



Financial Statements

Hope and Healing International

June 30, 2021

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Operations	3
Consolidated Statement of Fund Balances	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 13

Independent Auditor's Report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T +1 416 366 0100
F +1 905 475 8906

To the members of
Hope and Healing International

Opinion

We have audited the consolidated financial statements of Hope and Healing International (the "Organization"), which comprise the consolidated statement of financial position as at June 30, 2021 and the consolidated statements of operations, fund balances and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hope and Healing International as at June 30, 2021 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.

Basis for Opinion

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 Consolidated 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 consolidated 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 opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Markham, Canada
November 27, 2021

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

Hope and Healing International

Consolidated Statement of Operations

Year ended June 30

				2021	2020
	Operating Fund	Capital Fund	Nia	<u>Consolidated</u>	<u>Consolidated</u>
Revenue					
Contributions	\$ 11,169,366	\$ -	\$ -	\$ 11,169,366	\$ 10,387,848
Donations-in-kind	13,388,894	-	-	13,388,894	10,061,952
Bequests	1,370,801	-	-	1,370,801	3,391,884
Annuity and trust income	174,931	-	-	174,931	148,468
Grants	-	-	-	-	76,832
Investment income	2,287,725	-	-	2,287,725	320,187
Other (Note 12)	<u>248,334</u>	-	<u>(2,719)</u>	<u>245,615</u>	<u>170,309</u>
	<u>28,640,051</u>	-	<u>(2,719)</u>	<u>28,637,332</u>	<u>24,557,480</u>
Expenditure					
International Programs	17,897,744	-	-	17,897,744	16,248,977
Canadian Programs - Educational and Spiritual	<u>2,423,588</u>	-	<u>178,068</u>	<u>2,601,656</u>	<u>2,503,471</u>
	<u>20,321,332</u>	-	<u>178,068</u>	<u>20,499,400</u>	<u>18,752,448</u>
Supporting Ministries					
Fundraising/marketing	3,846,849	-	-	3,846,849	3,319,565
General and Administrative - Support (Note 7)	1,269,243	-	83,551	1,352,794	1,320,321
Amortization	-	<u>112,871</u>	-	<u>112,871</u>	<u>92,841</u>
	<u>5,116,092</u>	<u>112,871</u>	<u>83,551</u>	<u>5,312,514</u>	<u>4,732,727</u>
	<u>25,437,424</u>	<u>112,871</u>	<u>261,619</u>	<u>25,811,914</u>	<u>23,485,175</u>
Excess (deficiency) of revenue over expenditure before other items	3,202,627	(112,871)	(264,338)	2,825,418	1,072,305
Grant to Nia	<u>(250,000)</u>	-	<u>250,000</u>	-	-
Excess (deficiency) of revenue over expenditure before gain on sales of assets	2,952,627	(112,871)	(14,338)	2,825,418	1,072,305
Gain on sale of capital assets	-	-	-	-	4,983,661
	<u>2,952,627</u>	<u>(112,871)</u>	<u>(14,338)</u>	<u>2,825,418</u>	<u>6,055,966</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 2,952,627</u>	<u>\$ (112,871)</u>	<u>\$ (14,338)</u>	<u>\$ 2,825,418</u>	<u>\$ 6,055,966</u>

See accompanying notes to the financial statements.

Hope and Healing International

Consolidated Statement of Fund Balances

Year ended June 30

						<u>2021</u>	<u>2020</u>
	<u>Operating Fund</u>	Externally <u>Restricted Fund</u>	<u>Reserve Fund</u>	<u>Capital Fund</u>	<u>Nia</u>	<u>Consolidated</u>	<u>Consolidated</u>
Fund balance, beginning of period	\$ 6,283,219	\$ 2,307,377	\$ 4,840,000	\$ 70,514	\$ 74,578	\$ 13,575,688	\$ 7,519,722
Excess (deficiency) of revenue over expenditure for the period	2,952,627	-	-	(112,871)	(14,338)	2,825,418	6,055,966
Interfund transfers during the period (Note 4)	<u>(1,194,262)</u>	-	<u>(765,962)</u>	<u>1,960,224</u>	-	-	-
Fund balance, end of period	<u>\$ 8,041,584</u>	<u>\$ 2,307,377</u>	<u>\$ 4,074,038</u>	<u>\$ 1,917,867</u>	<u>\$ 60,240</u>	<u>\$ 16,401,106</u>	<u>\$ 13,575,688</u>

See accompanying notes to the financial statements.

Hope and Healing International

Consolidated Statement of Financial Position

As at June 30, 2021

						2021	2020
	Operating Fund	Externally Restricted Fund	Reserve Fund	Capital Fund	Nia	Consolidated	Consolidated
Assets							
Current							
Cash and cash equivalents	\$ 4,133,237	\$ 145	\$ -	\$ -	\$ 101,881	\$ 4,235,263	\$ 5,080,086
Investments (Note 10)	2,828,028	3,182,134	4,074,038	-	-	10,084,200	8,459,929
Accounts receivable	259,460	-	-	-	-	259,460	170,398
Project advance	431,521	-	-	-	-	431,521	648,867
Prepaid expenses	155,599	-	-	-	-	155,599	95,399
	<u>7,807,845</u>	<u>3,182,279</u>	<u>4,074,038</u>	<u>-</u>	<u>101,881</u>	<u>15,166,043</u>	<u>14,454,679</u>
Donations-in-kind	726,815	-	-	-	-	726,815	384,037
Capital assets (Note 3)	-	-	-	1,917,867	-	1,917,867	70,514
	<u>\$ 8,534,660</u>	<u>\$ 3,182,279</u>	<u>\$ 4,074,038</u>	<u>\$ 1,917,867</u>	<u>\$ 101,881</u>	<u>\$ 17,810,725</u>	<u>\$ 14,909,230</u>
Liabilities							
Current							
Accounts payable and accrued liabilities	\$ 493,076	\$ -	\$ -	\$ -	\$ 41,641	\$ 534,717	\$ 288,053
Current portion of gift annuities	-	81,215	-	-	-	81,215	98,120
	<u>493,076</u>	<u>81,215</u>	<u>-</u>	<u>-</u>	<u>41,641</u>	<u>615,932</u>	<u>386,173</u>
Annuities and trusts (Note 5)							
Gift annuities	-	536,408	-	-	-	536,408	424,889
Trust agreements	-	84,452	-	-	-	84,452	84,870
Deferred income	-	172,827	-	-	-	172,827	437,610
	<u>-</u>	<u>793,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,687</u>	<u>947,369</u>
	<u>493,076</u>	<u>874,902</u>	<u>-</u>	<u>-</u>	<u>41,641</u>	<u>1,409,619</u>	<u>1,333,542</u>
Fund Balances							
Invested in capital assets	-	-	-	1,917,867	-	1,917,867	70,514
Externally restricted	-	2,307,377	-	-	-	2,307,377	2,307,377
Internally restricted	-	-	4,074,038	-	-	4,074,038	4,840,000
Unrestricted (Note 8)	8,041,584	-	-	-	60,240	8,101,824	6,357,797
	<u>8,041,584</u>	<u>2,307,377</u>	<u>4,074,038</u>	<u>1,917,867</u>	<u>60,240</u>	<u>16,401,106</u>	<u>13,575,688</u>
	<u>\$ 8,534,660</u>	<u>\$ 3,182,279</u>	<u>\$ 4,074,038</u>	<u>\$ 1,917,867</u>	<u>\$ 101,881</u>	<u>\$ 17,810,725</u>	<u>\$ 14,909,230</u>

On behalf of the Board



Brenda Ben, Board Chair



Wayne Feasby, Treasurer

See accompanying notes to the financial statements.

Hope and Healing International

Consolidated Statement of Cash Flows

Year ended June 30

	<u>2021</u>	<u>2020</u>
Increase (decrease) in cash		
Operating		
Deficiency of revenue over expenditures for the period	\$ 2,825,418	\$ 6,055,966
Items not affecting cash:		
Gain on sale of capital assets	-	(4,983,661)
Amortization of capital assets	<u>112,871</u>	<u>92,841</u>
	2,938,289	1,165,146
Change in non-cash operating working capital items:		
Accounts receivable	(89,062)	(4,746)
Project advance	217,346	165,142
Prepaid expenses	(60,200)	(79,818)
Donations-in-kind	(342,778)	15,329
Accounts payable and accrued liabilities	246,664	(158,497)
Gift annuities	94,614	(181,047)
Trust agreements	(418)	5,464
Deferred income	<u>(264,783)</u>	<u>(25,925)</u>
	<u>(198,617)</u>	<u>(264,098)</u>
Investing		
Net change in investments	(1,624,271)	(4,578,132)
Purchase of capital assets	(1,960,224)	(89,501)
Proceeds on disposition of capital assets	<u>-</u>	<u>6,450,000</u>
	<u>(3,584,495)</u>	<u>1,782,367</u>
Net (decrease) increase in cash	(844,823)	2,683,415
Cash and cash equivalents, beginning of period	<u>5,080,086</u>	<u>2,396,671</u>
Cash and cash equivalents, end of period	<u>\$ 4,235,263</u>	<u>\$ 5,080,086</u>
Supplementary cash and cash equivalents information:		
Cash	\$ 2,075,263	\$ 2,920,086
Canadian money market mutual funds	\$ 2,160,000	\$ 2,160,000

See accompanying notes to the financial statements.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

1. Nature of operations

Hope and Healing International (the "Organization") is a religious, charitable, not-for-profit corporation without share capital, registered by Canada Revenue Agency for tax receipting purposes. The consolidated financial statements present the consolidated financial position and results of operations conducted by the Canadian organization world-wide.

Hope and Healing International is an international Christian development organization, committed to bringing hope and healing and improving the quality of life of persons with disabilities in the poorest countries of the world.

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements present, in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook, the assets, liabilities, fund balances, revenue, expenses and cash flows of Hope and Healing International and its controlled entities.

Nia Technologies Inc. (Nia) commenced its first year effective July 21, 2015. It is controlled by the Organization. Nia is consolidated with the Organization.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions. The operating fund reports the activity related to the operations and administration of the Organization. The externally restricted fund reports the activity related to the planned giving operations of the Organization for which contributions have been externally restricted by the donor. The capital fund reports the activity related to the capital assets of the Organization. The Nia fund reports the activity related to Nia Technologies Inc.

The internally restricted reserve fund was established by the Board in 2020. The reserve fund is only to be used when approved by the Board for items they deem necessary. The intent is to have funds available to fund charitable operations in times of financial difficulty. The reserve is to be funded through transfers from unrestricted net assets that are sourced from operational surpluses.

Revenue recognition

Contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization recognizes government assistance towards current expenses in the statement of operations. When government assistance relates to future expenses, the Organization defers the assistance and recognizes it in the statement of operations as the related expenses are incurred.

Investment income is recorded on the accrual basis and includes interest income, dividends, realized gains on sale of investments and change in unrealized gains on investments.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

2. Summary of significant accounting policies (continued)

Donations-in-kind

Donations-in-kind are valued at fair value at the date of contribution and included as revenues and assets of the Organization. When distributed, donations-in-kind are expensed; and the asset is written off.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term deposits with original maturities of three months or less.

Capital assets

The capital assets are carried at cost less accumulated amortization. Amortization is calculated based upon the estimated useful life of the assets on a straight-line basis at the following annual rates:

Leasehold improvements	- over 10 years
Furniture and other equipment	- over 5 years
Computer equipment	- over 3 years

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

Contributed services

Volunteer services contributed to the Organization in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their fair value.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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.

Allocation of Expenses

The Organization engages in international programs, Canadian programs, education and fundraising programs. The Organization also incurs various general and administrative support expenses that are common to the administration of the organization and each of its programs. All costs that are allocated relate to general and administrative support expenses.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

2. Summary of significant accounting policies (continued)

Allocation of Expenses (continued)

With respect to general and administrative support expenses, the appropriate basis of allocating each component expense is identified and applied on a consistent basis each year. Corporate governance and general management expenses are not allocated. Other general and administrative support expenses are allocated on the following basis:

- Facilities costs are allocated proportionately on the basis of office space utilization.
- Human resources, information technology, accounting support service costs and remaining general and administrative support expenses are allocated proportionately on the basis of hours incurred directly in undertaking each function.

Financial instruments

The Organization's financial instruments are comprised of cash, investments, accounts receivable, accounts payable, gift annuities and trust agreements.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. Financial assets or liabilities obtained in related party transactions are measured at their exchange amount. The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except investments in an active market which are measured at fair value using the closing price at year end.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down; and the resulting impairment loss is recognized in the statement of operations.

Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any reversal are recognized in the statement of operations.

3. Capital assets

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Leasehold improvements	\$ 1,518,712	\$ 34,795	\$ 1,483,917	\$ -
Furniture and other equipment	230,930	11,117	219,813	-
Computer equipment	<u>313,080</u>	<u>98,943</u>	<u>214,137</u>	<u>70,514</u>
	<u>\$ 2,062,722</u>	<u>144,855</u>	<u>1,917,867</u>	<u>\$ 70,514</u>

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

4. Interfund transfers

During the period, the following interfund transfers were made:

	<u>Operating Fund</u>	<u>Restricted Funds</u>	<u>Capital Fund</u>
Transfer from Reserve Fund to Operating Fund	\$ 765,962	\$ (765,962)	\$ -
Purchase of capital assets	<u>(1,960,224)</u>	<u>-</u>	<u>1,960,224</u>
	<u>\$ (1,194,262)</u>	<u>\$ (765,962)</u>	<u>\$ 1,960,224</u>

5. Gift annuities and trust agreements

Gift Annuities

The Organization has entered into irrevocable gift annuity agreements with donors desirous of making a charitable donation to the Organization. Payments at guaranteed rates are made during the lifetime of the annuitant. On the death of the annuitant, the balance of funds remain the property of the Organization and are recorded as income at that time.

Trust Agreements

The Organization has established revocable and irrevocable trust agreements as a form of deferred giving. Under the terms of the agreements, interest earned is paid to the donor/investor. At the time of the donor/investor's death, the principal becomes available for ministry purposes.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

6. Financial Instruments

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The Organization's Board of Directors has approved a Statement of Investment Policy that provides the guidelines for managing the investments of the Organization. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at June 30, 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed income investments. The Organization manages this risk by staggering the terms of the investments held.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Organization is exposed to currency risk in holding assets and/or liabilities denominated in currencies other than the Canadian dollar, the Organization's functional currency, as the value of the instruments denominated in other currencies will fluctuate in accordance with the applicable exchange rates in effect.

Price risk

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 instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Organization is exposed to price risk on its investments in equities. The Organization mitigates this risk through controls to monitor and limit concentration levels.

Other risks

The Organization's exposure to credit risk is limited because it does not engage in transactions directly exposed to this risk. The Organization's exposure to liquidity risk is limited because of the near-term maturity of the majority of its short-term investments.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

7. Allocation of expenses

General and administrative support expenses are stated after allocation of the following amounts:

	<u>2021</u>	<u>2020</u>
International programs	\$ 120,518	\$ 130,521
Education	281,709	282,572
Fundraising	<u>435,451</u>	<u>483,062</u>
	<u>\$ 837,678</u>	<u>\$ 896,155</u>

8. Unrestricted fund balance

The Organization has approved and committed to fund projects in which it will participate and is committed to raise funds for such purposes. The Organization monitors the financial and administrative direction and control over the projects throughout the commitment period. Expenses for these projects are recognized once the Organization has received evidence confirming the utilization of these funds. The expected remaining funding commitment to these projects amounts to \$4,211,490 (2020 - \$2,445,494) that will be released from the unrestricted fund balance. Included in this amount is \$431,521 (2020 - \$648,867), which represents project advances to be released from the unrestricted fund balance.

9. Line of Credit

The Organization has an \$800,000 (2020 - \$nil) revolving line of credit which bears interest at prime rate and is secured by the Operating Reserve Fund. As at year-end, the Organization has utilized \$Nil of the line of credit and accordingly has incurred interest costs of \$Nil during the year.

10. Investments

	<u>2021</u>	<u>2020</u>
Equities		
Domestic	\$ 4,740,499	\$ 2,358,753
Foreign	875,065	712,405
Fixed income	4,406,563	5,295,172
Cash and cash equivalents	<u>62,073</u>	<u>93,599</u>
	<u>\$ 10,084,200</u>	<u>\$ 8,459,929</u>

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2021

11. Commitments

The Organization has operating lease obligations for its premises with future minimum payments as follows:

2022	\$	175,000
2023		175,000
2024		175,000
2025		175,000
2026		188,125
Thereafter		<u>905,625</u>
	\$	<u>1,793,750</u>

12. Other Income

	<u>2021</u>	<u>2020</u>
Canadian emergency wage subsidies	\$ 221,519	\$ 111,344
Canadian emergency rent subsidies	6,248	-
Miscellaneous	<u>17,848</u>	<u>58,965</u>
	<u>\$ 245,615</u>	<u>\$ 170,309</u>

13. Comparative amounts

Certain comparative figures have been adjusted to conform to changes in the current year.