

HOPE STORY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Hope Story

We have audited the accompanying financial statements of **Hope Story**, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, 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 **Hope Story** 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.



Cambridge, Ontario
May 17, 2018

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

**STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted Fund \$	Restricted Fund \$	2017 \$	2016 \$
Revenue				
Donations	202,086	1,028,038	1,230,124	1,269,689
Grants and foundation	34,535	35,609	70,144	174,101
Investment income	10,416	12,046	22,462	20,085
Administrative fees (note 7)	160,398		160,398	196,747
	407,435	1,075,693	1,483,128	1,660,622
Expenditures of Designated Funds				
Overseas project support		781,976	781,976	688,788
Missionary support and expenses		163,544	163,544	182,394
Short term team expenses		94,938	94,938	15,982
Fundraising (note 8)	10,993		10,993	14,081
	10,993	1,040,458	1,051,451	901,245
Head Office Expenditures				
Administrative remuneration	292,802		292,802	206,268
Administrative fees (note 7)		160,398	160,398	196,747
Employment expenses	14,586		14,586	10,059
Office and administrative	64,640		64,640	34,571
Head office rent	12,000		12,000	12,000
Bank charges	14,377	2,300	16,677	16,364
Professional fees and insurance	9,155		9,155	23,942
Other	(247)		(247)	2,289
Amortization	1,357		1,357	1,580
	408,670	162,698	571,368	503,820
	419,663	1,203,156	1,622,819	1,405,065
Income (loss) before undernoted items	(12,228)	(127,463)	(139,691)	255,557
Other income				
Gain (loss) on investments	(3,732)	895	(2,837)	2,600
Excess (deficiency) of revenue over expenditures for year	(15,960)	(126,568)	(142,528)	258,157

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted Fund \$	Restricted Fund \$	2017 \$	2016 \$
Balance, beginning of year	42,059	776,924	818,983	560,826
Excess (deficiency) of revenue over expenditures for year	(15,960)	(126,568)	(142,528)	258,157
Interfund transfers (note 7)	71,922	(71,922)		
Balance, end of year (note 6)	98,021	578,434	676,455	818,983

**FINANCIAL POSITION
DECEMBER 31, 2017**

	2017 \$	2016 \$
ASSETS		
Cash	262,626	358,948
Short-term investments	436,456	504,423
Accounts receivable	10,253	8,320
Prepaid expenses	923	752
Current assets	710,258	872,443
Capital assets (note 3)	4,619	4,713
	714,877	877,156
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	38,422	58,173
Current liabilities	38,422	58,173
FUND BALANCES		
Unrestricted fund balance (note 6)	98,021	42,059
Restricted fund balance (note 6)	578,434	776,924
	714,877	877,156

APPROVED BY THE BOARD:

_____ Director

_____ Director

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures for year	(142,528)	258,157
Item not involving cash:		
Amortization	1,357	1,580
	(141,171)	259,737
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(1,933)	10,549
Prepaid expenses	(171)	(20)
Accounts payable and accrued liabilities	(19,751)	25,095
	(163,026)	295,361
Cash flows from investment activities:		
Purchase of capital assets	(1,263)	
Decrease (increase) in short-term investments	67,967	(143,021)
	66,704	(143,021)
Net increase (decrease) in cash	(96,322)	152,340
Cash, beginning of year	358,948	206,608
Cash, end of year	262,626	358,948

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2017**

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, 2017**

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.

	2017 \$	2016 \$
3. Capital Assets		
Cost		
Furniture and equipment	13,193	13,193
Computer hardware and software	22,093	20,830
	35,286	34,023
Accumulated amortization		
Furniture and equipment	11,226	10,734
Computer hardware and software	19,441	18,576
	30,667	29,310
Net Book Value	4,619	4,713

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, 2017**

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.

	2017	2016
	\$	\$
6. Fund Balances		
Restricted funds: projects		
Zambia	52,237	88,778
Haiti	3,558	4,011
Peru	24,292	66,527
Guatemala	30,015	20,461
Dominican Republic	17,554	8,568
Tanzania	29,725	12,328
Kenya	151,588	212,897
Other project funds	4,364	46,964
	313,333	460,534
Restricted funds: other		
Missionary support funds	31,486	66,981
Scholarship funds	233,615	249,409
	265,101	316,390
Total restricted funds	578,434	776,924
Total unrestricted funds	98,021	42,059
Total fund balances	676,455	818,983

7. Interfund Transfers

During the year, \$160,398 (\$196,747 in 2016) 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 \$71,922 (\$36,824 in 2016) be transferred from the Restricted Funds to the Unrestricted Fund in the year.

8. Details of Fundraising Expenditures

Fundraising costs	104	123
Promotional/advertising costs	10,889	13,958
Total fundraising costs	10,993	14,081

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2017**

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.