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# Human Concern International



**Financial Statements**  
For the year ended March 31, 2011

**Human Concern International**  
**Financial Statements**  
For the year ended March 31, 2011

**Contents**

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## Independent Auditor's Report

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### To the Members of Human Concern International

#### Report on the Financial Statements

We have audited the accompanying financial statements of Human Concern International, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets and 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 financial statements in accordance with Canadian generally accepted accounting principles, 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

*(continued next page)*



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## Independent Auditor's Report

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*(continued)*

### *Basis for Qualified Opinion*

In common with many charitable organizations, the organization derives revenue from donations and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Our audit opinion on the financial statements for the year ended March 31, 2010 was also qualified because of the possible effects of this limitation in scope. Therefore we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenue over expenses for the years ended March 31, 2011 and 2010, assets as at March 31, 2011 and 2010, and net assets at both the beginning and end of the March 31, 2011 and 2010 years.

### *Qualified Opinion*

In our opinion, except for the 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 Human Concern International as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### **Report on Other Legal and Regulatory Requirements**

As required by the Canada Corporations Act, we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

*Collins Barrow Ottawa LLP*

Chartered Accountants, Licensed Public Accountants

September 16, 2011

Ottawa, Ontario

## Human Concern International Statement of Financial Position

March 31 2011 2010

### Assets

#### Current

Cash (Note 1)	\$ 2,758,619	\$ 1,066,644
Accounts receivable (Note 2)	21,809	12,058
Prepaid expenses	10,678	8,992

	2,791,106	1,087,694
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Investments (Note 3)	329,454	293,938
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Capital assets (Note 4)	348,536	345,243
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	\$ 3,469,096	\$ 1,726,875
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### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities	\$ 28,856	\$ 23,980
Deferred contributions (Note 5)	2,594,011	856,789

	2,622,867	880,769
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#### Net assets

Net assets internally restricted for capital assets (Note 4)	348,536	345,243
Undistributed net assets	497,693	500,863

	846,229	846,106
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	\$ 3,469,096	\$ 1,726,875
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On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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## Human Concern International Statement of Changes in Net Assets

For the year ended March 31 2011 2010

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	Internally Restricted for Capital Assets	Undistributed	Total	Total
Balance, beginning of year	\$ 345,243	\$ 500,863	\$ 846,106	\$ 854,287
Excess (deficiency) of revenue over expenses for the year	(21,874)	21,997	123	(8,181)
Investment in capital assets	25,167	(25,167)	-	-
<b>Balance, end of year</b>	<b>\$ 348,536</b>	<b>\$ 497,693</b>	<b>\$ 846,229</b>	<b>\$ 846,106</b>

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## Human Concern International Statement of Operations

For the year ended March 31	2011	2010
<b>Revenue</b>		
Donations (Note 6)	\$ 6,662,187	\$ 5,253,378
Rental Income	26,735	26,765
Loss on foreign exchange	(10,821)	(27,303)
Investment Income	7,908	4,758
Other	10,515	43,124
Unrealized investment gain	27,608	46,511
	6,724,132	5,347,233
<b>Donations disbursed</b> (Schedule and Note 6)	<b>6,059,474</b>	<b>4,755,230</b>
	<b>664,658</b>	<b>592,003</b>
<b>Expenses</b>		
Amortization	21,874	17,941
Audit fees	6,500	7,400
Bank charges	43,731	24,402
Dues and subscriptions	230	130
Equipment leases	6,855	10,136
Fundraising and promotion	337,920	343,672
Insurance	8,899	8,739
Legal and consulting fees	4,583	1,582
Meetings and workshops	10,750	8,685
Office administration	164,225	118,436
Property taxes	4,691	3,612
Repairs and maintenance	16,833	18,894
Telephone and communications	13,416	11,881
Travel	895	4,776
Utilities	23,133	19,898
	664,535	600,184
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ 123</b>	<b>\$ (8,181)</b>

## Human Concern International Statement of Cash Flows

For the year ended March 31	2011	2010
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ 123	\$ (8,181)
Adjustments for Amortization	<u>21,874</u>	<u>17,941</u>
	<b>21,997</b>	<b>9,760</b>
Changes in non-cash working capital items		
Accounts receivable	(9,751)	625
Prepaid expenses	(1,686)	(487)
Accounts payable and accrued liabilities	4,876	(7,305)
Deferred revenue	<u>1,737,222</u>	<u>(210,451)</u>
	<u><b>1,752,658</b></u>	<u><b>(207,858)</b></u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(25,167)	(12,101)
Net decrease in short-term investments	<u>(35,516)</u>	<u>(101,211)</u>
	<u><b>(60,683)</b></u>	<u><b>(113,312)</b></u>
<b>Increase (decrease) in cash during the year</b>	<b>1,691,975</b>	<b>(321,170)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>1,066,644</b></u>	<u><b>1,387,814</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 2,758,619</b></u>	<u><b>\$ 1,066,644</b></u>



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## Human Concern International Summary of Significant Accounting Policies

March 31, 2011

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### Nature of Business

Human Concern International is an international humanitarian organization raising and distributing funds to help relief victims in third-world countries. The organization is incorporated under the Canada Corporations Act as a not-for-profit organization, is a registered charity and is exempt from income taxes under the Income Tax Act.

There are separately incorporated not-for-profit entities in Pakistan and Lebanon that operate under the name "Human Concern International". The corporation uses these entities as agents and project managers for donations disbursed. These financial statements do not include the assets, liabilities, net assets, revenue and expenses of these foreign entities.

### Financial Instruments

The accounting standards for financial instruments require that financial assets and financial liabilities be classified according to their characteristics, management's intentions, or the choice of category in certain circumstances. Financial assets must be classified as either held-for-trading, held-to-maturity, available-for-sale or loans and receivables. Financial liabilities must be classified as held-for-trading or other liabilities. When initially recognized, financial assets and financial liabilities are recorded at fair value. In subsequent periods, financial assets and financial liabilities classified as held-for-trading and financial assets classified as available-for-sale will be measured at fair value. Gains or losses arising from a change in the fair value of financial assets and financial liabilities classified as held-for-trading are recognized in operations as they occur.

Changes in the fair value of available-for-sale financial assets are recorded as a direct increase or decrease in net assets until realized or there has been a decline in value that is considered other than temporary in which case the loss will be recognized in operations. Items that are classified in the following categories will be measured at amortized cost using the effective interest method with gains or losses recognized in operations when realized or there has been a decline in value that is other than temporary. These categories are loans and receivables, investments held-to-maturity and other liabilities.

The organization's financial instruments consist of cash, accounts receivable, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest or credit risks arising from these financial instruments.

Cash is classified as held-for-trading and carried at fair value. Investments are classified as held-for-trading and are recorded at fair value based on brokers' statements.

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## Human Concern International Summary of Significant Accounting Policies

March 31, 2011

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<b>Financial Instruments</b> (continued)	Accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other liabilities. All are carried at amortized cost which is equivalent to their fair values given their short-term maturities, unless otherwise noted.								
<b>Financial Instruments Disclosures</b>	The organization has opted to disclose and present financial instruments under the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation in these financial statements instead of CICA Handbook Sections 3862 and 3863, which is a permitted option under the transition rules for not-for-profit organizations in these standards. Section 3862 is more onerous placing an increased emphasis on risk disclosures and requiring disclosure of both qualitative and quantitative information about exposures to risks arising from financial instruments, including credit, interest rate, liquidity, currency and other price risks as well as in certain situations sensitivity analyses. The requirements of Section 3863 are consistent with certain applicable parts of Section 3861 and therefore would not impact the organization's financial statements.								
<b>Financial Risk Management</b>	The organization manages its investment portfolio to earn dividend income and invests only in low risk investments. The organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.								
<b>Capital Assets</b>	Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows: <table style="margin-left: 40px;"><tr><td>Building</td><td>30 years straight-line basis</td></tr><tr><td>Building improvements</td><td>5 years straight-line basis</td></tr><tr><td>Computer equipment</td><td>3 years straight-line basis</td></tr><tr><td>Furniture and equipment</td><td>5 years straight-line basis</td></tr></table>	Building	30 years straight-line basis	Building improvements	5 years straight-line basis	Computer equipment	3 years straight-line basis	Furniture and equipment	5 years straight-line basis
Building	30 years straight-line basis								
Building improvements	5 years straight-line basis								
Computer equipment	3 years straight-line basis								
Furniture and equipment	5 years straight-line basis								
<b>Revenue Recognition</b>	<p>The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Unrestricted investment income is recognized as revenue when earned. Fair value changes for investments are recorded as investment income or loss and recognized as revenue or expense in the statement of operations.</p>								

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## Human Concern International Summary of Significant Accounting Policies

March 31, 2011

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<b>Foreign Currency</b>	Transactions during the year in U.S. dollars have been converted in the accounts to Canadian dollars at the exchange rate effective on the transaction date. All monetary assets in U.S. dollars have been converted to Canadian dollars at the exchange rates in effect at March 31, 2011. Losses resulting therefrom are included in the determination of excess of revenue over expenses for the year.
<b>Donated Services</b>	The work of the organization is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the organization and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.
<b>Donations in Kind</b>	Donations received in kind are recorded at fair market value, as agreed upon by donors and management. When the supplies donated are distributed, they are recorded as donations disbursed at equivalent value.
<b>Internally Restricted for Capital Assets</b>	Net assets internally restricted for capital assets represents net assets that have been used to purchase capital assets.
<b>Undistributed Net Assets</b>	Undistributed net assets represent unspent non-designated contributions accumulated over the life of the organization.
<b>Future Changes in Accounting Standards</b>	<p>The CICA has announced that all Canadian reporting entities, subject to certain exceptions which include not-for-profit organizations, will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The organization, at its option, may adopt IFRS if it so chooses and has chosen not to do so.</p> <p>The CICA has also announced that effective January 1, 2012 Canadian private sector not-for-profit organizations (i.e. those not controlled by government entities) will have a new financial reporting framework and that early adoption will be permitted.</p> <p>For organization's that do not adopt IFRS but rather adopt the new not-for-profit standards the existing not-for-profit accounting standards will remain, supplemented by the new private entity standards. The new private entity standards include recognition, measurement and presentation simplification in many areas as well as reduced required disclosures in the financial statements whereas IFRS would require to some extent different and expanded recognition, measurement, presentation and disclosure standards.</p> <p>The organization expects to adopt the new not-for profit standards and further expects that there will be no material impact on the organization's financial statements of doing so.</p>

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## Human Concern International Notes to Financial Statements

**March 31, 2011**

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1. **Cash**

The organization's bank accounts are held at one chartered bank. Bank balances include \$313,032 (2010 - \$668,481) denominated in U.S. dollars.

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2. **Accounts Receivable**

	<u>2011</u>	<u>2010</u>
GST/HST receivable	\$ 15,755	\$ 5,979
Other	6,054	6,079
	<u>\$ 21,809</u>	<u>\$ 12,058</u>

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3. **Investments**

	<u>2011</u>	<u>2010</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 88,980	\$ 84,280
Investia Financial	54,374	46,402
Investors Group	130,890	111,911
BMO Nesbitt Burns	55,210	51,345
	<u>\$ 329,454</u>	<u>\$ 293,938</u>

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The organization's investments with Investia Financial, Investors Group and BMO Nesbitt Burns consists of units in various mutual funds. During the year, there were additions of \$12,177 with disposals of \$12,177.

There is no quoted market value for the shares in the Islamic Co-operative Housing Corporation Ltd. therefore this investment is recorded at cost.

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## Human Concern International Notes to Financial Statements

March 31, 2011

### 4. Capital Assets

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Building	306,117	183,284	122,833	306,117	173,080	133,037
Building improvements	19,617	10,358	9,259	11,935	6,435	5,500
Computer equipment	69,607	66,886	2,721	67,564	63,551	4,013
Furniture and equipment	41,540	40,171	1,369	41,540	38,847	2,693
Vehicle	15,442	3,088	12,354	-	-	-
	<u>\$ 652,323</u>	<u>\$ 303,787</u>	<u>\$ 348,536</u>	<u>\$ 627,156</u>	<u>\$ 281,913</u>	<u>\$ 345,243</u>

### 5. Deferred Contributions

Deferred contributions represent amounts received during the year restricted for specific projects that will be spent in the subsequent year.

	Balance Beginning of Year	Additions	Transfer to Revenue	Balance End of Year
Pakistan Flood - Projects and Relief Assistance	\$ -	\$ 2,660,081	\$ (568,235)	\$ 2,091,846
Haiti - Projects and Relief Assistance	214,303	541,186	(654,032)	101,457
Kashmir - Projects and Relief Assistance	375,413	620	(118,209)	257,824
Palestine - Projects and Relief Assistance	264,293	119,313	(305,103)	78,503
Tunisia - Projects and Relief Assistance	-	169,242	(132,705)	36,537
Other projects	2,780	27,844	(2,780)	27,844
	<u>\$ 856,789</u>	<u>\$ 3,518,286</u>	<u>\$ (1,781,064)</u>	<u>\$ 2,594,011</u>

### 6. Non-Cash Donations

Donation receipts and donations disbursed include \$2,810,576 of donations received in kind. The goods received were valued at amounts agreed upon between the donors and management as being the fair market value of the goods, and the subsequent disbursement of the goods was recorded at the same value.

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## Human Concern International Notes to Financial Statements

March 31, 2011

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### 7. Commitments

The organization has leased office equipment through various operating leases that will expire between July 2011 and April 2016.

The minimum annual lease payments for the next five years are as follows:

2012	\$ 7,982
2013	5,856
2014	1,398
2015	1,398
2016	699

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### 8. Capital Disclosures

The organization defines capital as its undistributed net assets and the organization's objectives when managing capital are to maintain flexibility between:

- a) enabling it to operate efficiently;
- b) providing liquidity and access to net assets for contribution opportunities; and
- c) generating predictable cash flows for the continuing operations of the organization.

The organization manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria; but rather promotes year over year sustainable surpluses in order to maintain operations. The organization is not subject to any externally imposed capital requirements.

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## Human Concern International Schedule of Donations Disbursed

For the year ended March 31	2011	2010
Azerbaijan - Projects and Relief Assistance	\$ -	\$ 12,139
Afghanistan - Projects and Relief Assistance	115,283	38,358
Bangladesh - Projects and Relief Assistance	123,648	193,020
Bosnia - Projects and Relief Assistance	11,978	-
Chile- Projects and Relief Assistance	4,117	-
Chechnya - Projects and Relief Assistance	5,216	-
Ethiopia - Projects and Relief Assistance	12,436	31,476
Egypt - Projects and Relief Assistance	22,260	37,993
Guyana & Caribbean - Projects and Relief Assistance	155,876	1,120,801
Haiti - Projects and Relief Assistance	654,032	81,642
India - Projects and Relief Assistance	286,138	355,890
Indonesia - Projects and Relief Assistance	35,077	85,356
Iraq - Projects and Relief Assistance	17,247	18,941
Kashmir - Projects and Relief Assistance	118,209	55,051
Kenya - Projects and Relief Assistance	44,825	31,029
Kosovo - Projects and Relief Assistance	2,086	-
Lebanon - Projects and Relief Assistance	117,876	73,328
Libya - Projects and Relief Assistance	20,057	-
Myanmar - Projects and Relief Assistance	2,086	3,783
Morocco - Projects and Relief Assistance	290,451	104,474
Pakistan - Projects and Relief Assistance	1,101,234	1,368,440
Pakistan Flood Victims- Projects and Relief Assistance	568,235	-
Palestine - Projects and Relief Assistance	304,273	384,728
Somalia - Projects and Relief Assistance	1,045,215	120,343
Sri-Lanka - Projects and Relief Assistance	25,592	28,396
Sudan - Projects and Relief Assistance	50,438	66,614
South Africa - Projects and Relief Assistance	-	3,027
Tunisia - Projects and Relief Assistance	137,705	-
Turkey - Projects and Relief Assistance	6,175	-
Yemen- Projects and Relief Assistance	1,250	-
Higher Education Literacy Program	5,658	18,784
Public Education Program	6,254	8,450
Child Sponsorship Program	702,390	431,438
Canada Relief Fund and Local Education Projects	46,220	47,546
Social Assistance - Canada	16,401	15,050
Social Assistance - USA	3,536	19,133
	<b>\$ 6,059,474</b>	<b>\$ 4,755,230</b>