



FOOD FOR THE HUNGRY

**FH CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2016**



INDEPENDENT AUDITORS' REPORT

To the Members of:
FH Canada

Report on the Financial Statements

We have audited the accompanying financial statements of FH Canada which comprise the statement of financial position as at September 30, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes comprising 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.

Auditors' 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 our 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were unable to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, current assets, and net assets.

Qualified Opinion

In our opinion, except for the possible 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 FH Canada as at September 30, 2016, and the results of its operations and cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.



INDEPENDENT AUDITORS' REPORT

Other Matters

The financial statements of FH Canada for the year ended September 30, 2015 were prepared by another firm of accountants who expressed a qualified opinion on the financial statements on January 21, 2016. The basis for the qualified opinion was the same as the above basis for the qualified opinion.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Society Act, we report that, in our opinion, the Organization's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

Manning Elliott LLP

Chartered Professional Accountants

Abbotsford, British Columbia

January 12, 2017

FH CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 439,889	\$ 327,056
Investments (Note 3)	470,097	413,177
Goods and services tax receivable	10,141	8,345
Inventory (Note 5)	802,882	872,803
Prepaid expenses	71,785	66,356
	<hr/> 1,794,794	<hr/> 1,687,737
PROPERTY, EQUIPMENT AND SOFTWARE (Note 6)	271,260	288,669
CASH SURRENDER VALUE OF LIFE INSURANCE	4,268	3,590
	<hr/> \$ 2,070,322	<hr/> \$ 1,979,996
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 403,270	\$ 124,284
Deferred contributions (Note 7)	257,219	459,900
	<hr/> 660,489	<hr/> 584,184
NET ASSETS	<hr/> 1,409,833	<hr/> 1,395,812
	<hr/> \$ 2,070,322	<hr/> \$ 1,979,996

Approved by the Board:



John Page



Donald Buckingham

FH CANADA**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 1,395,812	\$ 1,389,155
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	14,021	6,657
BALANCE, END OF YEAR	\$ 1,409,833	\$ 1,395,812

FH CANADA**STATEMENT OF OPERATIONS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2016	2015
REVENUE		
Donated commodities	\$ 3,064,117	\$ 2,769,020
Contributions - program donations	2,965,961	2,856,728
Contributions - sponsorships	2,319,210	2,189,922
Gifts in kind	60,103	130,245
Sales and service income	7,130	40,088
Investment income	5,052	10,855
Other	1,985	891
	<hr/> 8,423,558	<hr/> 7,997,749
EXPENSES		
Commodities sent to the field	3,178,905	2,942,198
Direct international program payments	2,388,837	2,451,690
Wages and benefits	1,359,206	1,322,837
Media and events	612,372	506,494
Travel	252,885	187,158
Commodity shipping and other costs	199,353	181,570
Occupancy	135,573	136,786
Postage and delivery	132,734	117,380
Data processing and communications	129,721	133,565
Professional fees	26,686	59,943
Office and miscellaneous	26,558	25,947
Amortization	25,691	29,691
Meals and entertainment	15,166	17,047
Insurance	11,107	14,473
Grants to qualified donees	500	500
	<hr/> 8,495,294	<hr/> 8,127,279
EXCESS OF EXPENSES OVER REVENUE FROM OPERATIONS	<hr/> (71,736)	<hr/> (129,530)
OTHER INCOME (EXPENSES)		
Foreign exchange gain	74,640	129,446
Gain (loss) on disposal of assets	96	(625)
Gain on disposal of investments	598	13,531
Unrealized gain (loss) on investments	10,423	(6,165)
	<hr/> 85,757	<hr/> 136,187
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<hr/> \$ 14,021	<hr/> \$ 6,657

FH CANADA**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2016	2015
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 14,021	\$ 6,657
Items not involving cash:		
Amortization	25,691	29,691
Cash surrender value of life insurance	(678)	(3,590)
Unrealized (gain) loss on investments	(10,423)	6,165
Gain on disposal of investments	(598)	(13,531)
	28,013	25,392
Change in non-cash working capital items:		
Accounts receivable	-	18,445
Inventory	69,921	9,822
Prepaid expenses	(5,429)	5,372
Accounts payable and accrued liabilities	278,986	(38,945)
Goods and services tax receivable	(1,796)	(323)
Deferred contributions	(202,681)	(331,306)
	167,014	(311,543)
INVESTING ACTIVITIES		
Purchase of property, equipment and software	(8,282)	(8,388)
Net proceeds (purchase) of investments	(45,899)	391,127
	(54,181)	382,739
INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR	112,833	71,196
CASH AND EQUIVALENTS, BEGINNING OF YEAR	327,056	255,860
CASH AND EQUIVALENTS, END OF YEAR	\$ 439,889	\$ 327,056

FH CANADA**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NATURE OF OPERATIONS

FH Canada (the "Organization") is incorporated under the Canada Not-for-profit Corporations Act and is registered as a charity under the Income Tax Act (Canada), and accordingly is exempt from income taxes on its operations. The purpose of FH Canada is to provide sustainable development and disaster relief to the needy and destitute of the world, and to provide educational programs and information in Canada to enhance public understanding of the issues surrounding poverty.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in accordance with Canadian generally accepted accounting principles (GAAP), and in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

b) Amortization

Property, equipment and software is stated at cost less accumulated amortization. The following asset categories are amortized on the declining balance basis over the estimated useful life of the assets, with a half-year's provision in the year of acquisition, at the following annual rates:

Buildings	5%
Motor vehicles	20%
Furniture and fixtures	20%
Computer equipment	40%

Leasehold improvements are amortized on the straight-line basis over their estimated useful life. Computer software is amortized on the straight-line basis over three years. A half-year's provision is taken in the year of acquisition.

c) Inventory

Inventory consists of donated equipment and supplies awaiting shipment and is recorded at estimated fair market value at the time of contribution. Inventory is measured using the first in first out method.

FH CANADA**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Donations and sponsorships include cash contributions. Cash contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Cash contributions related to expenses of future periods are deferred and recognized as revenue in the period when the related expenses are incurred.

Donations of goods and supplies are recognized in the accounts of the organization at estimated fair market value. In cases where a gift in kind charitable receipt is required for contributed materials they are recognized as revenue when received, if the amount to be received can be reasonably estimated. Licensed bio-medical equipment is recognized as revenue when its serviceability has been verified and it is shipped. All other equipment and supplies are recognized as revenue when received.

Service income is recognized when services have been rendered.

Income from investments is recorded as earned, including gains and losses based on quoted fair values, whether realized or unrealized.

e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

f) Foreign currency transactions

Monetary assets and liabilities in currencies other than the Canadian dollar are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue, expenses and non-monetary balances are translated at the rate of exchange prevailing at the transaction dates.

g) Income taxes

The Organization is registered as a charity under the Canada Not-for-profit Corporations Act and extra-provincially under the Society Act of British Columbia. The Organization is also registered with Canada Revenue Agency as a charitable organization and, as such, is not subject to income taxes.

h) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Donations-in-kind

Commodity values represent donated and purchased supplies and food shipped to various areas of need around the world in accordance with the Organization's purpose and objectives. Medical and other equipment and supplies donated to the Organization are stored at the Organization's warehouse until shipped. Donated food containers are shipped directly from donors' premises.

The total donations-in-kind received during the year amounted to \$3,124,220 (2015 - \$2,899,265) and the value of shipments has been recorded as commodities sent to the field in the amount of \$3,178,905 (2015 - \$2,942,198).

j) Financial instruments

i) Measurement

The Organization's financial instruments consist of cash, investments, goods and services tax receivable, accounts payable and accrued liabilities.

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all of its financial assets and 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 of equity instruments carried at fair value are recognized in net income.

Financial assets measured at amortized cost include cash, investments and goods and services tax receivable.

Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in net income. A previously recognized impairment loss may be reversed to the extent of any improvement, 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 net income in the period in which it is determined.

2. FINANCIAL INSTRUMENTS

Risks 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 at the balance sheet date.

a) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk arising primarily from its accounts payable, accrued liabilities, and wages payable. The Organization's ability to meet obligations depends on the receipt of funds from its donors.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk and other price risk.

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization receives donations largely in Canadian funds from donors, which are then remitted to the countries of operation in US Dollars to fund program activities. Currency risk arises as a result of the possibility of the cost of program activities fluctuating because of changes in foreign exchange rates. The Organization also has cash denominated in foreign currencies and thus is exposed to the financial risk of earning fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

e) Other market risk

Other market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's investments in publicly traded securities expose the Organization to market risk as such investments are subject to price changes in the open market.

3. INVESTMENTS

	2016		2015
RBC Dominion Securities Inc.	\$ 264,266	\$	242,898
BMO InvestorLine	205,831		170,279
	<u>\$ 470,097</u>	<u>\$</u>	<u>413,177</u>

FH CANADA**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

4. FOREIGN EXCHANGE CONTRACTS

The Organization has committed to US \$985,000 (2015 - US \$720,000) foreign exchange forward contracts with the Bank of Montreal, that will mature between October 3, 2016 and August 1, 2017 (2015 - October 15, 2015 and June 15, 2016) at rates varying from 1.2562 to 1.2857 (2015 - 1.2076 to 1.2283). The forward contracts require the Company to purchase US dollars at these fixed exchange rates.

The fair value of the forward contracts is estimated to be \$39,000 based on the exchange rate in effect at September 30, 2016 and will fluctuate according to changes in the spot exchange rate until the forward contracts mature. The fair value of the forward contracts has not been recognized in these financial statements.

5. INVENTORY

Inventory consists of donated equipment and supplies awaiting shipment and is recorded at estimated fair market value at the time of contribution.

6. PROPERTY, EQUIPMENT AND SOFTWARE

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 48,230	\$ -	\$ 48,230	\$ 48,230
Motor vehicles	19,110	7,529	11,581	9,805
Buildings	372,666	180,741	191,925	202,026
Computer hardware	49,667	38,212	11,455	13,498
Computer software	141,761	140,698	1,063	2,646
Furniture and fixtures	73,158	69,118	4,040	5,050
Leasehold improvements	42,615	39,649	2,966	7,414
	<u>\$ 747,207</u>	<u>\$ 475,947</u>	<u>\$ 271,260</u>	<u>\$ 288,669</u>

7. DEFERRED CONTRIBUTIONS

Deferred contributions represents donations that were designated by supporters and will be disbursed in the future to ongoing programs. When project funding requirements have been fully met, the board of directors has the right to redirect the funds to another project.

	2016	2015
Balance, beginning of year	\$ 459,900	\$ 789,756
Amounts received during the year	181,479	433,400
Amounts recognized as revenue during the year	(384,160)	(763,256)
Balance, end of year	<u>\$ 257,219</u>	<u>\$ 459,900</u>

FH CANADA**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

8. CONTRACTUAL OBLIGATIONS

The Organization has entered into operating leases for the use of its premises and office equipment. Under the terms of the leases, the minimum annual lease payments required are:

2017	\$	76,475
2018		16,860
2019		16,860
2020		16,711
2021		12,919
		<hr/>
	\$	139,825

9. FUNDRAISING EXPENSES

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Organization discloses that the expenses incurred for the purpose of soliciting contributions totaled \$1,099,446 (2015 - \$1,064,272). This includes expenses and fees of \$324,765 (2015 - \$255,335) for artists to solicit contributions on the Organization's behalf. The amounts paid as remuneration to employees of the Organization whose principal duties involve fundraising was \$581,164 (2015 - \$618,664).

The Organization supported overseas charitable activities by forwarding funding of \$2,388,837 (2015 - \$2,451,690) and shipped goods valued at \$3,141,112 (2015 - \$2,904,288).