	5,436
	<b>\$ 188,827</b>	<b>\$ 181,496</b>	<b>\$ 7,331</b>	<b>\$ 219,652</b>

During the year, 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 June 28, 2020. As a result, the carrying value of these assets of \$207,076 have been presented as tangible capital assets held for sale.

**4. Net Assets Invested in Tangible Capital Assets**

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

	2019		2018	
Amortization of tangible capital assets	\$ (9,653)	\$	(10,624)	\$
Acquisition of tangible capital assets	4,408	\$	8,455	\$
Reclassification of land, building and parking lot as tangible capital assets held for sale	(207,076)	\$	-	\$
	<b>\$ (212,321)</b>	<b>\$</b>	<b>(2,169)</b>	<b>\$</b>

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**HOPE International Development Agency**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**5. Pension Plans**

During the year, the Agency made contributions of \$30,475 (2018 - \$37,856) to a defined contribution pension plan.

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**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, 2019.

(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.

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**HOPE International Development Agency**  
**Notes to the Consolidated Financial Statements**

**December 31, 2019**

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**7. Subsequent Events**

- (a) 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 will not be consolidated with the Agency's for the years ending December 31, 2020 and thereafter.
  
- (b) Subsequent to December 31, 2019, the global health crisis known as 'COVID-19' was declared a pandemic by the World Health Organization and its impact on the global and Canadian economies increased significantly. The disruption from this pandemic has interfered with the Agency's schedule of fundraising events in the period subsequent to December 31, 2019. While this disruption is thought to be temporary, the actual duration of disruption and the related financial impact on the Agency cannot be reasonably estimated at this time.

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

For the year ended December 31

	2019			2018		
	Head Office	Projects	Total	Head Office	Projects	Total
<b>Unrestricted fund</b>						
Amortization expense	\$ 4,917	\$ 4,736	\$ 9,653	\$ 5,389	\$ 5,235	\$ 10,624
Bank and processing fees	24,320	71,583	95,903	27,818	82,489	110,307
Board expenses	4,895	14,496	19,391	7,001	20,722	27,723
Communication	7,508	22,465	29,973	8,211	24,437	32,648
Dues, memberships and conferences	1,863	6,366	8,229	2,973	6,080	9,053
Insurance	6,409	7,366	13,775	6,616	6,616	13,232
Office and equipment rental	9,462	7,011	16,473	8,749	6,585	15,334
Office expenses	8,360	4,879	13,239	10,207	5,966	16,173
Personnel costs	644,112	197,188	841,300	538,462	231,580	770,042
Postage and mailing costs	74,199	2,637	76,836	69,638	3,014	72,652
Professional fees	20,022	19,972	39,994	23,653	23,675	47,328
Property taxes and utilities	13,730	8,064	21,794	11,570	6,795	18,365
Repairs and maintenance	10,320	10,179	20,499	10,299	10,906	21,205
Travel and automobile	11,541	11,289	22,830	24,846	24,204	49,050
	\$ 841,658	\$ 388,231	\$ 1,229,889	\$ 755,432	\$ 458,304	\$ 1,213,736