

VILLAGES OF HOPE: AFRICA SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

VILLAGES OF HOPE: AFRICA SOCIETY
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YEAR ENDED DECEMBER 31, 2018

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Chartered
Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Villages of Hope: Africa Society, which comprise the statement of financial position as at December 31, 2018 and the statements of changes in fund balances, fund activity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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, 2018 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 of 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 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 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.



Guelph, Ontario
May 31, 2019

Chartered Professional Accountants
Licensed Public Accountants

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 812,182	\$ 1,475,355
Investments - current portion (note 5)	70,596	68,075
Government remittances recoverable	<u>442</u>	<u>4,099</u>
	883,220	1,547,529
LONG TERM INVESTMENTS (note 5)	<u>325,868</u>	<u>396,305</u>
	<u>\$ 1,209,088</u>	<u>\$ 1,943,834</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 5,000	\$ 29,479
Due to PAOC (note 4)	18,918	23,148
Advance of 2018 funding	<u>0</u>	<u>1,229,331</u>
	<u>23,918</u>	<u>1,281,958</u>
FUND BALANCES		
UNRESTRICTED FUNDS (note 2)	384,386	614,308
INTERNALLY RESTRICTED (note 2)	279,834	0
EXTERNALLY RESTRICTED (note 2)	<u>520,950</u>	<u>47,568</u>
	<u>1,185,170</u>	<u>661,876</u>
	<u>\$ 1,209,088</u>	<u>\$ 1,943,834</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted Funds	Internally Restricted Funds	Externally Restricted Funds	2018 Total	2017 Total
Fund balance, beginning of year	\$ 614,308	\$ 0	\$ 47,568	\$ 661,876	\$ 1,093,272
Excess (deficiency) of revenues over expenditures	<u>(229,922)</u>	<u>279,834</u>	<u>473,382</u>	<u>523,294</u>	<u>(431,396)</u>
Fund balance, end of year	<u>\$ 384,386</u>	<u>\$ 279,834</u>	<u>\$ 520,950</u>	<u>\$ 1,185,170</u>	<u>\$ 661,876</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF FUND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017 (note 8)
REVENUES		
Grant funds	\$ 1,303,697	\$ 1,032,732
Operating funds	975,986	770,458
ChildCARE Plus funds	800,808	762,099
Capital projects	365,404	126,639
Sponsorships	18,253	0
	<u>3,464,148</u>	<u>2,691,928</u>
EXPENDITURES		
Transfers to oversea agents (note 6)	2,614,869	2,779,038
Resource development and support services	261,761	288,903
Donations (note 7)	53,703	50,044
Legal and audit	10,521	5,339
	<u>2,940,854</u>	<u>3,123,324</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES for the year	<u>\$ 523,294</u>	<u>\$ (431,396)</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for the year	\$ 523,294	\$ (431,396)
Changes in non-cash working capital		
Due to PAOC	(4,230)	22,630
Government remittances recoverable	3,657	(1,871)
Accounts payable and accrued liabilities	(24,479)	8,270
Advance of 2018 funding	<u>(1,229,331)</u>	<u>1,229,331</u>
	<u>(731,089)</u>	<u>826,964</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Long term investments	70,437	66,920
Investments - current portion	<u>(2,521)</u>	<u>(2,425)</u>
	<u>67,916</u>	<u>64,495</u>
NET (DECREASE) INCREASE IN CASH	(663,173)	891,459
NET CASH, BEGINNING OF YEAR	<u>1,475,355</u>	<u>583,896</u>
NET CASH, END OF YEAR	<u>\$ 812,182</u>	<u>\$ 1,475,355</u>

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 follows the restricted fund method of accounting for contributions in which externally restricted contributions are recognized upon receipt in the appropriate fund corresponding to the purpose for which they were contributed. Unrestricted donations are recognized as revenue in the year received. Designated donations are recognized as revenue of the appropriate designated fund in the year received.

(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 investments.

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

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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) OBJECTIVES, POLICIES AND PROCESS FOR MANAGING CAPITAL

The capital of Villages of Hope: Africa Society (VOHAS) is comprised of net amounts invested in unrestricted funds, internally restricted funds, and externally restricted funds.

Unrestricted funds

The Board's objective is to maintain an unrestricted fund balance sufficient to meet the annual operational budget requirements. The Executive Director prepares the annual budget for the Finance Committee to review and then the Board approves it. The Treasurer and Finance Committee monitor the results against the approved budget and notify the Board when changes to plans are required.

Internally restricted funds - Villages

The objective of the internally restricted funds, or village funds, is to hold these balances from year to year in order to provide operational funds for the villages. Each Village is required to prepare an annual budget, approved by their Board of Directors. These budgets along with required monthly reporting are monitored throughout the year by VOHAS.

Externally restricted funds - designated

The externally restricted funds are designated and set aside by the Board to fulfill the donor wishes in providing for projects or programs. Each project or program must be carrying out the charitable objectives of VOHAS. The Finance Committee monitors these funds to ensure they are being distributed for their intended purposes. Where the funds are not required in the short term, the Treasurer invests their balances in accordance with Board policy, which allows that they be held in short term, low risk and highly liquid financial instruments.

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 its financial instruments.

The extent of the organization's exposure to these risks did not change in 2018 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.

5. INVESTMENTS

	2018	2017
Investment to PAOC, a related party, that bears interest at 3.5% to 4% and is due June 2023 to April 2024	\$ 396,464	\$ 464,380
Less current portion:	<u>70,596</u>	<u>68,075</u>
	<u>\$ 325,868</u>	<u>\$ 396,305</u>

6. FUNDS TO OVERSEA AGENTS

	2018	2017
VOH Bulale	\$ 108,669	\$ 39,851
VOH Burundi	155,481	129,128
VOH Chongwe	405,115	450,486
VOH Kenya	0	111,477
VOH Kitwe	666,351	808,311
VOH Malawi	212,422	137,079
VOH Mongu	315,276	383,957
VOH Mwanza	217,252	227,844
VOH Zambia	0	0
VOH Zimbabwe	451,731	490,905
Other	<u>82,572</u>	<u>0</u>
	<u>\$ 2,614,869</u>	<u>\$ 2,779,038</u>

7. RELATED PARTY TRANSACTIONS

During the year the organization had the following transactions with a related organization that is related by virtue of common control:

	2018	2017
Donations to PAOC	\$ 53,703	\$ 50,044

**VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation.