

# Human Concern International



## **Financial Statements** For the year ended December 31, 2019



**Human Concern International**  
**Financial Statements**  
For the year ended December 31, 2019

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## **Independent Auditor's Report**

### **To the Members of Human Concern International**

#### Qualified Opinion

We have audited the financial statements of Human Concern International (the "organization") which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

#### Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from fundraising and donations 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 December 31, 2018 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 fundraising and donations revenues, excess of revenue over expenses for the year ended December 31, 2019 and nine months ended December 31, 2018, assets as at December 31, 2019 and 2018, and net assets at both the beginning and end of the year December 31, 2019 and the beginning and end of the nine months ended December 31, 2018 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
February 15, 2021  
Ottawa, Ontario

## Human Concern International Statement of Financial Position

**December 31** 2019 2018

### Assets

#### Current

Cash (Note 1)	\$ 5,288,604	\$ 3,490,128
Accounts receivable (Note 2)	166,955	78,108
Prepaid expenses	23,923	15,924
	5,479,482	3,584,160
Investments (Note 3)	923,382	861,525
Capital works	21,962	21,962
Tangible capital assets (Note 4)	1,007,285	991,194
	\$ 7,432,111	\$ 5,458,841

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 5)	\$ 3,462,353	\$ 278,019
Deferred contributions (Note 6)	894,680	672,876
	4,357,033	950,895

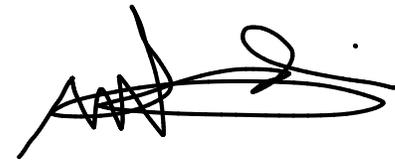
#### Net assets

Net assets internally restricted for tangible capital assets (Note 4)	1,029,247	1,013,156
Net assets restricted for endowment purposes	421,900	421,900
Undistributed net assets	1,623,931	3,072,890
	3,075,078	4,507,946
	\$ 7,432,111	\$ 5,458,841

On behalf of the Board:

*rezaul mannan*

Director



Director

## Human Concern International Statement of Changes in Net Assets

**For the year ended December 31** **2019** **2018**

(With comparative amounts for the 9 months ended December 31)

	<b>Internally Restricted for Capital Assets</b>	<b>Endowment</b>	<b>Undistributed</b>	<b>Total</b>	<b>Total</b>
<b>Balance, beginning of year</b>	<b>\$ 1,013,156</b>	<b>\$ 421,900</b>	<b>\$ 3,072,890</b>	<b>\$ 4,507,946</b>	<b>\$ 5,811,144</b>
<b>Deficiency) of revenue over expenses for the year</b>	<b>(70,324)</b>	<b>-</b>	<b>(1,362,544)</b>	<b>(1,432,868)</b>	<b>(1,303,198)</b>
<b>Investment in capital assets</b>	<b>86,415</b>	<b>-</b>	<b>(86,415)</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 1,029,247</b>	<b>\$ 421,900</b>	<b>\$ 1,623,931</b>	<b>\$ 3,075,078</b>	<b>\$ 4,507,946</b>

## Human Concern International Statement of Operations

**For the year ended December 31** **2019** **2018**

(With comparative amounts for the 9 months ended December 31)

	2019	2018
<b>Revenue</b>		
Donations (Note 7)	\$ 8,204,967	\$ 6,931,113
Rental Income	12,811	14,420
Gain (loss) on foreign exchange	(11,144)	25,015
Investment Income	65,973	14,772
Other	27,086	-
Loss on disposal of capital asset	-	(4,006)
	<b>8,299,693</b>	<b>6,981,314</b>
<b>Donations disbursed</b>	<b>6,313,478</b>	<b>6,115,663</b>
	<b>1,986,215</b>	<b>865,651</b>
<b>Expenses</b>		
Amortization of tangible capital assets	70,324	48,823
Bank charges	12,503	11,726
Dues and subscriptions	13,707	9,540
Fundraising and promotion	2,212,078	1,333,335
Insurance	7,357	2,940
Professional fees	199,725	156,201
Office administration	678,630	499,497
Property taxes	4,700	3,336
Repairs and maintenance	82,704	40,767
Telephone and communications	25,452	26,139
Travel	85,228	19,699
Utilities	26,675	16,846
	<b>3,419,083</b>	<b>2,168,849</b>
<b>Deficiency of revenue over expenses for the year</b>	<b>\$ (1,432,868)</b>	<b>\$ (1,303,198)</b>

## Human Concern International Statement of Cash Flows

**For the year ended December 31** **2019** **2018**

(With comparative amounts for the 9 months ended December 31)

<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	<b>\$ (1,432,868)</b>	\$ (1,303,198)
Adjustments for		
Amortization of tangible capital assets	<b>70,324</b>	48,823
Loss on disposal of capital asset	<b>-</b>	4,006
	<b>(1,362,544)</b>	(1,250,369)
Changes in non-cash working capital items		
Accounts receivable	<b>(88,847)</b>	57,173
Prepaid expenses	<b>(7,999)</b>	112,808
Accounts payable and accrued liabilities	<b>3,184,334</b>	(5,383)
Deferred revenue	<b>221,804</b>	403,561
	<b>1,946,748</b>	(682,210)
<b>Cash flows from investing activities</b>		
Purchase of tangible capital assets	<b>(86,415)</b>	(29,438)
Net decrease (increase) in investments	<b>(61,857)</b>	(13,472)
	<b>(148,272)</b>	(42,910)
<b>Increase (decrease) in cash during the year</b>	<b>1,798,476</b>	(725,120)
<b>Cash, beginning of year</b>	<b>3,490,128</b>	4,215,248
<b>Cash, end of year</b>	<b>\$ 5,288,604</b>	\$ 3,490,128

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# Human Concern International

## Summary of Significant Accounting Policies

December 31, 2019

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<b>Nature of Business</b>	<p>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.</p> <p>These financial statements includes the operations of affiliate offices in Pakistan and Afghanistan.</p> <p>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.</p>
<b>Basis of Presentation</b>	<p>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.</p>
<b>Use of Estimates</b>	<p>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.</p>
<b>Financial Instruments</b>	<p>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.</p> <p><u>Measurement of financial instruments</u></p> <p>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.</p> <p>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.</p> <p>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.</p>

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# Human Concern International

## Summary of Significant Accounting Policies

December 31, 2019

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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

**December 31, 2019**

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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 December 31, 2019. 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 December 31, 2019. 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

**December 31, 2019**

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**1. Cash**

The organization's bank accounts are held at one chartered bank. Bank balances include \$228,914 (2018 - \$148,372) denominated in U.S. dollars and Rs 17,059,000 (2018 - Rs 22,266,576) denominated in Pakistan rupees.

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**2. Accounts Receivable**

	<u>2019</u>	<u>2018</u>
GST/HST receivable	\$ 157,525	\$ 70,540
Other	9,430	7,568
	<u>\$ 166,955</u>	<u>\$ 78,108</u>

Accounts receivable includes Rs 481,978 ( 2018 - Rs 355,491) denominated in Pakistan rupees.

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**3. Investments**

	<u>2019</u>	<u>2018</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 583,868	\$ 564,168
Investia Financial	77,812	63,320
Investors Group	169,076	146,794
Scotiabank GIC	10,729	10,612
BMO Nesbitt Burns	81,897	76,631
	<u>\$ 923,382</u>	<u>\$ 861,525</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 1.200% 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.

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## Human Concern International Notes to Financial Statements

**December 31, 2019**

### 4. Tangible Capital Assets

	2019			2018		
	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	272,571	33,546	306,117	262,367	43,750
Building improvements	92,318	56,264	36,054	42,888	41,724	1,164
Computer equipment	124,510	100,443	24,067	110,089	91,227	18,862
Furniture and equipment	77,151	63,578	13,573	63,585	59,343	4,242
Vehicle	8,998	1,800	7,198	-	-	-
<u>International</u>						
Leasehold land	1,331	-	1,331	1,331	-	1,331
Building	836,284	165,312	670,972	836,284	138,367	697,917
Furniture and equipment	39,547	34,595	4,952	39,547	33,687	5,860
Computer equipment	4,032	3,496	536	4,032	3,344	688
Electrical equipment	8,251	4,126	4,125	8,251	3,577	4,674
Vehicles	104,320	93,389	10,931	104,320	91,614	12,706
	<b>\$ 1,802,859</b>	<b>\$ 795,574</b>	<b>\$ 1,007,285</b>	<b>\$ 1,716,444</b>	<b>\$ 725,250</b>	<b>\$ 991,194</b>

### 5. Accounts Payable and Accrued Liabilities

Trade payables and salary accruals includes Rs 22,549,000 (2018 - Rs 14,654,613) denominated in Pakistan rupees. Trade payables and salary accruals also includes \$366,490 (2018 - nil) denominated in U.S dollars.

### 6. Deferred Contributions

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

	2019	2018
Balance, beginning of year	\$ 672,876	\$ 269,315
Amounts received during the year	322,410	516,271
Recognized as revenue during the year	(100,606)	(112,710)
Balance, end of year	<b>\$ 894,680</b>	<b>\$ 672,876</b>

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## Human Concern International Notes to Financial Statements

**December 31, 2019**

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

Donation receipts and donations disbursed include \$nil of donations received in kind 2018 - \$nil).

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### 8. **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 December 31, 2019.

#### 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 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 December 31, 2018 fiscal year.

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### 9. **COVID-19**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the organization's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the organization's operations. The extent of the impact of this outbreak and related containment measures on the organization's operations cannot be reliably estimated at this time.

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