

KIDS ALIVE INTERNATIONAL - CANADA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Revenue and Expenditure	2
Statement of Fund Balances	3
Financial Position	4
Statement of Cash Flows	5
Explanatory Financial Notes	6 - 9

INDEPENDENT AUDITORS' REPORT

To the Members of
Kids Alive International - Canada

We have audited the accompanying financial statements of **Kids Alive International - Canada**, which comprise the statement of financial position as at December 31, 2016, and the statements of revenue and expenditure, 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.

Auditors' 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Kids Alive International - Canada** 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.



Cambridge, Ontario
April 19, 2017

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario

**STATEMENT OF REVENUE AND EXPENDITURE
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted Fund \$	Restricted Fund \$	2016 \$	2015 \$
Revenue				
Donations	143,085	1,126,604	1,269,689	1,163,127
Grants and foundation	36,558	137,543	174,101	50,838
Investment income	745	19,340	20,085	10,492
	180,388	1,283,487	1,463,875	1,224,457
Expenditures of Designated Funds				
Overseas project support		688,788	688,788	473,205
Missionary support and expenses		182,394	182,394	165,559
Short term team expenses		15,982	15,982	83,305
Fundraising (note 8)	14,081		14,081	4,714
	14,081	887,164	901,245	726,783
Head Office Expenditures				
Administrative remuneration	206,268		206,268	204,735
Employment expenses	3,813	6,246	10,059	18,588
Office and administrative	34,071	500	34,571	30,621
Head office rent	12,000		12,000	10,560
Bank charges	12,492	3,872	16,364	10,620
Professional fees and insurance	23,942		23,942	15,180
Other	2,289		2,289	2,776
Other field and travel				15,728
Amortization	1,580		1,580	1,883
	296,455	10,618	307,073	310,691
	310,536	897,782	1,208,318	1,037,474
Income (loss) before undernoted items	(130,148)	385,705	255,557	186,983
Other income				
Unrealized gain (loss) on investments	(165)	5,176	5,011	(15,006)
Realized loss on sale of investments		(2,411)	(2,411)	
	(165)	2,765	2,600	(15,006)
Excess (deficiency) of revenue over expenditures for year	(130,313)	388,470	258,157	171,977

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted Fund \$	Restricted Fund \$	2016 \$	2015 \$
Balance (deficit), beginning of year	(61,199)	622,025	560,826	388,849
Excess (deficiency) of revenue over expenditures for year	(130,313)	388,470	258,157	171,977
Interfund transfers (note 7)	233,571	(233,571)		
Balance, end of year (note 6)	42,059	776,924	818,983	560,826

**FINANCIAL POSITION
DECEMBER 31, 2016**

	2016 \$	2015 \$
ASSETS		
Cash	358,948	206,608
Short-term investments	504,423	361,403
Accounts receivable	8,320	18,869
Prepaid expenses	752	732
Current assets	872,443	587,612
Capital assets (note 3)	4,713	6,292
	877,156	593,904
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	58,173	33,078
Current liabilities	58,173	33,078
FUND BALANCES		
Unrestricted fund balance (note 6)	42,059	(61,199)
Restricted fund balance (note 6)	776,924	622,025
	877,156	593,904

APPROVED BY THE BOARD:

_____ Director

_____ Director

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

	2016 \$	2015 \$
Cash flows from operating activities:		
Excess of revenue over expenditures for year	258,157	171,977
Item not involving cash:		
Amortization	1,580	1,883
	259,737	173,860
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	10,549	(5,594)
Prepaid expenses	(20)	(123)
Accounts payable and accrued liabilities	25,095	20,857
	295,361	189,000
Cash flows from investment activities:		
Increase in short-term investments	(143,021)	(115,565)
Net additions to capital assets		(1,544)
	(143,021)	(117,109)
Net increase in cash	152,340	71,891
Cash, beginning of year	206,608	134,717
Cash, end of year	358,948	206,608

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2016**

1. Nature of Business

Kids Alive International - Canada was incorporated without share capital by letters patent dated November 4, 1997 under the Canada Business Corporations Act and has its head office in Cambridge, Ontario, Canada. The Organization has been continued under the Canada Not-for-Profit Corporations Act.

Kids Alive International - Canada reflects the love of Christ by rescuing suffering children-in-crisis in developing nations, nurturing them with quality holistic care in a family environment and introducing them to the transforming power of Jesus Christ so they are enabled to instill hope in others and grow to a leadership position in their community. The Organization is distinctive from other charities by encouraging donors to be personally engaged with children under the Organization's care.

As Kids Alive International - Canada is a registered charity under the Income Tax Act, its income is not taxable and it is eligible to issue official income tax receipts for charitable donations.

2. Summary of Significant Accounting Policies

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

(a) Fund accounting

To ensure observation of restrictions placed on the use of resources available to Kids Alive International - Canada, the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose:

The unrestricted fund balance represents the portion of the expendable funds available for operating costs of the Organization.

The restricted fund balance represents resources contributed to the Organization which have been allocated for specific mission project costs to be incurred in future periods.

(b) Revenue recognition

The Organization follows the restricted fund method of accounting for contributions whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenues in the unrestricted fund.

(c) Capital assets

The Organization amortizes capital assets using the declining-balance method at annual rates which will amortize the assets over their estimated useful lives:

Furniture and equipment	20%
Computer hardware and software	30%

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2016**

2. Summary of Significant Accounting Policies (Continued)

(d) Contributed services and materials

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them.

(e) Financial instruments

Investments are shown on the statement of financial position at their fair values at the year-end date, with changes in fair value recognized in the statement of operations. All other financial assets and liabilities are recorded at amortized cost less any discovered impairment.

(f) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount 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 current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

	2016 \$	2015 \$
3. Capital Assets		
Cost		
Furniture and equipment	13,193	13,193
Computer hardware and software	20,830	20,830
	34,023	34,023
Accumulated amortization		
Furniture and equipment	10,734	10,120
Computer hardware and software	18,576	17,611
	29,310	27,731
Net Book Value	4,713	6,292

4. Accounts Payable and Accrued Liabilities

There were no amounts payable with respect to government remittances as of the year end date.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2016**

5. Lease Arrangement

The Organization leases offices at 55 Fleming Dr., Cambridge, Ontario under a month to month lease at a monthly cost of approximately \$1,000 including rent and utilities.

	2016	2015
	\$	\$
6. Fund Balances		
Restricted funds: projects		
Zambia project funds	88,778	74,217
Haiti project funds	4,011	34,053
Peru project funds	66,527	48,918
Other project funds	301,218	155,097
	460,534	312,285
Restricted funds: other		
Missionary support funds	66,981	65,690
Scholarship funds	249,409	240,935
Administrative support funds		3,115
	316,390	309,740
Total restricted funds	776,924	622,025
Total unrestricted funds (deficit)	42,059	(61,199)
Total fund balances	818,983	560,826

7. Interfund Transfers

During the year, \$196,747 (\$135,966 in 2015) was transferred from the Restricted Funds to the Unrestricted Fund as payment of interfund administration fees. In addition, the Board approved net transfers of \$36,824 (\$46,148 in 2015) be transferred from the Restricted Funds to the Unrestricted Fund in the year.

8. Details of Fundraising Expenditures

Fundraising costs	123	1,713
Promotional/advertising costs	13,958	3,001
Total fundraising costs	14,081	4,714

9. Bank Debt

The Organization has a line of credit with a limit of \$30,000 with interest at prime plus 2% per annum, of which there was none outstanding at year end and which is secured by a general security agreement.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2016**

10. Financial Instruments

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the reporting date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity is exposed to credit risk with respect to its accounts receivable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to currency risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Organization's cash balance is subject to foreign exchange fluctuations. As at December 31, 2016, cash of \$15 (\$73 in 2015) originated in US dollars and was converted into Canadian dollars at the year-end rate of exchange.

Other price risk

Other 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The entity is exposed to other price risk through its investments.

11. Subsequent Event

Subsequent to the year end date, the Organization is changing its name to Hope Story, as part of a rebranding effort. The name change takes effect on April 3, 2017.