



HUMAN CONCERN INTERNATIONAL

Financial Statements
For the year ended March 31, 2012

Human Concern International
Financial Statements
For the year ended March 31, 2012

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Independent Auditor's Report

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, 2012 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.

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Independent Auditor's Report

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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, 2011 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, 2012 and 2011, assets as at March 31, 2012 and 2011, and net assets at both the beginning and end of the March 31, 2012 and 2011 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, 2012, 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 29, 2012

Ottawa, Ontario

Human Concern International Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash (Note 1)	\$ 4,779,725	\$ 2,758,619
Accounts receivable (Note 2)	23,723	21,809
Prepaid expenses	9,254	10,678
	4,812,702	2,791,106
Investments (Note 3)	321,733	329,454
Capital assets (Note 4)	333,748	348,536
	\$ 5,468,183	\$ 3,469,096

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 42,192	\$ 28,856
Deferred contributions (Note 5)	4,699,195	2,594,011
	4,741,387	2,622,867
Net assets		
Net assets internally restricted for capital assets (Note 4)	333,748	348,536
Net assets restricted for endowment purposes	6,000	-
Undistributed net assets	387,048	497,693
	726,796	846,229
	\$ 5,468,183	\$ 3,469,096

On behalf of the Board:

_____ Director

_____ Director

Human Concern International Statement of Changes in Net Assets

For the year ended March 31				2012			2011
	Internally Restricted for Capital Assets	Endowment	Undistributed	Total		Total	
Balance , beginning of year	\$ 348,536	\$ -	\$ 497,693	\$ 846,229			\$ 846,106
Excess (deficiency) of revenue over expenses for the year	(21,726)	-	(103,707)	(125,433)			123
Endowment contributions	-	6,000	-	6,000			-
Investment in capital assets	6,938	-	(6,938)	-			-
Balance , end of year	\$ 333,748	\$ 6,000	\$ 387,048	\$ 726,796			\$ 846,229

Human Concern International Statement of Operations

For the year ended March 31	2012	2011
Revenue		
Donations (Note 6)	\$ 7,877,143	\$ 6,662,187
Rental Income	27,515	26,735
Gain (loss) on foreign exchange	1,989	(10,821)
Investment Income	3,500	7,908
Other	3,459	10,515
Loss on disposal of investments	(2,045)	-
Unrealized investment gain (loss)	(15,063)	27,608
	7,896,498	6,724,132
Donations disbursed (Schedule and Note 6)	7,292,796	6,059,474
	603,702	664,658
Expenses		
Amortization	21,726	21,874
Audit fees	7,000	6,500
Bad debt expense	6,054	-
Bank charges	54,190	43,731
Dues and subscriptions	530	230
Equipment leases	11,685	6,855
Fundraising and promotion	334,667	337,920
Insurance	12,022	8,899
Legal and consulting fees	2,983	4,583
Meetings and workshops	12,271	10,750
Office administration	208,810	164,225
Property taxes	2,862	4,691
Repairs and maintenance	21,411	16,833
Telephone and communications	10,650	13,416
Travel	-	895
Utilities	22,274	23,133
	729,135	664,535
Excess (deficiency) of revenue over expenses for the year	\$ (125,433)	\$ 123

Human Concern International Statement of Cash Flows

For the year ended March 31	2012	2011
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (125,433)	\$ 123
Adjustments for		
Amortization	21,726	21,874
	(103,707)	21,997
Changes in non-cash working capital items		
Accounts receivable	(1,914)	(9,751)
Prepaid expenses	1,424	(1,686)
Accounts payable and accrued liabilities	13,336	4,876
Deferred revenue	2,105,184	1,737,222
	2,014,323	1,752,658
Cash flows from investing activities		
Purchase of capital assets	(6,938)	(25,167)
Net decrease in short-term investments	7,721	(35,516)
Receipt of endowment contribution	6,000	-
	6,783	(60,683)
Increase in cash during the year	2,021,106	1,691,975
Cash, beginning of year	2,758,619	1,066,644
Cash, end of year	\$ 4,779,725	\$ 2,758,619

Human Concern International

Summary of Significant Accounting Policies

March 31, 2012

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 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. 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.

Human Concern International Summary of Significant Accounting Policies

March 31, 2012

Financial Instruments
(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.

Financial Risk Management 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.

Capital Assets Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

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

Revenue Recognition 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. Endowment contributions are recognized as direct increases in net assets. 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.

Unrestricted investment income is recognized as revenue when earned. Investment income earned on endowments is unrestricted. Fair value changes for investments are recorded as investment income or loss and recognized as revenue or expense in the statement of operations.

Foreign Currency 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, 2012. Losses resulting therefrom are included in the determination of excess of revenue over expenses for the year.

Donated Services 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.

Donations in Kind 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.

Human Concern International Summary of Significant Accounting Policies

March 31, 2012

Internally Restricted for Capital Assets	Net assets internally restricted for capital assets represents net assets that have been used to purchase capital assets.
Restricted for Endowment	Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently.
Undistributed Net Assets	Undistributed net assets represent unspent non-designated contributions accumulated over the life of the organization.
Future Changes in Accounting Standards	<p>The CICA has announced that for years beginning on or after 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 organizations that adopt the new not-for-profit standards the existing not-for-profit accounting standards will remain, supplemented by the new private enterprise standards. The new private enterprise standards include recognition, measurement and presentation changes and simplifications in many areas as well as reduced required disclosures in the financial statements.</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>

Human Concern International Notes to Financial Statements

March 31, 2012

1. **Cash**

The organization's bank accounts are held at one chartered bank. Bank balances include \$104,789 (2011 - \$313,032) denominated in U.S. dollars.

2. **Accounts Receivable**

	<u>2012</u>	<u>2011</u>
GST/HST receivable	\$ 23,473	\$ 15,755
Other	250	6,054
	<u>\$ 23,723</u>	<u>\$ 21,809</u>

3. **Investments**

	<u>2012</u>	<u>2011</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 92,480	\$ 88,980
Investia Financial	49,233	54,374
Investors Group	116,632	130,890
BMO Nesbitt Burns	63,388	55,210
	<u>\$ 321,733</u>	<u>\$ 329,454</u>

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 \$6,000 with disposals of \$2,047.

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

Human Concern International

Notes to Financial Statements

March 31, 2012

4. Capital Assets

	2012			2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Building	306,117	193,488	112,629	306,117	183,284	122,833
Building improvements	19,617	14,281	5,336	19,617	10,358	9,259
Computer equipment	73,242	70,138	3,104	69,607	66,886	2,721
Furniture and equipment	44,843	41,430	3,413	41,540	40,171	1,369
Vehicle	15,442	6,176	9,266	15,442	3,088	12,354
	\$ 659,261	\$ 325,513	\$ 333,748	\$ 652,323	\$ 303,787	\$ 348,536

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	\$ 2,091,846	\$ -	\$ (432,340)	\$ 1,659,506
Haiti - Projects and Relief Assistance	101,457	-	(101,457)	-
Kashmir - Projects and Relief Assistance	257,824	-	(127,007)	130,817
Libya - Projects and Relief Assistance	-	248,841	(108,881)	139,960
Palestine - Projects and Relief Assistance	78,503	-	(73,671)	4,832
Somalia - Projects and Relief Assistance	-	3,167,014	(751,014)	2,416,000
Syria - Projects and Relief Assistance	-	824,501	(476,421)	348,080
Tunisia - Projects and Relief Assistance	36,537	-	(36,537)	-
Other projects	27,844	-	(27,844)	-
	\$ 2,594,011	\$ 4,240,356	\$ (2,135,172)	\$ 4,699,195

6. Non-Cash Donations

Donation receipts and donations disbursed include \$2,331,119 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.

Human Concern International Notes to Financial Statements

March 31, 2012

7. **Commitments**

The organization has leased office equipment through various operating leases that will expire between September 2012 and October 2015.

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

2013	5,856
2014	1,398
2015	1,398
2016	699

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.

Human Concern International Schedule of Donations Disbursed

For the year ended March 31	2012	2011
Afghanistan - Projects and Relief Assistance	\$ 138,796	\$ 115,283
Bangladesh - Projects and Relief Assistance	90,798	123,648
Bosnia - Projects and Relief Assistance	25,766	11,978
Chile- Projects and Relief Assistance	-	4,117
Chechnya - Projects and Relief Assistance	-	5,216
Eritrea - Projects and Relief Assistance	400	-
Ethiopia - Projects and Relief Assistance	6,755	12,436
Egypt - Projects and Relief Assistance	41,407	22,260
Guyana & Caribbean - Projects and Relief Assistance	179,972	155,876
Haiti - Projects and Relief Assistance	117,230	654,032
India - Projects and Relief Assistance	453,032	286,138
Indonesia - Projects and Relief Assistance	15,298	35,077
Iraq - Projects and Relief Assistance	13,000	17,247
Japan - Projects and Relief Assistance	13,256	-
Jordan - Projects and Relief Assistance	6,000	-
Kashmir - Projects and Relief Assistance	167,425	118,209
Kyrgystan - Projects and Relief Assistance	6,131	-
Kenya - Projects and Relief Assistance	114,819	44,825
Kosovo - Projects and Relief Assistance	-	2,086
Lebanon - Projects and Relief Assistance	162,340	117,876
Libya - Projects and Relief Assistance	109,151	20,057
Myanmar - Projects and Relief Assistance	-	2,086
Morocco - Projects and Relief Assistance	23,940	290,451
Pakistan - Projects and Relief Assistance	153,190	1,101,234
Pakistan Flood Victims- Projects and Relief Assistance	548,257	568,235
Palestine - Projects and Relief Assistance	119,692	304,273
Somalia - Projects and Relief Assistance	1,469,874	1,045,215
Sri-Lanka - Projects and Relief Assistance	22,583	25,592
Sudan - Projects and Relief Assistance	96,671	50,438
Syria - Projects and Relief Assistance	477,421	-
Tunisia - Projects and Relief Assistance	1,801,647	137,705
Turkey - Projects and Relief Assistance	20,746	6,175
Yemen- Projects and Relief Assistance	-	1,250
Higher Education Literacy Program	6,840	5,658
Public Education Program	20,310	6,254
Child Sponsorship Program	801,284	702,390

Human Concern International Schedule of Donations Disbursed

For the year ended March 31	2012	2011
Canada Relief Fund and Local Education Projects	41,389	46,220
Food Bank - BC Canada	10,423	-
Social Assistance - Canada	11,907	16,401
Social Assistance - USA	5,046	3,536
	<hr/>	
	\$ 7,292,796	\$ 6,059,474
