



**HUMAN CONCERN
INTERNATIONAL**

Financial Statements

For the year ended December 31, 2023



Human Concern International
Financial Statements
For the year ended December 31, 2023

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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, 2023, 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, 2023, 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, 2022 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, 2023 and 2022, assets as at December 31, 2023 and 2022, and net assets at both the beginning and end of the December 31, 2023 and 2022 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
June 23, 2024
Ottawa, Ontario

Human Concern International Statement of Financial Position

December 31	2023	2022
Assets		
Current		
Cash (Note 1)	\$ 12,902,172	\$ 3,723,791
Accounts receivable (Note 2)	2,748,296	1,603,582
Prepaid expenses and supplies	2,902,018	591,369
	18,552,486	5,918,742
Long-term investments (Note 3)	1,074,398	1,015,464
Tangible capital assets (Note 4)	815,829	878,024
	\$ 20,442,713	\$ 7,812,230

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 7,436,736	\$ 2,677,460
Net assets		
Net assets internally restricted for tangible capital assets	815,829	878,024
Net assets restricted for endowment purposes	421,900	421,900
Unrestricted net assets	11,768,248	3,834,846
	13,005,977	5,134,770
	\$ 20,442,713	\$ 7,812,230

On behalf of the Board:

Irfau Sheikh

Director

Rezaul Mannan

Director

Human Concern International Statement of Changes in Net Assets

For the year ended December 31				2023	2022
	Internally Restricted for Tangible Capital Assets	Restricted for Endowment Purposes	Unrestricted	Total	Total
Balance , beginning of year, as previously reported	\$ 891,170	\$ 421,900	\$ 3,821,700	\$ 5,134,770	\$ 5,608,527
Prior period correction (Note 7)	(13,146)	-	13,146	-	-
Balance , beginning of year, as restated	878,024	421,900	3,834,846	5,134,770	5,608,527
Excess (deficiency) of revenue over expenses for the year	(83,393)	-	7,954,600	7,871,207	(473,757)
Net investment in tangible capital assets	21,198	-	(21,198)	-	-
Balance , end of year	\$ 815,829	\$ 421,900	\$11,768,248	\$13,005,977	\$ 5,134,770

Human Concern International Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Donation income (Note 8)	\$ 38,112,041	\$ 11,616,954
Investment income (loss)	58,967	(10,722)
Grants from governments and other organizations (refunded)	(1,674)	38,912
Other income	82,979	163,445
Rental income	21,360	27,360
Gain (loss) on foreign exchange	(244,563)	51,993
	38,029,110	11,887,942
Expenses		
Program Services		
Relief and development programs	24,906,332	7,462,110
Supporting Services		
Amortization of tangible capital assets	48,846	59,082
Fundraising	3,863,034	3,910,342
General and administration	1,339,691	930,165
	5,251,571	4,899,589
	30,157,903	12,361,699
Excess (deficiency) of revenue over expenses for the year	\$ 7,871,207	\$ (473,757)

Human Concern International Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ 7,871,207	\$ (473,757)
Adjustments for		
Amortization of tangible capital assets	48,846	59,082
Foreign exchange loss on tangible capital assets	34,547	9,924
	7,954,600	(404,751)
Changes in non-cash working capital items		
Accounts receivable	(1,144,714)	(768,800)
Prepaid expenses and supplies	(2,310,649)	702,624
Accounts payable and accrued liabilities	4,759,276	392,405
Deferred revenue	-	-
	9,258,513	(78,522)
Cash flows from investing activities		
Net increase in tangible capital assets	(21,198)	(1,190)
Increase in long-term investments	(58,934)	(11,095)
	(80,132)	(12,285)
Increase (decrease) in cash during the year	9,178,381	(90,807)
Cash, beginning of year	3,723,791	3,814,598
Cash, end of year	\$ 12,902,172	\$ 3,723,791

Human Concern International

Summary of Significant Accounting Policies

December 31, 2023

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. The organization previously operated an office located in Pakistan. The operations of the Pakistan office ceased in 2020 however the organization still owns tangible capital assets in that country which are being used by other NGOs.</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><i>Measurement of arm's length financial instruments</i></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, 2023

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, 2023

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.

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.

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.

Human Concern International

Summary of Significant Accounting Policies

December 31, 2023

Revenue Recognition (continued)	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.
Program Expenditure Recognition	Program expenditures are recognized based on the percentage of work completed on the ground rather than the amount of money approved or disbursed for the program. This approach ensures that the expenses reported accurately reflect the progress and actual activities carried out within the program.
Allocation of Expenses	<p><u>General support expenses</u> Administrative expenses are allocated equally between administrative, fundraising and relief and development programs.</p> <p><u>Marketing expenses</u> Fundraising expenses reported in the statement of operations of \$3,863,034 (2022 — \$3,910,342) are reported after allocation of \$3,928,551 (2022 - \$nil) to the relief and development programs as some marketing related expenses are split 50/50 between programs and fundraising as program promotional, education and reporting materials, and some travel pertaining to distributions projects by Fundraising/Marketing teams, as they promote the programs as well as provide visibility to donors to raise awareness and funds for projects.</p> <p><u>Salaries and consulting expenses</u> Salaries and consulting expenses are allocated based on tasks and duties performed.</p>
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.
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.

Human Concern International Notes to Financial Statements

December 31, 2023

1. **Cash**

The organization's bank accounts are held at two financial institutions. Bank balances include \$7,064,675 (2022 - \$1,757,138) denominated in U.S. dollars and \$45,348 (2022 - \$57,767) denominated in Pakistan rupees.

2. **Accounts Receivable**

	<u>2023</u>	<u>2022</u>
CEWS receivable	\$ -	\$ 6,014
GST/HST receivable	234,773	331,636
Other	2,513,523	1,265,932
	<u>\$ 2,748,296</u>	<u>\$ 1,603,582</u>

Accounts receivable includes \$2,174,861 (2022 - \$659,761) denominated in U.S. dollars.

3. **Long-Term Investments**

	<u>2023</u>	<u>2022</u>
Islamic Co-operative Housing Corporation Ltd.	\$ 653,200	\$ 628,268
Investia Financial	216,607	192,587
Investors Group	204,591	194,609
	<u>\$ 1,074,398</u>	<u>\$ 1,015,464</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, 2023

4. Tangible Capital Assets

	2023			2022		
	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	306,117	-	306,117	303,183	2,934
Building improvements	92,318	92,318	-	92,318	82,432	9,886
Computer equipment	169,616	151,395	18,221	148,417	140,941	7,476
Furniture and equipment	84,949	81,235	3,714	84,949	76,963	7,986
Vehicle	8,998	8,998	-	8,998	8,399	599
Website	41,576	33,260	8,316	41,576	24,945	16,631
Pakistan						
Leasehold land	13,950	-	13,950	13,950	-	13,950
Building	836,284	240,191	596,093	836,284	224,852	611,432
Furniture and equipment	39,122	35,764	3,358	39,122	35,536	3,586
Computer equipment	4,032	34,803	(30,771)	4,032	3,630	402
Electrical equipment	8,251	5,303	2,948	8,251	5,109	3,142
Vehicles	-	-	-	-	-	-
	\$ 1,805,213	\$ 989,384	\$ 815,829	\$ 1,784,014	\$ 905,990	\$ 878,024

5. Accounts Payable and Accrued Liabilities

Trade payables and salary accruals includes \$251,982 (2022 - \$617,787) denominated in U.S dollars, \$74,057 (2022 - \$17,164) denominated in British pounds, \$8,044 (2022 - \$59,143) denominated in Euros, and \$8,616 (2022 - Nil) denominated in other currencies. Accounts payable and accrued liabilities does not include any significant government remittance payable.

6. Contingent Liability

The organization has a claim pending against it for wrongful dismissal of a former employee from May 2020. A Statement of Defence was filed in December 2020. The likelihood or amount of any liability under this claim cannot be reasonably determined and as such no liability has been accrued in these financial statements.

Human Concern International

Notes to Financial Statements

December 31, 2023

7. **Prior Period Correction**

During the year-end audit, it was discovered that the opening balance at January 1, 2023 of net assets internally restricted for capital assets was overstated by \$13,146 and unrestricted net assets was understated by \$13,146 as a result of a calculation error in the prior year's financial statements. The net asset balances at the beginning of the year have been adjusted for this error in the current year financial statements.

8. **Non-Cash Donations**

Donation income includes \$6,220 of donations received in kind (2022 - \$235,863).

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, 2023.

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

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.

Human Concern International Notes to Financial Statements

December 31, 2023

10. Risk and Concentrations (continued)

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.

Signature Certificate

Reference number: LJNWM-PKFPX-D2H5L-4PHKO

Signer

Timestamp

Signature

Reza Mannan

Email: hcitreasurer@humanconcern.org

Sent: 28 Jun 2024 15:17:29 UTC
Viewed: 28 Jun 2024 15:25:00 UTC
Signed: 28 Jun 2024 15:25:32 UTC



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Irfan Sheikh

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