

WORLD HOPE INTERNATIONAL, (CANADA) INC.

FINANCIAL STATEMENTS

DECEMBER 31, 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 statement of financial position as at December 31, 2011 and the statement of operations and changes in fund balances and the statement of 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.

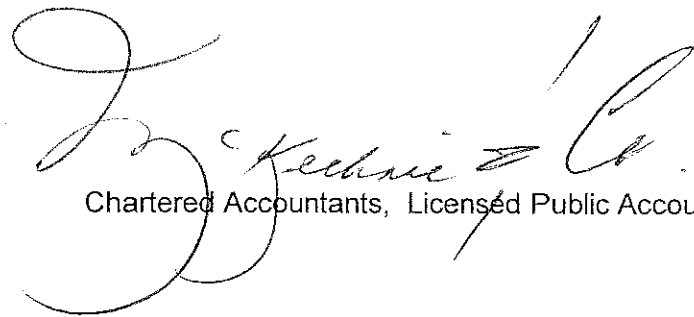
Auditor's Responsibility

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 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, 2011 and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script, appearing to read "Joseph Keenan". The signature is written in black ink and is positioned above the printed name of the firm.

Chartered Accountants, Licensed Public Accountants

Ottawa, Ontario
June 7, 2012

WORLD HOPE INTERNATIONAL, (CANADA) INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

| | ASSETS | |
|--|-------------------|-------------------|
| | <u>2011</u> | <u>2010</u> |
| Current | | |
| Cash | \$ 73,674 | \$ 151,651 |
| Amounts receivable | 1,407 | 4,778 |
| Taxes recoverable | 5,576 | 0 |
| Prepaid expenses | 19,767 | 12,420 |
| | <u>100,424</u> | <u>168,849</u> |
| Property, plant and equipment (note 2) | <u>3,574</u> | <u>5,234</u> |
| | <u>\$ 103,998</u> | <u>\$ 174,083</u> |

LIABILITIES AND NET ASSETS

| | | |
|-------------------------------|-------------------|-------------------|
| Current | | |
| Bank loan | \$ 28,750 | \$ 0 |
| Accounts payable and accruals | 49,382 | 31,282 |
| Deferred revenue (note 4) | 47,794 | 133,888 |
| | <u>125,926</u> | <u>165,170</u> |
| Net assets | <u>(21,928)</u> | <u>8,913</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.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 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

- a) These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.
- b) The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.
- c) 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.
- d) Volunteers have donated significant amounts of their time to the organization. Their efforts are not reflected in the accompanying financial statement as no objective basis is available to measure the value of such services.
- e) Property, Plant and Equipment
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%

WORLD HOPE INTERNATIONAL, (CANADA) INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

3. Financial Instruments

Financial instruments consist of cash, recoverable taxes, and accounts payable and accruals. The fair market value of the financial instruments approximates their carrying value.

4. Deferred Revenue

| | <u>2011</u> | <u>2010</u> |
|------------------|------------------|-------------------|
| Deferred revenue | <u>\$ 47,794</u> | <u>\$ 133,888</u> |

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

5. Commitments

The organization committed to a lease for their premises, effective March 17, 2011. The minimum payments required under the lease for the next four years are as follows:

| | |
|------|----------|
| 2012 | \$17,555 |
| 2013 | \$17,723 |
| 2014 | \$18,563 |

SCHEDULE 1

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

| | <u>2011</u> | <u>2010</u> |
|------------------------------------|------------------|------------------|
| Board meeting and travel | 5,886 | 4,919 |
| Bank charges and financial expense | 2,866 | 3,077 |
| Amortization | 1,660 | 1,251 |
| Insurance | 1,652 | 1,183 |
| Memberships and dues | 4,707 | 1,433 |
| Office occupancy | 1,955 | 3,185 |
| Office supplies | 1,545 | 3,530 |
| Professional fees | 734 | 2,870 |
| Salaries and benefits | 25,736 | 26,435 |
| Telephone | 2,665 | 1,516 |
| Travel | 391 | 2,187 |
| | <u>\$ 49,797</u> | <u>\$ 51,586</u> |

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

| | 2011 | 2010 |
|---|-------------|------------|
| Revenue | | |
| Donations and projects | \$ 695,266 | \$ 657,912 |
| Government grants and non-donation | 707 | 34,002 |
| | 695,973 | 691,914 |
| Project expenses | 622,759 | 597,404 |
| | 73,214 | 94,510 |
| Expense | | |
| Fundraising | 54,258 | 71,338 |
| General and administration (Schedule 2) | 49,797 | 51,586 |
| | 104,055 | 122,924 |
| Excess of (expense) over revenue | (30,841) | (28,414) |
| Net assets, beginning of year | 8,913 | 37,327 |
| Net assets, end of year | \$ (21,928) | \$ 8,913 |

(See accompanying notes to the financial statements)

WORLD HOPE INTERNATIONAL, (CANADA) INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> | <u>2010</u> |
|--|------------------|-------------------|
| Operating, capital and project activities | | |
| Excess of revenue over expense for the year | \$ (30,841) | \$ (28,414) |
| Items not involving an outlay of cash | | |
| Amortization | <u>1,660</u> | <u>1,251</u> |
| | (29,181) | (27,163) |
| Change in non-cash working capital | | |
| Bank loan | 28,750 | 0 |
| Amounts receivable | 3,371 | (2,101) |
| Taxes recoverable | (5,576) | 0 |
| Prepaid expenses | (7,347) | 26,592 |
| Accounts payable and accruals | 18,100 | 18,593 |
| Deferred revenue | <u>(86,094)</u> | <u>71,619</u> |
| | <u>(77,977)</u> | <u>87,540</u> |
| Investing activities | | |
| Capital asset (purchases) - net | <u>0</u> | <u>(4,685)</u> |
| Change of cash during the year | (77,977) | 82,855 |
| Cash and short term investments, beginning of year | <u>151,651</u> | <u>68,796</u> |
| Cash and short term investments, end of year | <u>\$ 73,674</u> | <u>\$ 151,651</u> |

(See accompanying notes to the financial statements)