

# Human Concern International



## Financial Statements

For the year ended March 31, 2018



**Human Concern International**  
**Financial Statements**  
For the year ended March 31, 2018

**Contents**

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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, 2018, 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.

#### *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, 2017 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, 2018 and 2017, assets as at March 31, 2018 and 2017, and net assets at both the beginning and end of the March 31, 2018 and 2017 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, 2018 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.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
March 16, 2020  
Ottawa, Ontario

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## Human Concern International Statement of Financial Position

**March 31** **2018** **2017**

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### Assets

#### Current

Cash (Note 1)	\$ 4,215,248	\$ 4,208,684
Accounts receivable (Note 2)	135,281	124,965
Prepaid expenses	128,732	19,186

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	4,479,261	4,352,835
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#### Investments (Note 3)

	848,053	410,190
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#### Capital works

	26,858	26,858
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#### Tangible capital assets (Note 4)

	1,009,689	1,065,357
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	\$ 6,363,861	\$ 5,855,240
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### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 5)	\$ 283,402	\$ 256,161
Deferred contributions (Note 6)	269,315	228,032

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	552,717	484,193
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#### Net assets

Net assets internally restricted for tangible capital assets (Note 4)	1,036,547	1,092,215
Net assets restricted for endowment purposes	421,900	6,000
Undistributed net assets	4,352,697	4,272,832

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	5,811,144	5,371,047
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	\$ 6,363,861	\$ 5,855,240
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On behalf of the Board:

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Director

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Director

## Human Concern International Statement of Changes in Net Assets

<b>For the year ended March 31</b>				<b>2018</b>	<b>2017</b>
	<b>Internally Restricted for Capital Assets</b>	<b>Endowment</b>	<b>Undistributed</b>	<b>Total</b>	<b>Total</b>
<b>Balance</b> , beginning of year	<b>\$ 1,092,215</b>	<b>\$ 6,000</b>	<b>\$ 4,272,832</b>	<b>\$ 5,371,047</b>	<b>\$ 5,602,307</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(65,773)</b>	<b>-</b>	<b>89,970</b>	<b>24,197</b>	<b>(231,260)</b>
<b>Endowment contributions</b>	<b>-</b>	<b>415,900</b>	<b>-</b>	<b>415,900</b>	<b>-</b>
<b>Investment in capital assets</b>	<b>10,105</b>	<b>-</b>	<b>(10,105)</b>	<b>-</b>	<b>-</b>
<b>Balance</b> , end of year	<b>\$ 1,036,547</b>	<b>\$ 421,900</b>	<b>\$ 4,352,697</b>	<b>\$ 5,811,144</b>	<b>\$ 5,371,047</b>

## Human Concern International Statement of Operations

For the year ended March 31	2018	2017
<b>Revenue</b>		
Donations (Note 7)	\$ 8,896,209	\$ 5,579,330
Rental Income	12,980	15,910
Gain (loss) on foreign exchange	24,183	33,944
Investment Income	21,994	27,274
Other	2,085	11,195
	8,957,451	5,667,653
<b>Donations disbursed</b>	6,911,823	4,611,929
	2,045,628	1,055,724
<b>Expenses</b>		
Amortization of tangible capital assets	65,773	72,230
Audit fees	17,712	9,525
Bank charges	14,707	20,100
Dues and subscriptions	10,152	4,006
Fundraising and promotion	1,132,348	498,607
Insurance	4,483	10,101
Legal and consulting fees	28,770	49,339
Office administration	627,615	414,723
Property taxes	4,860	10,423
Repairs and maintenance	38,787	95,794
Telephone and communications	19,236	24,513
Travel	32,401	53,039
Utilities	24,587	24,584
	2,021,431	1,286,984
<b>Excess (deficiency) of revenue over expenses for the year</b>	\$ 24,197	\$ (231,260)

## Human Concern International Statement of Cash Flows

For the year ended March 31	2018	2017
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 24,197	\$ (231,260)
Adjustments for		
Amortization of tangible capital assets	65,773	72,230
	89,970	(159,030)
Changes in non-cash working capital items		
Accounts receivable	(10,316)	(40,218)
Prepaid expenses	(109,546)	21,121
Accounts payable and accrued liabilities	27,241	(159,782)
Deferred revenue	41,283	5,586
	38,632	(332,323)
<b>Cash flows from investing activities</b>		
Purchase of tangible capital assets	(10,105)	(15,884)
Net decrease (increase) in investments	(437,863)	(27,074)
Receipt of endowment contribution	415,900	-
	(32,068)	(42,958)
<b>Increase (decrease) in cash during the year</b>	<b>6,564</b>	<b>(375,281)</b>
<b>Cash, beginning of year</b>	<b>4,208,684</b>	<b>4,583,965</b>
<b>Cash, end of year</b>	<b>\$ 4,215,248</b>	<b>\$ 4,208,684</b>



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# Human Concern International

## Summary of Significant Accounting Policies

March 31, 2018

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### **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 corporation 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.

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## Human Concern International

### Summary of Significant Accounting Policies

**March 31, 2018**

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**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.

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## Human Concern International Summary of Significant Accounting Policies

**March 31, 2018**

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<b>Foreign Currency</b>	<p>Transactions during the year in U.S. dollars and Pakistan Rupees 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 and Pakistan Rupees have been converted to Canadian dollars at the exchange rates in effect at March 31, 2018. 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, 2018. Gains or losses resulting therefrom are included in the determination of excess of revenue over expenses for the year.</p>
<b>Donated Services</b>	<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>
<b>Donations in Kind</b>	<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>
<b>Internally Restricted for Tangible Capital Assets</b>	<p>Net assets internally restricted for capital assets represents net assets that have been used to purchase capital assets.</p>
<b>Restricted for Endowment</b>	<p>Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently.</p>
<b>Undistributed Net Assets</b>	<p>Undistributed net assets represent unspent non-designated contributions accumulated over the life of the organization.</p>

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## Human Concern International Notes to Financial Statements

**March 31, 2018**

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**1. Cash**

The organization's bank accounts are held at one chartered bank. Bank balances include \$581,980 (2017 - \$185,127) denominated in U.S. dollars and Rs 6,317,321 (2017 - Rs 8,781,137) denominated in Pakistan rupees.

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**2. Accounts Receivable**

	<u>2018</u>	<u>2017</u>
GST/HST receivable	\$ 108,902	\$ 71,213
Other	26,379	53,752
	<u>\$ 135,281</u>	<u>\$ 124,965</u>

Accounts receivable includes Rs nil (2017 - Rs 721,391) denominated in Pakistan rupees.

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**3. Investments**

	<u>2018</u>	<u>2017</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 544,868	\$ 110,980
Investia Financial	63,758	62,439
Investors Group	150,180	148,081
Scotiabank GIC	10,545	10,456
BMO Nesbitt Burns	78,702	78,234
	<u>\$ 848,053</u>	<u>\$ 410,190</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.

At March 31, 2018, \$415,900 of the Islamic Co-operative Housing Corporation Ltd. investment and \$6,000 of Investia Financial are restricted for endowment purposes, with income earned being unrestricted.

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## Human Concern International Notes to Financial Statements

**March 31, 2018**

### 4. Tangible Capital Assets

	2018			2017		
	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	254,714	51,403	306,117	244,510	61,607
Building improvements	42,888	38,233	4,655	42,888	33,579	9,309
Computer equipment	88,447	83,208	5,239	82,441	79,731	2,710
Furniture and equipment	63,585	58,201	5,384	59,486	56,679	2,807
<u>International</u>						
Leasehold land	1,331	-	1,331	1,331	-	1,331
Building	827,614	113,505	714,109	827,614	75,663	751,951
Furniture and equipment	71,359	60,687	10,672	71,359	57,948	13,411
Computer equipment	10,229	9,866	363	10,229	9,746	483
Electrical equipment	4,914	3,027	1,887	4,914	2,694	2,220
Vehicles	121,536	106,890	14,646	121,536	102,008	19,528
	<b>\$ 1,738,020</b>	<b>\$ 728,331</b>	<b>\$ 1,009,689</b>	<b>\$ 1,727,915</b>	<b>\$ 662,558</b>	<b>\$ 1,065,357</b>

### 5. Accounts Payable and Accrued Liabilities

	2018	2017
Trade payables and salary accruals	<b>\$ 290,302</b>	\$ 249,124
Government remittances payable	<b>(6,900)</b>	7,037
	<b>\$ 283,402</b>	\$ 256,161

Trade payables and salary accruals includes Rs 5,194,106 (2017 - Rs 12,956,861) denominated in Pakistan rupees.

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## Human Concern International Notes to Financial Statements

**March 31, 2018**

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### 6. **Deferred Contributions**

Deferred contributions represent amounts received during the year restricted for specific projects that will be spent in the subsequent year.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 228,032	\$ 222,446
Amounts received during the year	126,785	261,581
Recognized as revenue during the year	<u>(85,502)</u>	<u>(255,995)</u>
Balance, end of year	<u>\$ 269,315</u>	<u>\$ 228,032</u>

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### 7. **Non-Cash Donations**

Donation receipts and donations disbursed include \$114,240 of donations received in kind (2017 - nil).

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### 8. **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 year is as follows:

2019	\$ 1,308
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### 9. **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, 2018.

#### 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.

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## Human Concern International Notes to Financial Statements

**March 31, 2018**

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9. **Risk and Concentrations** (continued)

Foreign currency risk

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

Changes in Risk

There have been no significant changes in the organization's risk exposures from the 2017 fiscal year.

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10. **Comparative Amounts**

In certain instances, 2017 amounts presented for comparative purposes have been restated to conform to the financial statement presentation adopted for the current year.

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