

WORLD HOPE INTERNATIONAL, (CANADA) INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

McKECHNIE & Co.
CHARTERED ACCOUNTANTS

McKECHNIE & Co.

Suite 500, 1390 Prince of Wales Drive
Ottawa, Ontario, K2C 3N6

INDEPENDENT AUDITORS' REPORT

To the Members of
World Hope International (Canada) Inc.

We were engaged to audit the accompanying financial statements of World Hope International (Canada) Inc., which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and changes in net assets and the statements of cash flows for the years 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 statement. 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 for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of World Hope International (Canada) Inc. as at December 31, 2012, December 31, 2011 and January 1, 2011 and its financial performance and cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.


Chartered Accountants, Licensed Public Accountant

Ottawa, Ontario
April 9, 2013

WORLD HOPE INTERNATIONAL, (CANADA) INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012, DECEMBER 31, 2011 AND JANUARY 1, 2011

		ASSETS		
		<u>2012</u>	<u>2011</u>	<u>January 1 2011</u>
Current				
Cash		\$ 271,617	\$ 73,674	\$ 151,651
Amounts receivable		0	1,407	4,778
Taxes recoverable		5,235	5,576	0
Prepaid expenses		19,149	19,767	12,420
		<u>296,001</u>	<u>100,424</u>	<u>168,849</u>
Tangible capital assets (note 2 and 4)		<u>3,210</u>	<u>3,574</u>	<u>5,234</u>
		<u>\$ 299,211</u>	<u>\$ 103,998</u>	<u>\$ 174,083</u>

LIABILITIES AND NET ASSETS

Current				
Bank loan (note 6)		\$ 20,000	\$ 28,750	\$ 0
Accounts payable and accruals		31,238	49,382	31,282
Deferred revenue (note 7)		247,835	47,794	133,888
		<u>299,073</u>	<u>125,926</u>	<u>165,170</u>
Net assets		<u>138</u>	<u>(21,928)</u>	<u>8,913</u>
		<u>\$ 299,211</u>	<u>\$ 103,998</u>	<u>\$ 174,083</u>

On behalf of the Board:



 Director



 Director

(See accompanying notes to the financial statements)

WORLD HOPE INTERNATIONAL, (CANADA) INC.
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Donations and projects	\$ 469,081	\$ 695,266
Government grants and non-donation	<u>326,347</u>	<u>707</u>
	795,428	695,973
Project expenses	<u>560,381</u>	<u>622,759</u>
	<u>235,047</u>	<u>73,214</u>
Expense		
Fundraising	3,901	54,258
General and administration (Schedule 1)	<u>209,080</u>	<u>49,797</u>
	<u>212,981</u>	<u>104,055</u>
Excess of (expense) over revenue	22,066	(30,841)
Net assets, beginning of year	<u>(21,928)</u>	<u>8,913</u>
Net assets, end of year	<u>\$ 138</u>	<u>\$ (21,928)</u>

(See accompanying notes to the financial statements)

WORLD HOPE INTERNATIONAL, (CANADA) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating, capital and project activities		
Excess of revenue over expense for the year	\$ 22,066	\$ (30,841)
Items not involving an outlay of cash		
Amortization	<u>1,097</u>	<u>1,660</u>
	23,163	(29,181)
Change in non-cash working capital		
Bank loan	(8,750)	28,750
Amounts receivable	1,407	3,371
Taxes recoverable	341	(5,576)
Prepaid expenses	618	(7,347)
Accounts payable and accruals	(18,144)	18,100
Deferred revenue	<u>200,041</u>	<u>(86,094)</u>
	<u>198,676</u>	<u>(77,977)</u>
Investing activities		
Tangible capital asset (purchases) - net	<u>(733)</u>	<u>0</u>
Change of cash during the year	197,943	(77,977)
Cash and short term investments, beginning of year	<u>73,674</u>	<u>151,651</u>
Cash and short term investments, end of year	<u>\$ 271,617</u>	<u>\$ 73,674</u>

(See accompanying notes to the financial statements)

WORLD HOPE INTERNATIONAL, (CANADA) INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. Purpose and Activities

World Hope International, (Canada) Inc. is incorporated, without share capital, under the Companies Act of the Province of New Brunswick and is a registered charitable organization exempt from income taxes in accordance with the Income Tax Act of Canada. The organization partners with individuals and organizations around the world to promote justice, encourage self-sufficiency, and inspire hope through programs such as micro-economic development, leadership and skill training, child sponsorship and community health education.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

Donations are recognized as revenue only when received. The organization follows the deferral method of accounting for donations restricted for specific use. Deferred revenue is recognized as the conditions are fulfilled.

Tangible Capital Assets

Tangible capital assets are recorded at cost and presented on the financial statements net of accumulated amortization. Amortization has been calculated using the declining balance basis at the following annual rates, adjusted by one half in the year of acquisition.

Equipment	20%
Computer	30%

Financial Instruments

World Hope International, (Canada) Inc. initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, amounts receivable and taxes recoverable. Financial liabilities at amortized cost include bank loan, accounts payable and accruals.

WORLD HOPE INTERNATIONAL, (CANADA) INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

2. Significant Accounting Policies Cont'd.

Use of Estimates

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Volunteers

Volunteers have donated significant amounts of their time to the organization. Their efforts are not reflected in the accompanying financial statements as no objective basis is available to measure the value of such services.

3 Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the entity has applied the Canadian accounting standards for not-for-profit organizations. The adoption of these standards had no impact on the excess of revenue over expenditure for the year ended December 31, 2011 neither on the net assets at the date of transition, January 1, 2011.

4. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following analysis presents the organization's exposures to risk at the reporting date, December 31, 2012

The organization is exposed to interest rate risk on its floating interest rate bank loan. The limit on this loan is \$30,000 and it carries an organizational guarantee.

WORLD HOPE INTERNATIONAL, (CANADA) INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

5. Tangible Capital Assets

	2012			2011
	Cost	Accumulated		Net
		Amortization	Net	
Furniture and equipment	\$ 4,865	\$ 2,956	\$ 1,909	\$ 1,823
Computers	2,442	1,141	1,301	1,751
	<u>\$ 7,307</u>	<u>\$ 4,097</u>	<u>\$ 3,210</u>	<u>\$ 3,574</u>

6. Bank Loan

	2012	2011
Revolving, prime plus 1.5% operating loan	<u>\$ 20,000</u>	<u>\$ 28,750</u>

7. Deferred Revenue

	2012	2011
Deferred revenue	<u>\$ 247,835</u>	<u>\$ 47,794</u>

Deferred revenue consists of receipts for specified projects which have not been expended at the year end of the organization.

8. Commitments

The organization committed to a lease for their premises, effective October 31, 2012. The minimum payments required under the lease for the next two years are as follows:

2013	-	\$9,878
2014	-	\$8,232

SCHEDULE 1

WORLD HOPE INTERNATIONAL, (CANADA) INC.
SCHEDULE OF GENERAL AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Advertising	3,464	0
Board meeting and travel	12,465	5,886
Bank charges and financial expense	11,946	2,866
Amortization	1,097	1,660
Insurance	1,687	1,652
Memberships, dues, training	3,224	4,707
Office occupancy	23,116	1,955
Office supplies	11,127	1,545
Professional fees	7,187	734
Salaries and benefits	130,754	25,736
Telephone	2,508	2,665
Travel	505	391
	<u>\$ 209,080</u>	<u>\$ 49,797</u>