

**VILLAGES OF HOPE: AFRICA SOCIETY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**VILLAGES OF HOPE: AFRICA SOCIETY**  
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**YEAR ENDED DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2017 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, 2017 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.

Guelph, Ontario  
May 14, 2018

Chartered Professional Accountants  
Licensed Public Accountants

VILLAGES OF HOPE: AFRICA SOCIETY  
 STATEMENT OF FINANCIAL POSITION  
 AS AT DECEMBER 31, 2017

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,475,355	\$ 583,896
Investments - current portion (note 5)	68,075	65,650
Government remittances recoverable	<u>4,099</u>	<u>2,228</u>
	1,547,529	651,774
<b>LONG TERM INVESTMENTS</b> (note 5)	<u>396,305</u>	<u>463,225</u>
	<u>\$ 1,943,834</u>	<u>\$ 1,114,999</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 29,479	\$ 21,209
Due to PAOC (note 4)	23,148	518
Advance of 2018 funding	<u>1,229,331</u>	<u>0</u>
	<u>1,281,958</u>	<u>21,727</u>
<b>FUND BALANCES</b>		
<b>GENERAL FUND</b>	375,112	352,273
<b>DESIGNATED FUNDS</b>	<u>286,764</u>	<u>740,999</u>
	<u>661,876</u>	<u>1,093,272</u>
	<u>\$ 1,943,834</u>	<u>\$ 1,114,999</u>

**VILLAGES OF HOPE: AFRICA SOCIETY**  
**STATEMENT OF CHANGES IN OPERATING FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>			<b>2016</b>
	General Fund	Designated Funds	Total	Total
<b>Fund balance, beginning of year</b>	\$ 352,273	\$ 740,999	\$ 1,093,272	\$ 1,147,589
Excess (deficiency) of revenue over expenditures	<u>22,839</u>	<u>(454,235)</u>	<u>(431,396)</u>	<u>(54,317)</u>
<b>Fund balance, end of year</b>	<u>\$ 375,112</u>	<u>\$ 286,764</u>	<u>\$ 661,876</u>	<u>\$ 1,093,272</u>

**VILLAGES OF HOPE: AFRICA SOCIETY**  
**STATEMENT OF OPERATING FUND ACTIVITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>REVENUES</b>		
Grant funds	\$ 1,032,732	\$ 1,185,928
Operating funds	770,458	1,001,119
ChildCARE Plus funds	762,099	718,214
Capital projects	126,639	342,220
	<u>2,691,928</u>	<u>3,247,481</u>
<b>EXPENDITURES</b>		
Transfers to oversea agents (note 6)	2,829,082	3,061,285
Administration	288,903	234,458
Legal and audit	5,339	6,055
	<u>3,123,324</u>	<u>3,301,798</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES for the year</b>	<u>\$ (431,396)</u>	<u>\$ (54,317)</u>

**VILLAGES OF HOPE: AFRICA SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess of expenditures over revenues for the year	\$ (431,396)	\$ (54,317)
Changes in non-cash working capital		
Accrued interest	0	5,558
Due from PAOC	22,630	5,015
Government remittances recoverable	(1,871)	(1,057)
Accounts payable and accrued liabilities	8,270	16,208
Advance on 2018 funding	<u>1,229,331</u>	<u>0</u>
	<u>826,964</u>	<u>(28,593)</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Long term investments	66,920	80,333
Investments - current portion	<u>(2,425)</u>	<u>(2,352)</u>
	<u>64,495</u>	<u>77,981</u>
<b>NET INCREASE IN CASH</b>	891,459	49,388
<b>NET CASH, BEGINNING OF YEAR</b>	<u>583,896</u>	<u>534,508</u>
<b>NET CASH, END OF YEAR</b>	<u><u>\$ 1,475,355</u></u>	<u><u>\$ 583,896</u></u>

**VILLAGES OF HOPE: AFRICA SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**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.

Financial assets measured at amortized cost include cash and long term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to PAOC and advance of 2018 funding.

**VILLAGES OF HOPE: AFRICA SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**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 2017 compared to the previous period.

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

**4. DUE TO PAOC**

The balance due to 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, 2017**

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**5. LONG TERM INVESTMENTS**

	<b>2017</b>	<b>2016</b>
Investment to PAOC, a related party, that bears interest at 3.5% to 4% and is due June 2023 to April 2024	\$ 464,380	\$ 528,875
Less current portion:	<u>68,075</u>	<u>65,650</u>
	<u>\$ 396,305</u>	<u>\$ 463,225</u>

**6. FUNDS TO OVERSEA AGENTS**

	<b>2017</b>	<b>2016</b>
Bulale	\$ 39,851	\$ 0
Burundi	129,128	147,103
Chongwe	450,486	519,356
Kenya	111,477	233,026
Kitwe	808,311	850,089
Lusaka	0	15,755
Malawi	137,079	134,400
Mongu	383,957	370,429
Mwanza	227,844	247,041
Zambia	39,554	27,154
Zimbabwe	491,352	516,932
Other	<u>10,043</u>	<u>0</u>
	<u>\$ 2,829,082</u>	<u>\$ 3,061,285</u>