



**HUMAN CONCERN INTERNATIONAL**

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**Financial Statements**  
For the year ended March 31, 2014

**Human Concern International**  
**Financial Statements**  
For the year ended March 31, 2014

**Contents**

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<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	10
Schedule of Donations Disbursed	13

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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 statements of financial position as at March 31, 2014, 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 accounting standards for not-for-profit organizations, 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 (continued)

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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, 2013 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, 2014 and 2013, assets as at March 31, 2014 and 2013, and net assets at both the beginning and end of the March 31, 2014 and 2013 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **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 the previous year.

*Collins Barrow Ottawa LLP*

Chartered Accountants, Licensed Public Accountants

September 20, 2014

Ottawa, Ontario

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## Human Concern International Statement of Financial Position

**March 31** 2014 2013

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### Assets

#### Current

Cash (Note 1)	\$ 4,527,436	\$ 4,872,083
Accounts receivable (Note 2)	55,152	27,426
Prepaid expenses	9,138	9,139
	4,591,726	4,908,648
<b>Investments</b> (Note 3)	<b>364,994</b>	340,860
<b>Tangible capital assets</b> (Note 4)	<b>301,807</b>	320,930
	<b>\$ 5,258,527</b>	<b>\$ 5,570,438</b>

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### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 5)	\$ 26,823	\$ 56,156
Deferred contributions (Note 6)	2,517,648	4,401,744
	2,544,471	4,457,900

#### Net assets

Net assets internally restricted for tangible capital assets (Note 4)	301,807	320,930
Net assets restricted for endowment purposes	6,000	6,000
Undistributed net assets	2,406,249	785,608
	2,714,056	1,112,538
	<b>\$ 5,258,527</b>	<b>\$ 5,570,438</b>

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On behalf of the Board:

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Director

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Director

## Human Concern International Statement of Changes in Net Assets

**For the year ended March 31** 2014 2013

	Internally Restricted for Capital Assets	Endowment	Undistributed	Total	Total
<b>Balance</b> , beginning of year	\$ 320,930	\$ 6,000	\$ 785,608	\$ 1,112,538	\$ 726,796
<b>Excess (deficiency) of revenue over expenses for the year</b>	(19,123)	-	1,620,641	1,601,518	385,742
<b>Balance</b> , end of year	\$ 301,807	\$ 6,000	\$ 2,406,249	\$ 2,714,056	\$ 1,112,538

## Human Concern International Statement of Operations

For the year ended March 31	2014	2013
<b>Revenue</b>		
Donations (Note 7)	\$ 10,395,569	\$ 9,940,094
Rental Income	24,770	27,188
Gain on foreign exchange	59,357	10,695
Investment Income	5,351	5,616
Loss on disposal of investments	-	(675)
Unrealized investment gain (loss)	18,782	4,621
Loss on disposal of capital asset	-	(9,266)
	10,503,829	9,978,273
<b>Donations disbursed</b> (Schedule and Note 7)	8,115,772	8,808,708
	2,388,057	1,169,565
<b>Expenses</b>		
Amortization of tangible capital assets	19,123	19,452
Audit fees	7,000	7,000
Bank charges	22,400	61,008
Dues and subscriptions	66	1,341
Equipment leases	3,828	7,723
Fundraising and promotion	411,027	324,018
Insurance	15,331	13,213
Legal and consulting fees	1,832	14,811
Meetings and workshops	15,178	21,082
Office administration	217,442	257,325
Property taxes	4,392	3,995
Repairs and maintenance	34,108	22,587
Telephone and communications	10,497	8,842
Travel	4,615	1,221
Utilities	19,700	20,205
	786,539	783,823
<b>Excess of revenue over expenses for the year</b>	\$ 1,601,518	\$ 385,742

## Human Concern International Statement of Cash Flows

For the year ended March 31	2014	2013
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ 1,601,518	\$ 385,742
Adjustments for		
Amortization of tangible capital assets	19,123	19,452
Loss on disposal of capital asset	-	9,266
	1,620,641	414,460
Changes in non-cash working capital items		
Accounts receivable	(27,726)	(3,703)
Prepaid expenses	1	114
Accounts payable and accrued liabilities	(29,333)	13,965
Deferred revenue	(1,884,096)	(297,451)
	(320,513)	127,385
<b>Cash flows from investing activities</b>		
Purchase of tangible capital assets	-	(15,900)
Net increase in investments	(24,134)	(19,127)
	(24,134)	(35,027)
<b>Increase (decrease) in cash during the year</b>	<b>(344,647)</b>	<b>92,358</b>
<b>Cash, beginning of year</b>	<b>4,872,083</b>	<b>4,779,725</b>
<b>Cash, end of year</b>	<b>\$ 4,527,436</b>	<b>\$ 4,872,083</b>



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# Human Concern International

## Summary of Significant Accounting Policies

**March 31, 2014**

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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, East Africa 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.

### **Basis of Presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

### **Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The organization's estimates relate to provision for doubtful receivables and estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

### **Financial Instruments**

Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

#### *Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions which are measured at the exchange amount.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets and financial liabilities measured at amortized cost include cash, investments not traded in an active market, accounts receivable, accounts payable and accrued liabilities.

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## Human Concern International

### Summary of Significant Accounting Policies

**March 31, 2014**

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**Financial Instruments**  
(continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The organization recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Tangible Capital Assets**

Tangible 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
Vehicle	3 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, 2014. Losses resulting therefrom are included in the determination of excess of revenue over expenses for the year.

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## Human Concern International Summary of Significant Accounting Policies

**March 31, 2014**

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<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 Tangible Capital Assets</b>	Net assets internally restricted for capital assets represents net assets that have been used to purchase capital assets.
<b>Restricted for Endowment</b>	Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently.
<b>Undistributed Net Assets</b>	Undistributed net assets represent unspent non-designated contributions accumulated over the life of the organization.

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## Human Concern International Notes to Financial Statements

**March 31, 2014**

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**1. Cash**

The organization's bank accounts are held at one chartered bank. Bank balances include \$217,926 (2013 - \$231,588) denominated in U.S. dollars.

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**2. Accounts Receivable**

	<u>2014</u>	<u>2013</u>
GST/HST receivable	\$ 54,440	\$ 26,714
Other	712	712
	<u>\$ 55,152</u>	<u>\$ 27,426</u>

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**3. Investments**

	<u>2014</u>	<u>2013</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 99,680	\$ 95,980
Investia Financial	53,771	49,467
Investors Group	129,720	117,735
Scotiabank GIC	10,000	10,000
BMO Nesbitt Burns	71,823	67,678
	<u>\$ 364,994</u>	<u>\$ 340,860</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 and are measured at fair value. The investment with Scotiabank is a GIC earning 0.900% interest.

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.

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## Human Concern International Notes to Financial Statements

**March 31, 2014**

### 4. Tangible Capital Assets

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Building	306,117	213,896	92,221	306,117	203,692	102,425
Building improvements	19,617	19,617	-	19,617	18,204	1,413
Computer equipment	78,011	76,422	1,589	78,011	72,031	5,980
Furniture and equipment	55,974	47,977	7,997	55,974	44,862	11,112
	<b>\$ 659,719</b>	<b>\$ 357,912</b>	<b>\$ 301,807</b>	<b>\$ 659,719</b>	<b>\$ 338,789</b>	<b>\$ 320,930</b>

### 5. Accounts Payable and Accrued Liabilities

	2014	2013
Trade payables and salary accruals	\$ 24,137	\$ 53,672
Government remittances payable	2,686	2,484
	<b>\$ 26,823</b>	<b>\$ 56,156</b>

### 6. 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	\$ 1,465,067	\$ 4,123	\$ (189,942)	\$ 1,279,248
Libya - Projects and Relief Assistance	157,698	-	(157,698)	-
Palestine - Projects and Relief Assistance	4,347	-	(4,347)	-
Somalia - Projects and Relief Assistance	2,185,131	233,544	(1,396,369)	1,022,306
Syria - Projects and Relief Assistance	589,501	2,444,561	(2,817,968)	216,094
	<b>\$ 4,401,744</b>	<b>\$ 2,682,228</b>	<b>\$ (4,566,324)</b>	<b>\$ 2,517,648</b>

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## Human Concern International Notes to Financial Statements

**March 31, 2014**

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**7. Non-Cash Donations**

Donation receipts and donations disbursed include \$622,895 of donations received in kind (2013 - \$2,447,570). 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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**8. Commitments**

The organization has leased office equipment through various operating leases that will expire in April 2019.

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

2015	\$ 2,706
2016	\$ 2,007
2017	\$ 1,308
2018	\$ 1,308
2019	\$ 1,308

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**9. Risk and Concentrations**

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations as at March 31, 2014.

Market risk

Market risk is the risk that changes in market prices and interest rates will affect the organization's excess of revenue over expenses or the value of financial instruments. These risks are generally outside the control of the organization. The objective of the organization is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Changes in Risk

It is management's opinion that the organization is not exposed to significant interest, currency, liquidity or credit risks arising from their financial instruments.

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## Human Concern International Schedule of Donations Disbursed

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
Afghanistan - Projects and Relief Assistance	\$ 71,436	\$ 100,218
Bangladesh - Projects and Relief Assistance	184,992	174,766
Burundi- Projects and Relief Assistance	8,315	12,500
Egypt - Projects and Relief Assistance	44,847	64,469
Ethiopia - Projects and Relief Assistance	5,500	7,580
Guyana & Caribbean - Projects and Relief Assistance	11,318	66,325
Haiti - Projects and Relief Assistance	26,630	18,422
India - Projects and Relief Assistance	564,751	530,709
Indonesia - Projects and Relief Assistance	14,500	25,086
Iraq - Projects and Relief Assistance	8,445	-
Jordan - Projects and Relief Assistance	18,265	30,025
Kashmir - Projects and Relief Assistance	233,990	153,179
Kenya - Projects and Relief Assistance	102,918	174,086
Lebanon - Projects and Relief Assistance	113,985	105,129
Libya - Projects and Relief Assistance	234,647	32,676
Malaysia - Projects and Relief Assistance	54,000	10,178
Mauritius - Projects and Relief Assistance	2,026	-
Morocco - Projects and Relief Assistance	47,417	2,536,673
Myanmar - Projects and Relief Assistance	267,016	132,048
Pakistan - Projects and Relief Assistance	595,014	559,347
Pakistan Flood Victims- Projects and Relief Assistance	189,942	229,784
Palestine - Projects and Relief Assistance	53,314	139,635
Philippines - Projects and Relief Assistance	50,529	10,000
Somalia - Projects and Relief Assistance	1,396,369	468,338
Sri-Lanka - Projects and Relief Assistance	25,000	20,120
Sudan - Projects and Relief Assistance	18,377	53,575
Syria - Projects and Relief Assistance	2,817,968	2,258,223
Trinidad & Tobago - Project and Relief Assistance	-	37,520
Tunisia - Projects and Relief Assistance	16,990	67,269
Turkey - Projects and Relief Assistance	18,056	-
Yemen- Projects and Relief Assistance	89,421	4,210
Higher Education Literacy Program	5,500	16,613
Public Education Program	17,152	10,000
Child Sponsorship Program	749,515	722,451

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**Human Concern International**  
**Schedule of Donations Disbursed (continued)**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
Canada Relief Fund and Local Education Projects	<b>21,057</b>	11,069
Social Assistance - Canada	<b>22,884</b>	10,212
Social Assistance - USA	<b>3,686</b>	6,273
First Nation Program	<b>10,000</b>	10,000
	<b>\$ 8,115,772</b>	<b>\$ 8,808,708</b>

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