

Human Concern International



Financial Statements

For the year ended March 31, 2015



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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 statements of financial position as at March 31, 2015, 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, 2014 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, 2015 and 2014, assets as at March 31, 2015 and 2014, and net assets at both the beginning and end of the March 31, 2015 and 2014 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, 2015 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 Professional Accountants, Licensed Public Accountants

January 24, 2017

Ottawa, Ontario

Human Concern International Statement of Financial Position

March 31 2015 2014

Assets

Current

Cash (Note 1)	\$ 4,423,783	\$ 5,012,089
Accounts receivable (Note 2)	79,769	73,566
Prepaid expenses	10,605	10,500
	4,514,157	5,096,155
Investments (Note 3)	386,809	364,994
Capital works	655,001	608,575
Tangible capital assets (Note 4)	523,296	538,315
	\$ 6,079,263	\$ 6,608,039

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 107,922	\$ 94,689
Deferred contributions (Note 6)	1,078,923	2,517,648
	1,186,845	2,612,337

Net assets

Net assets internally restricted for tangible capital assets (Note 4)	1,178,297	1,146,890
Net assets restricted for endowment purposes	6,000	6,000
Undistributed net assets	3,708,121	2,842,812
	4,892,418	3,995,702
	\$ 6,079,263	\$ 6,608,039

On behalf of the Board:

Director

Director

Human Concern International Statement of Changes in Net Assets

For the year ended March 31 **2015** **2014**

	Internally Restricted for Capital Assets	Endowment	Undistributed	Total	Total
Balance , beginning of year, restated (Note 7)	\$ 1,146,890	\$ 6,000	\$ 2,842,812	\$ 3,995,702	\$ 2,216,470
Excess (deficiency) of revenue over expenses for the year	(50,357)	-	947,073	896,716	1,779,232
Investment in capital assets	81,764	-	(81,764)	-	-
Balance , end of year	\$ 1,178,297	\$ 6,000	\$ 3,708,121	\$ 4,892,418	\$ 3,995,702

Human Concern International Statement of Operations

For the year ended March 31	2015	2014
Revenue		
Donations (Note 8)	\$ 9,908,605	\$ 10,395,569
Rental Income	34,772	24,770
Gain on foreign exchange	36,571	57,499
Investment Income	7,754	6,072
Unrealized investment gain (loss)	14,141	18,511
	10,001,843	10,502,421
Donations disbursed (Schedule and Note 8)	8,148,357	7,839,544
	1,853,486	2,662,877
Expenses		
Amortization of tangible capital assets	50,357	46,061
Audit fees	16,304	9,365
Bank charges	19,220	22,910
Dues and subscriptions	5,588	1,437
Equipment leases	2,681	3,828
Fundraising and promotion	375,927	411,027
Insurance	12,512	15,331
Legal and consulting fees	17,423	1,832
Meetings and workshops	19,672	15,178
Office administration	322,588	240,433
Property taxes	3,852	4,392
Repairs and maintenance	32,343	49,064
Telephone and communications	46,320	34,386
Travel	8,585	7,036
Utilities	23,398	21,365
	956,770	883,645
Excess of revenue over expenses for the year	\$ 896,716	\$ 1,779,232

Human Concern International Statement of Cash Flows

For the year ended March 31	2015	2014
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 896,716	\$ 1,779,232
Adjustments for		
Amortization of tangible capital assets	50,357	46,061
	947,073	1,825,293
Changes in non-cash working capital items		
Accounts receivable	(6,203)	(41,732)
Prepaid expenses	(105)	998
Accounts payable and accrued liabilities	13,233	(31,338)
Deferred revenue	(1,438,725)	(1,884,097)
	(484,727)	(130,876)
Cash flows from investing activities		
Purchase of tangible capital assets	(81,764)	(287,282)
Net increase in investments	(21,815)	(24,134)
	(103,579)	(311,416)
Decrease in cash during the year	(588,306)	(442,292)
Cash, beginning of year	5,012,089	5,454,381
Cash, end of year	\$ 4,423,783	\$ 5,012,089

Human Concern International

Summary of Significant Accounting Policies

March 31, 2015

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.

These financial statements includes the operations of affiliate offices in Pakistan and Afghanistan.

There are separately incorporated not-for-profit entities in East Africa and Lebanon that operate under the name "Human Concern International". The organization 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.

Human Concern International

Summary of Significant Accounting Policies

March 31, 2015

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, 2015

Foreign Currency	<p>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, 2015. Gains or 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, 2015. 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, 2015

1. **Cash**

The organization's bank accounts are held at one chartered bank. Bank balances include \$112,031 (2014 - \$227,579) denominated in U.S. dollars and Rs 8,723,339 (2014 - Rs 43,118,618) denominated in Pakistan rupees.

2. **Accounts Receivable**

	<u>2015</u>	<u>2014</u>
GST/HST receivable	\$ 54,810	\$ 54,440
Other	24,959	19,126
	<u>\$ 79,769</u>	<u>\$ 73,566</u>

Accounts receivable includes Rs 1,678,020 (2014 - Rs 1,638,248) denominated in Pakistan rupees.

3. **Investments**

	<u>2015</u>	<u>2014</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 103,580	\$ 99,680
Investia Financial	56,241	53,771
Investors Group	139,643	129,720
Scotiabank GIC	10,000	10,000
BMO Nesbitt Burns	77,345	71,823
	<u>\$ 386,809</u>	<u>\$ 364,994</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, 2015

4. Tangible Capital Assets

	2015			2014		
	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	224,100	82,017	306,117	213,896	92,221
Building improvements	42,888	24,271	18,617	19,617	19,617	-
Computer equipment	78,011	78,011	-	78,011	76,422	1,589
Furniture and equipment	55,974	50,864	5,110	55,974	47,977	7,997
<u>International</u>						
Leasehold land	1,331	-	1,331	1,331	-	1,331
Building	181,819	24,115	157,704	167,669	10,371	157,298
Furniture and equipment	71,359	50,083	21,276	77,810	49,175	28,635
Computer equipment	10,229	9,420	809	10,229	9,221	1,008
Electrical equipment	4,914	1,849	3,065	4,978	1,531	3,447
Vehicles	121,536	88,169	33,367	121,536	76,747	44,789
	\$ 1,074,178	\$ 550,882	\$ 523,296	\$ 1,043,272	\$ 504,957	\$ 538,315

5. Accounts Payable and Accrued Liabilities

	2015	2014
Trade payables and salary accruals	\$ 107,922	\$ 92,003
Government remittances payable	-	2,686
	\$ 107,922	\$ 94,689

Trade payables and salary accruals includes Rs 6,493,818 (2014 - Rs 5,991,379) denominated in Pakistan rupees.

Human Concern International Notes to Financial Statements

March 31, 2015

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	\$ 1,279,248	\$ 93,457	\$ (293,782)	\$ 1,078,923
Somalia - Projects and Relief Assistance	1,022,306	149,349	(1,171,655)	-
Syria - Projects and Relief Assistance	216,094	2,018,622	(2,234,716)	-
	\$ 2,517,648	\$ 2,261,428	\$ (3,700,153)	\$ 1,078,923

7. Comparative Amounts Restatements

In prior years, the organization reported only the Canadian operations in the financial statements. During the year, it was determined that the operations of the Pakistan and Afghanistan entities should be considered part of the organization and their assets, liabilities, net assets, revenue and expense should be presented as part of the organization's financial statements. As a result of retroactively restating comparative amounts:

- Net assets internally restricted for capital assets at April 1, 2013 has increased by \$584,740;
 - Undistributed net assets at April 1, 2013 has increased by \$519,193;
 - Revenue for the year ended March 31, 2014 has increased by \$1,408;
 - Donations disbursed for the year ended March 31, 2014 has decreased by \$276,228;
 - Expenses for the year end March 31, 2014 has increased by \$97,106;
 - Excess of revenue over expenses for the year ended March 31, 2014 has increased by \$177,714;
 - Current assets at March 31, 2014 has increased by \$504,429;
 - Capital works at March 31, 2014 has increased by \$608,575;
 - Tangible capital assets at March 31, 2014 has increased by \$236,508;
 - Current liabilities at March 31, 2014 has increased by \$67,866;
 - Net assets internally restricted for capital assets at March 31, 2014 has increased by \$845,083; and
 - Undistributed net assets at March 31, 2014 has increased by \$436,563.
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8. Non-Cash Donations

Donation receipts and donations disbursed include \$1,005,340 of donations received in kind (2014 - \$622,895).

Human Concern International Notes to Financial Statements

March 31, 2015

9. 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 four years are as follows:

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

10. 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, 2015.

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.

Foreign currency risk

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

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. There have been no significant changes in the organization's risk exposures from the 2014 fiscal year.

Human Concern International Schedule of Donations Disbursed

For the year ended March 31	2015	2014
Afghanistan - Projects and Relief Assistance	\$ 99,427	\$ 77,625
Bangladesh - Projects and Relief Assistance	123,255	184,992
Bosnia - Projects and Relief Assistance	72,861	-
Burundi- Projects and Relief Assistance	17,967	8,315
Central African Republic - Projects and Relief Assistance	27,256	-
Djibouti- Projects and Relief Assistance	31,700	-
Egypt - Projects and Relief Assistance	12,140	44,847
Eritrea - Projects and Relief Assistance	6,798	-
Ethiopia - Projects and Relief Assistance	10,524	5,500
Guyana & Caribbean - Projects and Relief Assistance	30,121	11,318
Haiti - Projects and Relief Assistance	11,846	26,630
India - Projects and Relief Assistance	466,442	564,751
Indonesia - Projects and Relief Assistance	16,500	14,500
Iraq - Projects and Relief Assistance	4,198	8,445
Jordan - Projects and Relief Assistance	6,509	18,265
Kashmir - Projects and Relief Assistance	139,131	248,819
Kenya - Projects and Relief Assistance	50,612	102,918
Lebanon - Projects and Relief Assistance	388,355	113,985
Libya - Projects and Relief Assistance	-	234,647
Malaysia - Projects and Relief Assistance	50,000	54,000
Mauritius - Projects and Relief Assistance	-	2,026
Morocco - Projects and Relief Assistance	-	47,417
Myanmar - Projects and Relief Assistance	113,457	267,016
Pakistan - Projects and Relief Assistance	750,326	319,294
Pakistan Flood Victims- Projects and Relief Assistance	359,574	209,808
Palestine - Projects and Relief Assistance	551,243	53,314
Philippines - Projects and Relief Assistance	75,000	50,529
Somalia - Projects and Relief Assistance	1,583,205	1,396,369
Sri-Lanka - Projects and Relief Assistance	15,130	25,000
Sudan - Projects and Relief Assistance	16,667	18,377
Syria - Projects and Relief Assistance	2,549,264	2,817,968
Tunisia - Projects and Relief Assistance	38,233	16,990
Turkey - Projects and Relief Assistance	33,882	18,056
Yemen- Projects and Relief Assistance	-	89,421
Higher Education Literacy Program	-	5,500
Public Education Program	500	17,152
Child Sponsorship Program	441,587	708,123

Human Concern International
Schedule of Donations Disbursed (continued)

For the year ended March 31	2015	2014
Canada Relief Fund and Local Education Projects	44,126	21,057
Social Assistance - Canada	7,245	22,884
Social Assistance - USA	3,276	3,686
First Nation Program	-	10,000
	\$ 8,148,357	\$ 7,839,544
