

VILLAGES OF HOPE: AFRICA SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016



Director



Director

VILLAGES OF HOPE: AFRICA SOCIETY
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YEAR ENDED DECEMBER 31, 2016

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Chartered
Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: Villages of Hope: Africa Society

We have audited the accompanying financial statements of Villages of Hope: Africa Society, which comprise the statement of financial position as at December 31, 2016 and the statements of operating fund activity, changes in operating fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Villages of Hope: Africa Society as at December 31, 2016 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.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
April 20, 2017

Chartered Professional Accountants
Licensed Public Accountants

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and short term deposits	\$ 583,896	\$ 534,508
Accrued interest	0	5,558
Investments - current portion (note 5)	65,650	63,298
Government remittances recoverable	2,228	1,171
Due from PAOC (note 4)	0	4,497
	<u>651,774</u>	<u>609,032</u>
LONG TERM INVESTMENTS (note 5)	<u>463,225</u>	<u>543,558</u>
	<u>\$ 1,114,999</u>	<u>\$ 1,152,590</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 21,209	\$ 5,001
Due to PAOC (note 4)	518	0
	<u>21,727</u>	<u>5,001</u>
FUND BALANCES		
GENERAL FUND	352,273	340,152
DESIGNATED FUNDS	<u>740,999</u>	<u>807,437</u>
	<u>1,093,272</u>	<u>1,147,589</u>
	<u>\$ 1,114,999</u>	<u>\$ 1,152,590</u>

VILLAGES OF HOPE: AFRICA SOCIETY
 STATEMENT OF CHANGES IN OPERATING FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			2015
	General Fund	Designated Funds	Total	Total
Fund balance, beginning of year	\$ 340,152	\$ 807,437	\$ 1,147,589	\$ 1,368,369
Excess (deficiency) of revenue over expenditures	<u>12,121</u>	<u>(66,438)</u>	<u>(54,317)</u>	<u>(220,780)</u>
Fund balance, end of year	<u>\$ 352,273</u>	<u>\$ 740,999</u>	<u>\$ 1,093,272</u>	<u>\$ 1,147,589</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF OPERATING FUND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUES		
Grant funds	\$ 1,185,928	\$ 1,135,287
Operating funds	1,001,119	934,622
ChildCARE Plus funds	718,214	710,881
Capital projects	<u>342,220</u>	<u>353,895</u>
	<u>3,247,481</u>	<u>3,134,685</u>
EXPENDITURES		
Transfers to oversea agents (note 6)	3,061,285	3,134,953
Administration	234,458	211,281
Legal and audit	<u>6,055</u>	<u>9,231</u>
	<u>3,301,798</u>	<u>3,355,465</u>
EXCESS OF EXPENDITURES OVER REVENUES for the year	<u>\$ (54,317)</u>	<u>\$ (220,780)</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of expenditures over revenues for the year	\$ (54,317)	\$ (220,780)
Changes in non-cash working capital		
Accrued interest	5,558	381
Due from PAOC	5,015	11,904
Government remittances recoverable	(1,057)	(1,171)
Accounts payable and accrued liabilities	16,208	(700)
	<u>(28,593)</u>	<u>(210,366)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Long term investments	80,333	74,167
Investments - current portion	(2,352)	(5,897)
	<u>77,981</u>	<u>68,270</u>
NET INCREASE (DECREASE) IN CASH	49,388	(142,096)
NET CASH, BEGINNING OF YEAR	<u>534,508</u>	<u>676,604</u>
NET CASH, END OF YEAR	<u>\$ 583,896</u>	<u>\$ 534,508</u>

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. NATURE OF ORGANIZATION

Villages of Hope: Africa Society is a not for profit organization incorporated under the laws of Ontario without share capital and is a registered charity under the Income Tax Act. Villages of Hope: Africa Society is exempt from income tax. The organization was formed in 2009 to facilitate the establishment and administration of excellent care for children at risk by partnering with various African based organizations. The organization has developed a set of standards for quality childcare, and holds each village accountable to those standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) **REVENUE RECOGNITION**

The organization records revenue from donations and contributions in the period in which it is received. Receipts designated for specific programs, but not yet expended at year end are recorded as restricted designated funds on the organization's statement of financial position.

(b) **USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(c) **FINANCIAL INSTRUMENTS**

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

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 net surplus.

Financial assets measured at amortized cost include cash, accrued interest, due from PAOC and long term investments.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and due to PAOC.

The organization's financial assets measured at fair value include a number of other investments, i.e. quoted shares.

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(c) **FINANCIAL INSTRUMENTS** (continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. 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 net surplus.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, 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.

(d) **FUND ACCOUNTING**

General operating fund

The general operating fund reports resources available for the organization's general operating activities.

Restricted fund

The organization's accounts follow the principles of restricted fund accounting under which resources for particular purposes are classified, for accounting and reporting into funds corresponding to those purposes.

3. **FINANCIAL INSTRUMENTS**

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from their financial instruments.

The extent of the organization's exposure to these risks did not change in 2016 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

4. **DUE (TO) FROM PAOC**

The balance due (to) from Pentecostal Assemblies of Canada (PAOC) is unsecured, non-interest bearing and has no set terms of repayment.

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

5. LONG TERM INVESTMENTS

	2016	2015
Investment to PAOC, a related party, that bears interest at 3.5% to 4% and is due June 2023 to April 2024	\$ 528,875	\$ 606,856
Less current portion:	<u>65,650</u>	<u>63,298</u>
	<u>\$ 463,225</u>	<u>\$ 543,558</u>

6. FUNDS TO OVERSEA AGENTS

	2016	2015
Burundi	\$ 147,103	\$ 137,710
Chongwe	519,356	616,646
Kenya	233,026	150,915
Kitwe	850,089	841,205
Lusaka	15,755	19,110
Malawi	134,400	145,772
Mongu	370,429	454,240
Mwanza	247,041	277,325
Where most needed	0	11,810
Zambia	27,154	8,000
Zimbabwe	<u>516,932</u>	<u>472,220</u>
	<u>\$ 3,061,285</u>	<u>\$ 3,134,953</u>