

VILLAGES OF HOPE: AFRICA SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

VILLAGES OF HOPE: AFRICA SOCIETY
INDEX TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Changes in Fund Balances	6
Statement of Fund Activity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 11

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, 2020 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, 2020 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 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.

Handwritten signature in black ink that reads "RLB LLP". The letters are stylized and cursive.

Guelph, Ontario
May 7, 2021

Chartered Professional Accountants
Licensed Public Accountants

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 473,980	\$ 817,366
Investments - current portion (note 5)	266,820	51,687
Government remittances recoverable	0	925
Due from PAOC (note 4)	<u>5,858</u>	<u>0</u>
	746,658	869,978
LONG TERM INVESTMENTS (note 5)	<u>137,656</u>	<u>194,184</u>
	<u>\$ 884,314</u>	<u>\$ 1,064,162</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,606	\$ 4,805
Due to PAOC (note 4)	<u>0</u>	<u>16,443</u>
	<u>4,606</u>	<u>21,248</u>
FUND BALANCES		
UNRESTRICTED FUNDS (note 2)	296,673	394,344
INTERNALLY RESTRICTED (note 2)	214,047	221,903
EXTERNALLY RESTRICTED (note 2)	<u>368,988</u>	<u>426,667</u>
	<u>879,708</u>	<u>1,042,914</u>
	<u>\$ 884,314</u>	<u>\$ 1,064,162</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Unrestricted Funds	Internally Restricted Funds	Externally Restricted Funds	2020 Total	2019 Total
Fund balance, beginning of year	\$ 394,344	\$ 221,903	\$ 426,667	\$ 1,042,914	\$ 1,185,170
Deficiency of revenues over expenditures	<u>(97,671)</u>	<u>(7,856)</u>	<u>(57,679)</u>	<u>(163,206)</u>	<u>(142,256)</u>
Fund balance, end of year	<u>\$ 296,673</u>	<u>\$ 214,047</u>	<u>\$ 368,988</u>	<u>\$ 879,708</u>	<u>\$ 1,042,914</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF FUND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
REVENUES		
ChildCARE Plus funds	\$ 1,047,853	\$ 843,390
Operating funds	974,511	975,830
Capital projects	333,022	294,353
Grant funds	311,068	676,325
Sponsorships	<u>119,539</u>	<u>58,568</u>
	<u>2,785,993</u>	<u>2,848,466</u>
EXPENDITURES		
Transfers to oversea agents (note 6)	2,734,334	2,723,489
Resource development and support services	189,259	241,485
Donations (note 7)	18,377	19,500
Legal and audit	<u>7,229</u>	<u>6,248</u>
	<u>2,949,199</u>	<u>2,990,722</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES for the year	<u>\$ (163,206)</u>	<u>\$ (142,256)</u>

VILLAGES OF HOPE: AFRICA SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Deficiency of revenues over expenditures for the year	\$ (163,206)	\$ (142,256)
Changes in non-cash working capital		
Due from/to PAOC	(22,301)	(2,475)
Government remittances recoverable	925	(483)
Accounts payable and accrued liabilities	(199)	(195)
	<u>(184,781)</u>	<u>(145,409)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Long term investments	56,528	131,684
Investments - current portion	(215,133)	18,909
	<u>(158,605)</u>	<u>150,593</u>
NET (DECREASE) INCREASE IN CASH	(343,386)	5,184
NET CASH, BEGINNING OF YEAR	<u>817,366</u>	<u>812,182</u>
NET CASH, END OF YEAR	<u>\$ 473,980</u>	<u>\$ 817,366</u>

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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.

VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 by donors to fulfil their wishes in providing for specific 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.

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 the financial instruments.

The extent of the organization's exposure to these risks did not change in 2020 compared to the previous period.

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

4. DUE FROM/TO PAOC

The balance due from/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, 2020

5. INVESTMENTS

	2020	2019
Investment to PAOC, a related party, that bears interest at 3.5% and is due April 2024	\$ 254,476	\$ 245,871
Investment to PFSG, a related party, that bears interest at 2.25% and is due June 15, 2021	<u>150,000</u>	<u>0</u>
	404,476	245,871
Less current portion:	<u>266,820</u>	<u>51,687</u>
	<u>\$ 137,656</u>	<u>\$ 194,184</u>

6. FUNDS TO OVERSEA AGENTS

	2020	2019
VOH Bulale	\$ 270,360	\$ 52,515
VOH Burundi	240,276	233,501
VOH Chongwe	344,554	444,448
VOH Kitwe	480,624	643,012
VOH Malawi	320,588	243,284
VOH Mongu	281,596	377,766
VOH Mwanza	214,524	244,078
VOH Zimbabwe	<u>581,812</u>	<u>484,885</u>
	<u>\$ 2,734,334</u>	<u>\$ 2,723,489</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:

	2020	2019
Donations to PAOC	\$ 18,377	\$ 19,500

8. MATERIAL UNCERTAINTY DUE TO THE NOVEL CORONAVIRUS

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) significantly impacted the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's assets and its future ability to deliver all services.