

Hungry for Life International

Financial Statements

For the year ended December 31, 2013

Hungry for Life International
Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

To the Board of Directors of Hungry for Life International

We have audited the accompanying financial statements of Hungry for Life International, which comprise the statement of financial position as at December 31, 2013 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 of 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Hungry for Life International derives revenue from donations and cash receipts, 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. Other than grants, we were unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets, deferred contributions and net assets.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Hungry for Life International as at December 31, 2013 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.



The Valley Group

Langley, British Columbia
September 29, 2014

Hungry for Life International
Statement of Financial Position

December 31

2013

2012

Assets

Current

| | | |
|---------------------------------|------------|------------|
| Cash | \$ 444,022 | \$ 494,413 |
| Short-term investments (Note 3) | 449,360 | 444,395 |
| Accounts receivable | 6,924 | 9,875 |
| Tax rebates receivable | 2,869 | 5,675 |
| Prepaid expenses | 44,533 | 81,254 |

947,708 1,035,612

Endowment fund investments (Note 4) **395,883** 389,526

Capital assets (Note 5) **17,531** 15,329

\$ 1,361,122 **\$ 1,440,467**

Liabilities, Deferred Contributions and Net Assets

Current

Accounts payable and accrued liabilities **\$ 5,213** \$ 69,055

Deferred contributions

Restricted contributions (Note 6) **849,254** 885,792

Deferred contributions related to capital assets (Note 7) **5,592** 5,623

860,059 960,470

Net assets

Restricted for endowment **395,883** 389,526

Internally restricted **3,661** 2,613

Invested in capital assets **11,939** 9,706

Unrestricted **89,580** 78,152

501,063 479,997

\$ 1,361,122 **\$ 1,440,467**

Approved by the Board of Directors:



President



Treasurer

Hungry for Life International
Statement of Changes in Net Assets

For the years ended December 31

2013

2012

| | Internally restricted | Invested in capital assets | Restricted for endowment | Unrestricted | Total | Total |
|--|--------------------------|-------------------------------|-----------------------------|------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 2,613 | \$ 9,706 | \$ 389,526 | \$ 78,152 | \$ 479,997 | \$ 497,542 |
| Excess (deficiency) of revenue over expenses | 1,048 | (1,768) | 6,357 | 15,429 | 21,066 | (17,545) |
| Investment in capital assets | | 4,001 | | (4,001) | | |
| Balance, end of year | \$ 3,661 | \$ 11,939 | \$ 395,883 | \$ 89,580 | \$ 501,063 | \$ 479,997 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Hungry for Life International

Statement of Operations

For the years ended December 31

2013

2012

| | Projects | Staffing | Operations | Total | Total |
|--|------------------|----------------|------------------|------------------|--------------------|
| Revenue | | | | | |
| Contributions for projects and staffing costs (Note 6) | \$ 2,239,913 | \$ 597,527 | \$ 5,928 | \$ 2,843,368 | \$ 1,826,856 |
| Other contributions | - | - | 237,771 | 237,771 | 201,298 |
| Investment income | 6,357 | - | 7,843 | 14,200 | 17,690 |
| Amortization of deferred contributions related to capital assets | - | - | 4,896 | 4,896 | 2,044 |
| Interfund transfer | 7,711 | (5,461) | (2,250) | - | - |
| | <u>2,253,981</u> | <u>592,066</u> | <u>254,188</u> | <u>3,100,235</u> | <u>2,047,888</u> |
| Expenses | | | | | |
| Project and trip costs | | | | | |
| Direct relief and development expenditures | 1,484,712 | - | - | 1,484,712 | 686,537 |
| Wages and benefits | - | 463,499 | 50,240 | 513,739 | 572,267 |
| Volunteer and staff travel costs | 578,371 | - | 29,108 | 607,479 | 372,725 |
| Other project delivery costs | 80,957 | - | (2,272) | 78,686 | 71,635 |
| Supplies | 102,535 | - | - | 102,535 | 70,882 |
| Staff support and training | - | 24,274 | - | 24,274 | 19,489 |
| | <u>2,246,575</u> | <u>487,773</u> | <u>77,076</u> | <u>2,811,425</u> | <u>1,793,535</u> |
| General and administrative | | | | | |
| Amortization of capital assets | - | - | 6,665 | 6,665 | 7,736 |
| Communications and donor development | - | - | 11,942 | 11,942 | 9,970 |
| Fundraising | - | - | 21,418 | 21,418 | 21,964 |
| Ministry costs | - | - | 2,876 | 2,876 | 6,147 |
| Occupancy costs | - | - | 30,680 | 30,680 | 28,862 |
| Office and miscellaneous | - | - | 52,042 | 52,042 | 52,880 |
| Staff support and training | - | 6,347 | 8,105 | 14,452 | 12,084 |
| Travel and meals | - | - | 15,433 | 15,433 | 18,174 |
| Wages and benefits | - | 97,946 | 14,290 | 112,236 | 114,081 |
| | <u>-</u> | <u>104,293</u> | <u>163,451</u> | <u>267,744</u> | <u>271,898</u> |
| | <u>2,246,575</u> | <u>592,066</u> | <u>240,527</u> | <u>3,079,169</u> | <u>2,065,433</u> |
| Excess (deficiency) of revenue over expenses for the year | <u>\$ 7,406</u> | <u>\$ -</u> | <u>\$ 13,661</u> | <u>\$ 21,066</u> | <u>\$ (17,545)</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Hungry for Life International **Statement of Cash Flows**

For the years ended December 31

2013

2012

Cash provided by (used in)

Operating activities

| | | |
|--|-----------|-------------|
| Excess (deficiency) of revenue over expenses for the year | \$ 21,066 | \$ (17,545) |
| Adjustment for non-cash items | | |
| Amortization of capital assets | 6,665 | 7,736 |
| Amortization of deferred contributions related to capital assets | (4,896) | (2,044) |
| Increase in value of endowment fund | (6,357) | (10,809) |

| | | |
|--|---------------|-----------------|
| | 16,478 | (22,662) |
|--|---------------|-----------------|

Changes in non-cash working capital balances

| | | |
|--|----------|----------|
| Accounts receivable | 2,951 | (2,515) |
| Prepaid expenses | 36,721 | (79,571) |
| Accounts payable and accrued liabilities | (63,842) | 67,308 |
| Tax rebates receivable | 2,806 | 1,247 |
| Restricted contributions | (36,538) | 123,161 |

| | | |
|--|-----------------|----------------|
| | (57,902) | 109,630 |
|--|-----------------|----------------|

| | | |
|--|-----------------|---------------|
| | (41,424) | 86,968 |
|--|-----------------|---------------|

Investing activities

| | | |
|--------------------------------------|----------|---------|
| Purchase of computers and equipment | (13,117) | (7,379) |
| Proceeds on disposition of equipment | 4,250 | - |

| | | |
|--|----------------|----------------|
| | (8,867) | (7,379) |
|--|----------------|----------------|

Financing activities

| | | |
|---|-------|-------|
| Restricted contributions used for purchase of equipment | 4,865 | 4,482 |
|---|-------|-------|

| | | |
|--|----------|--------|
| (Decrease) increase in cash and short-term investments during the year | (45,426) | 84,071 |
|--|----------|--------|

| | | |
|--|----------------|----------------|
| Cash and short-term investments, beginning of year | 938,808 | 854,737 |
|--|----------------|----------------|

| | | |
|--|-------------------|-------------------|
| Cash and short-term investments, end of year | \$ 893,382 | \$ 938,808 |
|--|-------------------|-------------------|

Represented by

| | | |
|------------------------|------------|------------|
| Cash | \$ 444,022 | \$ 494,413 |
| Short-term investments | 449,360 | 444,395 |

| | | |
|--|-------------------|-------------------|
| | \$ 893,382 | \$ 938,808 |
|--|-------------------|-------------------|

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Hungry for Life International **Notes to Financial Statements**

December 31, 2013 and 2012

1. Status of Organization and Activities

Hungry for Life International is a not-for-profit organization incorporated under the provisions of the Canada Corporations Act and registered as an Extraprovincial Society under the Society Act of British Columbia.

It is a Christian humanitarian aid organization that funds, facilitates and carries out projects of relief of human suffering, hunger and need worldwide. The organization conducts a monthly inter-church worship service event in Chilliwack BC, mobilizing local churches and individuals for short-term missions activities.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Significant Accounting Policies

(a) Investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are recognized in the Statement of Operations.

(b) Amortization of capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization, based upon the estimated useful life of the assets, is recorded at the following annual rates, with half-rates used in the year of acquisition:

| | |
|-------------------------|----------------------------------|
| Computers | - 45 % diminishing balance basis |
| Software | - 5 years straight-line basis |
| Furniture and equipment | - 25 % diminishing balance basis |
| Leasehold improvements | - 6 years straight-line basis |

(c) Revenue recognition:

The organization follows the deferral method of accounting for restricted contributions.

Contributions received for specific projects, trips, and staff support are recognized as revenue in the year in which the related expenses are incurred. Contributions designated for administration and unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions related to capital assets are recorded as revenue over the same amortization period as the related capital asset.

In common with many charitable organizations, volunteers contribute many hours of service. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Hungry for Life International **Notes to Financial Statements**

December 31, 2013 and 2012

2. Significant Accounting Policies continued

(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 could 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.

Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for calculating amortization. Actual results could differ from those estimates.

(e) Allocation of expenses

Certain employees perform a combination of project and administrative functions; as a result, salaries and benefits are allocated based on time dedicated to the functional activities. Such allocations are reviewed regularly by management.

3. Short-term Investments

| | <u>2013</u> | | <u>2012</u> |
|--|-------------------|----|----------------|
| Fixed income | \$ 406,704 | \$ | 402,266 |
| Equities and other marketable securities | <u>42,656</u> | | <u>42,129</u> |
| | <u>\$ 449,360</u> | \$ | <u>444,395</u> |

The market risk associated with these short-term investments is minimized by ensuring that these assets are invested in corporate bonds, term deposits and money-market funds. Though the principal is not necessarily guaranteed through the holding of government-backed securities or insurable products, the intent of the investment strategy employed by management is to maintain the original principal balance of its portfolio by holding low-risk interest-bearing instruments. Any donated securities that do not fit this criteria are redeemed or sold as soon as reasonably possible.

Hungry for Life International **Notes to Financial Statements**

December 31, 2013 and 2012

4. Endowment Fund Investments

In 2009, the organization received an investment portfolio valued at \$313,246 to be held in endowment, with the stipulation that the proceeds of this fund are to be used specifically for orphan care in Kenya. Unused investment proceeds are reinvested in the endowment fund. During the year, the endowment earned investment income of \$6,357 (2012- \$10,809), and \$0 (2012 - \$0) was withdrawn for orphan care. Management intends to grow the endowment fund to \$400,000, with investment objectives of 60% income, 30% growth and 10% speculative holdings, and risk tolerances of 25% low, 50% medium and 25% high. The investment portfolio, held with Raymond James Ltd., consists of the following asset allocation at year end:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Cash held for investment and cash equivalents | \$ 29,314 | \$ 8,742 |
| Fixed income | 120,350 | 173,594 |
| Preferred shares | 10,032 | 38,680 |
| Equities and other marketable securities | <u>236,187</u> | <u>168,510</u> |
| | <u>\$ 395,883</u> | <u>\$ 389,526</u> |

5. Capital Assets

| | <u>2013</u> | | <u>2012</u> | |
|-------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Computers | \$ 39,053 | \$ 28,312 | \$ 43,491 | \$ 34,144 |
| Software | 6,900 | 6,900 | 6,900 | 6,210 |
| Furniture and equipment | 18,814 | 12,615 | 19,864 | 15,400 |
| Leasehold improvements | 1,420 | 829 | 1,420 | 592 |
| | <u>\$ 66,187</u> | <u>\$ 48,656</u> | <u>\$ 71,675</u> | <u>\$ 56,346</u> |
| Net book value | | <u>\$ 17,531</u> | | <u>\$ 15,329</u> |

Hungry for Life International
Notes to Financial Statements

December 31, 2013 and 2012

6. Restricted Contributions

Restricted contributions represent the unspent amount of contributions received for specific projects and staffing costs, held over for use in a future fiscal period.

| | | | | <u>2013</u> | | | <u>2012</u> |
|---|---|-------------------|-------------------|--------------------------|-----------|--|----------------|
| | Organizational leadership and development | Projects | Staffing | Total | | | Total |
| Balance, beginning of year | \$ 14,707 | \$ 693,339 | \$ 177,746 | \$ 885,792 | \$ | | 762,631 |
| Contributions received | (1) | 2,257,838 | 553,858 | 2,811,695 | \$ | | 1,950,017 |
| Contributions used for the purchase of capital assets | - | | (4,865) | (4,865) | | | |
| Amount expended and recognized as revenue | (5,928) | (2,239,913) | (597,527) | (2,843,368) | | | (1,826,856) |
| Balance, end of year | <u>\$ 8,778</u> | <u>\$ 711,264</u> | <u>\$ 129,212</u> | <u>\$ 849,254</u> | <u>\$</u> | | <u>885,792</u> |

7. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount of donated capital assets and restricted contributions used for the purchase of depreciable capital assets.

| | | | <u>2013</u> | | | <u>2012</u> |
|--|-----------|--|---------------------|-----------|--|--------------|
| Balance, beginning of year | \$ | | 5,623 | \$ | | 3,185 |
| Restricted contributions used for the purchase of capital assets | | | 4,865 | | | 4,482 |
| Amounts amortized to revenue | | | (4,896) | | | (2,044) |
| Balance, end of year | <u>\$</u> | | <u>5,592</u> | <u>\$</u> | | <u>5,623</u> |

Hungry for Life International

Notes to Financial Statements

December 31, 2013 and 2012

8. Financial Instruments

The organization faces certain risks with respect to its financial instruments as follows:

Credit risk

Credit risk is the risk of economic loss arising from a counter party's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject the organization to concentrations of credit risk consist of cash deposits, short-term investments and endowment investments. The organization has cash and certain short-term investments deposited with RBC Royal Bank, protected by the Canada Deposit Insurance Corporation up to \$100,000 in aggregate. Excess and foreign currency deposits are not insured. The organization has certain short-term investments deposited with RBC Dominion Securities, and endowment fund investments deposited with Raymond James Ltd., both of which are protected by the Canadian Investor Protection Fund within specific limits. However, as these are all reputable financial institutions, management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they become due. The organization's policy is to ensure it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation. Typically, the organization ensures that it has sufficient cash on demand to meet expected operational expenses. Management believes the organization's exposure to liquidity risk to be small.

Market risk

Market Risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The organization's investments in publicly traded securities expose the Society to market risk since these equity investments are subject to price fluctuations in the open market. Risk tolerances and investment risk profiles are as noted elsewhere in these financial statements.

Currency risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization routinely exchanges funds into foreign currencies for its operations, but at the time it is needed, and typically does not carry any receivables or payables in foreign currencies. The organization does maintain some foreign currency deposits in United States dollars. It is management's opinion that the organization's exposure to currency risk is small.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The organization does not have significant interest rate risk.

There have been no significant changes in the organization's financial instrument risk exposure from the prior year.