

Human Concern International



Financial Statements

For the year ended March 31, 2016



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Baker Tilly Ottawa LLP
Chartered Professional Accountants
400-301 Moodie Drive
Ottawa, ON
Canada K2H 9C4

T: +1 613.820.8010
F: +1 613.820.0465

ottawa@bakertilly.ca
www.bakertilly.ca

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 statements of financial position as at March 31, 2016, 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.

Independent Auditor's Report (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, 2015 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, 2016 and 2015, assets as at March 31, 2016 and 2015, and net assets at both the beginning and end of the March 31, 2016 and 2015 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, 2016 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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
April 30, 2019
Ottawa, Ontario

Human Concern International Statement of Financial Position

March 31 **2016** **2015**

Assets

Current

Cash (Note 1)	\$ 4,583,965	\$ 4,423,783
Accounts receivable (Note 2)	84,747	79,769
Prepaid expenses	40,307	10,605

	4,709,019	4,514,157
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Investments (Note 3)	383,116	386,809
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Capital works	663,243	655,001
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Tangible capital assets (Note 4)	485,318	523,296
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	\$ 6,240,696	\$ 6,079,263
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 415,943	\$ 107,922
Deferred contributions (Note 6)	222,446	1,078,923

	638,389	1,186,845
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Net assets

Net assets internally restricted for tangible capital assets (Note 4)	1,148,561	1,178,297
Net assets restricted for endowment purposes	6,000	6,000
Undistributed net assets	4,447,746	3,708,121

	5,602,307	4,892,418
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	\$ 6,240,696	\$ 6,079,263
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On behalf of the Board:

Director

Director

Human Concern International Statement of Changes in Net Assets

For the year ended March 31 **2016** **2015**

	Internally Restricted for Capital Assets	Endowment	Undistributed	Total	Total
Balance , beginning of year	\$ 1,178,297	\$ 6,000	\$ 3,708,121	\$ 4,892,418	\$ 3,995,702
Excess (deficiency) of revenue over expenses for the year	(39,446)	-	749,335	709,889	896,716
Investment in capital assets	9,710	-	(9,710)	-	-
Balance , end of year	\$ 1,148,561	\$ 6,000	\$ 4,447,746	\$ 5,602,307	\$ 4,892,418

Human Concern International Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Donations (Note 7)	\$ 7,848,616	\$ 9,908,605
Rental Income	29,586	34,772
Gain (loss) on foreign exchange	(11,991)	36,571
Investment Income	19,147	21,895
Other	8,023	-
	7,893,381	10,001,843
Donations disbursed	6,002,956	8,148,357
	1,890,425	1,853,486
Expenses		
Amortization of tangible capital assets	39,446	50,357
Audit fees	9,071	16,304
Bank charges	23,256	19,220
Dues and subscriptions	3,489	5,588
Fundraising and promotion	483,959	395,599
Insurance	10,452	12,512
Legal and consulting fees	33,756	17,423
Office administration	469,766	357,551
Property taxes	3,974	3,852
Repairs and maintenance	41,045	32,343
Telephone and communications	19,269	14,038
Travel	19,050	8,585
Utilities	24,003	23,398
	1,180,536	956,770
Excess of revenue over expenses for the year	\$ 709,889	\$ 896,716

Human Concern International Statement of Cash Flows

For the year ended March 31	2016	2015
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 709,889	\$ 896,716
Adjustments for		
Amortization of tangible capital assets	39,446	50,357
	749,335	947,073
Changes in non-cash working capital items		
Accounts receivable	(4,978)	(6,203)
Prepaid expenses	(29,702)	(105)
Accounts payable and accrued liabilities	308,021	13,233
Deferred revenue	(856,477)	(1,438,725)
	166,199	(484,727)
Cash flows from investing activities		
Purchase of tangible capital assets	(9,710)	(81,764)
Net decrease (increase) in investments	3,693	(21,815)
	(6,017)	(103,579)
Increase (decrease) in cash during the year	160,182	(588,306)
Cash, beginning of year	4,423,783	5,012,089
Cash, end of year	\$ 4,583,965	\$ 4,423,783

Human Concern International

Summary of Significant Accounting Policies

March 31, 2016

Nature of Business	<p>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 Not-for-profit Corporations Act as a not-for-profit organization, is a registered charity and is exempt from income taxes under the Income Tax Act.</p> <p>These financial statements includes the operations of affiliate offices in Pakistan and Afghanistan.</p> <p>There are separately incorporated not-for-profit entities in 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.</p>
Basis of Presentation	<p>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.</p>
Use of Estimates	<p>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.</p>
Financial Instruments	<p>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.</p> <p><u>Measurement of financial instruments</u></p> <p>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.</p> <p>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.</p> <p>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.</p>

Human Concern International

Summary of Significant Accounting Policies

March 31, 2016

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:

Canada

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

International

Building	5% declining balance basis
Electrical equipment	15% declining balance basis
Computer equipment	33% declining balance basis
Furniture and equipment	25% declining balance basis
Vehicle	25% declining balance 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.

Human Concern International Summary of Significant Accounting Policies

March 31, 2016

Foreign Currency	<p>Transactions during the year in U.S. dollars and Pakistan Rupees 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 and Pakistan Rupees have been converted to Canadian dollars at the exchange rates in effect at March 31, 2016. Losses resulting therefrom are included in the determination of excess of revenue over expenses for the year.</p> <p>Transactions during the year in Pakistan rupees have been converted in the accounts to Canadian dollars at the average exchange rate for the fiscal year. All monetary assets in Pakistan rupees have been converted to Canadian dollars at the exchange rates in effect at March 31, 2016. Gains or losses resulting therefrom are included in the determination of excess of revenue over expenses for the year.</p>
Donated Services	<p>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.</p>
Donations in Kind	<p>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.</p>
Internally Restricted for Tangible Capital Assets	<p>Net assets internally restricted for capital assets represents net assets that have been used to purchase capital assets.</p>
Restricted for Endowment	<p>Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently.</p>
Undistributed Net Assets	<p>Undistributed net assets represent unspent non-designated contributions accumulated over the life of the organization.</p>

Human Concern International Notes to Financial Statements

March 31, 2016

1. Cash

The organization's bank accounts are held at one chartered bank. Bank balances include \$135,534 (2015 - \$112,031) denominated in U.S. dollars and Rs 13,518,344 (2015 - Rs 8,723,339) denominated in Pakistan rupees.

2. Accounts Receivable

	<u>2016</u>	<u>2015</u>
GST/HST receivable	\$ 45,009	\$ 54,810
Other	39,738	24,959
	<u>\$ 84,747</u>	<u>\$ 79,769</u>

Accounts receivable includes Rs 1,667,439 (2015 - Rs 1,678,020) denominated in Pakistan rupees.

3. Investments

	<u>2016</u>	<u>2015</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 107,180	\$ 103,580
Investia Financial	54,552	56,241
Investors Group	136,814	139,643
Scotiabank GIC	10,000	10,000
BMO Nesbitt Burns	74,570	77,345
	<u>\$ 383,116</u>	<u>\$ 386,809</u>

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.

Human Concern International Notes to Financial Statements

March 31, 2016

4. Tangible Capital Assets

	2016			2015		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
<u>Canada</u>						
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Building	306,117	234,306	71,811	306,117	224,100	82,017
Building improvements	42,888	28,925	13,963	42,888	24,271	18,617
Computer equipment	79,479	78,256	1,223	78,011	78,011	-
Furniture and equipment	55,974	53,751	2,223	55,974	50,864	5,110
<u>International</u>						
Leasehold land	1,331	-	1,331	1,331	-	1,331
Building	181,819	32,000	149,819	181,819	24,115	157,704
Furniture and equipment	71,359	54,637	16,722	71,359	50,083	21,276
Computer equipment	10,229	9,633	596	10,229	9,420	809
Electrical equipment	4,914	2,309	2,605	4,914	1,849	3,065
Vehicles	121,536	96,511	25,025	121,536	88,169	33,367
	\$ 1,075,646	\$ 590,328	\$ 485,318	\$ 1,074,178	\$ 550,882	\$ 523,296

5. Accounts Payable and Accrued Liabilities

	2016	2015
Trade payables and salary accruals	\$ 407,087	\$ 107,922
Government remittances payable	8,856	-
	\$ 415,943	\$ 107,922

Trade payables and salary accruals includes Rs 14,662,627 (2015 - Rs 6,493,818) denominated in Pakistan rupees.

Human Concern International Notes to Financial Statements

March 31, 2016

6. Deferred Contributions

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,078,923	\$ 2,517,648
Amounts received during the year	222,446	2,261,428
Recognized as revenue during the year	<u>(1,078,923)</u>	<u>(3,700,153)</u>
Balance, end of year	<u>\$ 222,446</u>	<u>\$ 1,078,923</u>

7. Non-Cash Donations

Donation receipts and donations disbursed include \$nil of donations received in kind (2015 - \$1,005,340).

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 three years are as follows:

2017	\$ 1,308
2018	\$ 1,308
2019	\$ 1,308

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, 2016.

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.

Human Concern International Notes to Financial Statements

March 31, 2016

9. **Risk and Concentrations** (continued)

Foreign currency risk

The organization has cash, accounts receivable and accounts payable denominated in US dollars and other foreign currencies. The carrying value of these items may change due to fluctuations in foreign exchange rates.

Changes in Risk

There have been no significant changes in the organization's risk exposures from the 2015 fiscal year.

10. **Comparative Amounts**

In certain instances, 2015 amounts presented for comparative purposes have been restated to conform to the financial statement presentation adopted for the current year.
