

HOPE STORY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Hope Story

Opinion

We have audited the accompanying financial statements of **Hope Story** (Hope Story), which comprise the statement of financial position as at December 31, 2018, and the statements of revenue and expenditure, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hope Story as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Hope Story 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 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.

In preparing the financial statements, management is responsible for assessing Hope Story'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 the Board of Directors either intends to liquidate Hope Story or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Hope Story's financial reporting process.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 the 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 Hope Story'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 Hope Story's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Hope Story 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.

A handwritten signature in black ink that reads "Graham Mathew Professional Corporation". The signature is written in a cursive, flowing style.

Cambridge, Ontario
June 18, 2019

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

**STATEMENT OF REVENUE AND EXPENDITURE
YEAR ENDED DECEMBER 31, 2018**

	Unrestricted Fund \$	Restricted Fund \$	2018 \$	2017 \$
Revenue				
Donations	239,895	1,196,274	1,436,169	1,230,124
Grants and foundation	60,823	41,293	102,116	70,144
Investment income	8,474	10,579	19,053	22,462
Administrative fees (note 7)	170,058	(170,058)		
	479,250	1,078,088	1,557,338	1,322,730
Expenditures of Designated Funds				
Overseas project support		798,455	798,455	781,976
Missionary support and expenses		182,189	182,189	163,544
Short term team expenses		8,483	8,483	94,938
Fundraising (note 8)	22,312		22,312	10,993
	22,312	989,127	1,011,439	1,051,451
Head Office Expenditures				
Administrative remuneration	327,651		327,651	292,802
Employment expenses	16,302		16,302	14,586
Office and administrative	48,367		48,367	64,640
Head office rent	12,000		12,000	12,000
Bank charges	12,501	2,155	14,656	16,677
Professional fees and insurance	9,040		9,040	9,155
Other				(247)
Amortization	1,188		1,188	1,357
	427,049	2,155	429,204	410,970
	449,361	991,282	1,440,643	1,462,421
Income (loss) before undernoted item	29,889	86,806	116,695	(139,691)
Loss on investments	(10,603)	(14,341)	(24,944)	(2,837)
Excess (deficiency) of revenue over expenditures for year	19,286	72,465	91,751	(142,528)

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

	Unrestricted Fund \$	Restricted Fund \$	2018 \$	2017 \$
Balance, beginning of year	98,021	578,434	676,455	818,983
Excess (deficiency) of revenue over expenditures for year	19,286	72,465	91,751	(142,528)
Interfund transfers (note 7)	19,280	(19,280)		
Balance, end of year (note 6)	136,587	631,619	768,206	676,455

**FINANCIAL POSITION
DECEMBER 31, 2018**

	2018 \$	2017 \$
ASSETS		
Cash	204,793	262,626
Short-term investments	582,195	436,456
Accounts receivable	8,770	10,253
Prepaid expenses	923	923
Current assets	796,681	710,258
Capital assets (note 3)	3,431	4,619
	800,112	714,877
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	31,906	38,422
Current liabilities	31,906	38,422
FUND BALANCES		
Unrestricted fund balance (note 6)	136,587	98,021
Restricted fund balance (note 6)	631,619	578,434
	768,206	676,455
	800,112	714,877

APPROVED BY THE BOARD:

_____ Director

_____ Director

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures for year	91,751	(142,528)
Item not involving cash:		
Amortization	1,188	1,357
	92,939	(141,171)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	1,483	(1,933)
Accounts payable and accrued liabilities	(6,516)	(19,751)
Prepaid expenses		(171)
	87,906	(163,026)
Cash flows from investment activities:		
Decrease (increase) in short-term investments	(145,739)	67,967
Purchase of capital assets		(1,263)
	(145,739)	66,704
Net decrease in cash	(57,833)	(96,322)
Cash, beginning of year	262,626	358,948
Cash, end of year	204,793	262,626

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2018**

1. Nature of Business

Hope Story (formerly 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. On April 3, 2017 the name of the Organization was changed from Kids Alive International - Canada to Hope Story.

Hope Story 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 Hope Story 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 Hope Story, 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, 2018**

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.

	2018 \$	2017 \$
3. Capital Assets		
Cost		
Furniture and equipment	13,193	13,193
Computer hardware and software	22,093	22,093
	35,286	35,286
Accumulated amortization		
Furniture and equipment	11,619	11,226
Computer hardware and software	20,236	19,441
	31,855	30,667
Net Book Value	3,431	4,619

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, 2018**

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.

	2018	2017
	\$	\$
6. Fund Balances		
Restricted funds: projects		
Burkina Faso	143,005	
Columbia	21,833	
Zambia	47,772	52,237
Tanzania	57,614	29,725
Kenya	124,811	151,588
Haiti		3,558
Peru		24,292
Guatemala		30,015
Dominican Republic		17,554
Other project funds	8,524	4,364
	403,559	313,333
Restricted funds: other		
Missionary support funds	30,790	31,486
Scholarship funds	197,270	233,615
	228,060	265,101
Total restricted funds	631,619	578,434
Total unrestricted funds	136,587	98,021
Total fund balances	768,206	676,455

7. Interfund Transfers

During the year, \$170,058 (\$160,398 in 2017) was transferred from the Restricted Funds to the Unrestricted Fund as payment of interfund administration fees. A majority of the Restricted Funds are subject to a 15% administration fee. In addition, the Board approved net transfers of \$19,280 (\$71,922 in 2017) be transferred from the Restricted Funds to the Unrestricted Fund in the year.

8. Details of Fundraising Expenditures

Fundraising costs		104
Promotional/advertising costs	22,312	10,889
Total fundraising costs	22,312	10,993

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2018**

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.

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 year end 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 other price risk.

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. Comparative Figures

Comparative figures have, in some instances, been reclassified in order to present them in a form comparable to those for the current year.