



Financial Statements

For the year ended December 31, 2021



Human Concern International
Financial Statements
For the year ended December 31, 2021

Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to Financial Statements	12

Independent Auditor's Report

To the Members of the 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, 2021, and the statements of operations and 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, 2021, 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 donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue 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, 2020 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 the organization's donation revenue, excess (deficiency) of revenue over expenses for the years ended December 31, 2021 and 2020, assets as at December 31, 2021 and 2020, and net assets at both the beginning and end of the December 31, 2021 and 2020 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.

Emphasis of Matter

We draw attention to Note 11 of the financial statements, which describes that the financial statements that we originally reported on June 30, 2023 have been amended and describes the matter that gave rise to the amendment of the financial statements. Our opinion is not modified in respect of this matter.]

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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
June 30, 2023, except as to Note 11, which is as of February 2, 2024
Ottawa, Ontario

Human Concern International Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash (Note 1)	\$ 3,814,598	\$ 5,112,374
Accounts receivable (Note 2)	834,782	439,795
Prepaid expenses and supplies	1,293,993	4,681,339
	5,943,373	10,233,508
Investments (Note 3)	1,026,559	955,201
Tangible capital assets (Note 4)	923,650	991,892
	\$ 7,893,582	\$ 12,180,601

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Notes 5 and 8)	\$ 2,285,055	\$ 3,670,480
Net assets		
Net assets internally restricted for tangible capital assets	931,369	991,892
Net assets restricted for endowment purposes	421,900	421,900
Unrestricted net assets	4,255,258	7,096,329
	5,608,527	8,510,121
	\$ 7,893,582	\$ 12,180,601

On behalf of the Board:

Infau Sheikh

Director

Rezaul Mannan

Director

Human Concern International Statement of Changes in Net Assets

For the year ended December 31 **2021** **2020**

		Internally Restricted for Capital Assets	Restricted for Endowment Purposes	Unrestricted	Total	Total
Balance , beginning of year	\$	991,892	\$ 421,900	\$ 7,096,329	\$ 8,510,121	\$ 3,152,438
Excess (deficiency) of revenue over expenses for the year		(56,843)	-	(2,844,751)	(2,901,594)	5,357,683
Net investment in capital assets		(3,680)	-	3,680	-	-
Balance , end of year	\$	931,369	\$ 421,900	\$ 4,255,258	\$ 5,608,527	\$ 8,510,121

Human Concern International Statement of Operations

For the year ended December 31	2021	2020
Revenue		
Donation income (Note 7)	\$ 13,769,715	\$ 12,096,811
Canada Emergency Wage Subsidy	128,071	168,777
Investment income	115,472	34,066
Grants from governments and other organizations	65,229	96,983
Other income	44,608	23,438
Rental income	22,272	20,319
Gain (loss) on foreign exchange	(35,455)	4,503
	14,109,912	12,444,897
Expenses		
Program Services		
Relief and development programs	13,444,056	4,602,611
Supporting Services		
Amortization of tangible capital assets	56,843	84,948
Fundraising	2,081,281	1,568,081
General and administration (Note 8)	1,429,326	831,574
	3,567,450	2,484,603
	17,011,506	7,087,214
Excess (deficiency) of revenue over expenses for the year	\$ (2,901,594)	\$ 5,357,683

Human Concern International Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (2,901,594)	\$ 5,357,683
Adjustments for		
Amortization of tangible capital assets	56,843	84,948
Foreign exchange loss on tangible capital assets	15,438	-
	(2,829,313)	5,442,631
Changes in non-cash working capital items		
Accounts receivable	(394,987)	(272,841)
Prepaid expenses and supplies	3,387,346	(2,658,212)
Accounts payable and accrued liabilities	(1,385,425)	(1,705,128)
Deferred revenue	-	(894,680)
	(1,222,379)	(88,230)
Cash flows from investing activities		
Purchase of tangible capital assets	(4,039)	(56,180)
Net increase in investments	(71,358)	(31,819)
	(75,397)	(87,999)
Decrease in cash during the year	(1,297,776)	(176,229)
Cash, beginning of year	5,112,374	5,288,603
Cash, end of year	\$ 3,814,598	\$ 5,112,374

Human Concern International

Summary of Significant Accounting Policies

December 31, 2021

Nature of Business	<p>Human Concern International ("the organization") 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>
Basis of Presentation	<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. These financial statements include the operations of a branch office located in Pakistan.</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>
Use of Estimates	<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. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known.</p> <p>Significant estimates include assumptions used in estimating useful life and amortization rates of tangible capital assets, provisions for accrued liabilities, and the percentage of completion of projects in progress.</p>
Financial Instruments	<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 arm's length financial instruments</u></p> <p>The organization initially measures its arm's length financial assets and liabilities at fair value. The organization subsequently measures arm's length financial instruments 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>

Human Concern International

Summary of Significant Accounting Policies

December 31, 2021

Financial Instruments (continued)

Measurement of arm's length financial instruments (continued)

Arm's length financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities.

Arm's length financial assets and financial liabilities measured at cost include investments not traded in an active market.

Arm's length financial assets measured at fair value include investments traded in an active market.

Measurement of related party financial instruments

The organization initially measures its related party financial instruments at fair value, cost or the exchange amount. When the related party financial instrument has repayment terms, cost is determined using the undiscounted cash flows of the instrument, excluding interest payments, less any impairment losses previously recognized. If the related party financial instrument does not have repayment terms, cost is determined using the exchange amount. The exchange amount is the amount of consideration paid or received as established and agreed to by the related parties.

The organization subsequently measures related party financial assets quoted in an active market at fair value. All other related party financial assets are subsequently measured at cost or the exchange amount.

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 arm's length 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.

Human Concern International Summary of Significant Accounting Policies

December 31, 2021

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
Website	5	years straight-line basis
Pakistan		
Building	5%	declining balance basis
Electrical equipment	15%	declining balance basis
Computer equipment	33%	declining balance basis
Furniture and equipment	25%	declining balance basis
Vehicles	25%	declining balance basis

Impairment of Long-Lived Assets A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

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.

Foreign Currency Monetary assets and liabilities of the Organization which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

Human Concern International Summary of Significant Accounting Policies

December 31, 2021

Donated Services	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.
Donations in Kind	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.
Internally Restricted for Tangible Capital Assets	Net assets internally restricted for capital assets represents net assets that have been used to purchase capital assets.
Restricted for Endowment	Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently.
Unrestricted Net Assets	Unrestricted net assets represent unspent non-designated contributions accumulated over the life of the organization.

Human Concern International Notes to Financial Statements

December 31, 2021

1. Cash

The organization's bank accounts are held at two Canadian financial institutions and four Pakistan financial institutions. Bank balances include \$276,575 (2020 - \$18,399) denominated in U.S. dollars and \$250,596 (2020 - \$82,014) denominated in Pakistan rupees.

2. Accounts Receivable

	<u>2021</u>	<u>2020</u>
CEWS receivable	\$ 103,159	\$ 143,782
GST/HST receivable	245,557	238,473
Other	<u>486,066</u>	<u>57,540</u>
	<u>\$ 834,782</u>	<u>\$ 439,795</u>

Accounts receivable includes \$377,148 (2020 - \$nil) denominated in U.S. dollars

3. Investments

	<u>2021</u>	<u>2020</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 604,468	\$ 583,868
Investia Financial	219,039	193,926
Investors Group	<u>203,052</u>	<u>177,407</u>
	<u>\$ 1,026,559</u>	<u>\$ 955,201</u>

The organization's investments with Investia Financial and Investors Group consist of units in various mutual funds and are measured at fair value.

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

December 31, 2021

4. Tangible Capital Assets

	2021			2020		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Canada						
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Building	306,117	292,979	13,138	306,117	282,775	23,342
Building improvements	92,318	72,546	19,772	92,318	66,150	26,168
Computer equipment	142,292	135,014	7,278	138,253	124,281	13,972
Furniture and equipment	78,762	71,871	6,891	78,762	68,135	10,627
Vehicle	8,998	6,599	2,399	8,998	3,599	5,399
Website	41,576	16,630	24,946	41,576	8,315	33,261
Pakistan office						
Leasehold land	13,950	-	13,950	13,950	-	13,950
Building	836,284	208,706	627,578	836,284	189,239	647,045
Furniture and equipment	39,122	35,232	3,890	39,547	35,232	4,315
Computer equipment	4,033	3,595	438	4,033	3,595	438
Electrical equipment	8,251	4,881	3,370	8,251	4,563	3,688
Vehicles	-	-	-	104,320	94,633	9,687
	\$ 1,771,703	\$ 848,053	\$ 923,650	\$ 1,872,409	\$ 880,517	\$ 991,892

5. Accounts Payable and Accrued Liabilities

Trade payables and salary accruals includes \$165,790 (2020 - \$183,495) denominated in Pakistan rupees. Trade payables and salary accruals also includes \$337,466 (2020 - \$723,438) denominated in U.S dollars. Accounts payable and accrued liabilities does not include any significant government remittance payable.

6. Deferred Contributions

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

	2021	2020
Balance, beginning of year	\$ -	\$ 894,680
Recognized as revenue during the year	-	(894,680)
Balance, end of year	\$ -	\$ -

Human Concern International Notes to Financial Statements

December 31, 2021

7. **Non-Cash Donations**

Donation income includes \$3,499,658 of donations received in kind (2020 - \$1,936,376).

8. **CRA Penalty Liability Under the Income Tax Act**

As a result of an audit conducted by the Canada Revenue Agency for the fiscal years ended March 31, 2012 and March 31, 2013, on July 7, 2021, the Canada Revenue Agency issued an assessment letter to the organization suspending both the organization's authorization to issue official donation receipts and its qualified donee status. The suspension was effective starting on July 14, 2021 and ending on July 13, 2022. The Canada Revenue Agency also assessed a penalty of \$384,801 due to failure to issue receipts otherwise than in accordance with income tax regulations in these fiscal years. The organization filed an appeal to the Tax Court of Canada which was dismissed by the court. The organization then filed an appeal to the Federal Court of Appeals. On March 2, 2022, subsequent to this fiscal year, the court's decision was to dismiss the case in favour of the Crown. As a result, the organization has settled this matter with the Canada Revenue Agency and was granted permission to pay the penalty to eligible donees. As this penalty was assessed in 2021, the penalty of \$384,801 has been recorded in these financial statements in accounts payable and in general and administrative expenses.

9. **Closure of Pakistan Office**

In 2019, the organization made a decision to close its office in Pakistan. Some employment contracts were terminated in 2019 with the remainder being terminated in 2020. Severance payments to employees were made in 2022. The cessation of operations of the Pakistan office including closing of its bank accounts are still in the process of being wound up at year-end. To date, the total costs of closing the office including employee termination benefits and legal fees were approximately \$117,000. The organization does not anticipate any other significant costs related to this closure.

The organization's assets in Pakistan, including leased land, buildings, computers, and furniture, are predominantly utilized by partner NGOs to carry out projects on behalf of the organization. Currently, the organization has not finalized its intentions regarding the long-term disposition of these assets, whether through sale or donation to the aforementioned NGOs.

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 December 31, 2021.

The organization is not involved in any hedging relationships through its operations and does not hold or use derivative financial instruments for trading purposes.

Human Concern International

Notes to Financial Statements

December 31, 2021

10. Risk and Concentrations (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to this credit risk mainly in respect of its accounts receivable.

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 this risk mainly in respect of its accounts payable and accrued liabilities.

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 rate risk, and other price risk. The organization is mainly exposed to currency risk and other price risk.

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 is exposed to this risk in respect of cash held in U.S. dollars and Pakistan Rupees as disclosed in Note 1, its 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.

Other price risk

Other price 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 company is exposed to this risk due to its investments.

Changes in Risk

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

11. Reissuance of Financial Statements

In the Fiscal year, management chose to cancel projects associated with 2020, resulting in a cancellation amount of \$46,612 to accounts payable and program expenses for that year. Additionally, there was an error totaling \$875,559 related to 2021 to accounts payable and accrued liabilities and to program expenses, bringing the total value of these corrections on December 31, 2021, to \$922,171. These projects were initially committed to but later dropped due to a change in on-ground needs or capacity issues with partners on the ground. The impact of these decisions has been reversed in the current period.

Human Concern International Notes to Financial Statements

December 31, 2021

11. Reissuance of Financial Statements (continued)

The impact of these corrections was an overstatement of program expenses, accounts payable and accrued liabilities, and deficiency of revenue over expenses for the year, as well as an understatement of unrestricted net assets. These corrections have been adjusted in the current year financial statements. The unrestricted net assets balance at the beginning of each year has been adjusted for these corrections. The 2020 comparative amounts have been restated accordingly.
