

HOPE STORY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

	Page
Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Revenue and Expenditure	3
Statement of Fund Balances	4
Financial Position	5
Statement of Cash Flows	6
Explanatory Financial Notes	7 - 10

INDEPENDENT AUDITORS' REPORT

To the Members of
Hope Story

Opinion

We have audited the accompanying financial statements of **Hope Story**, which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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.



Cambridge, Ontario
June 10, 2021

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

**STATEMENT OF REVENUE AND EXPENDITURE
YEAR ENDED DECEMBER 31, 2020**

	Unrestricted Fund \$	Restricted Fund \$	2020 \$	2019 \$
Revenue				
Donations	267,927	841,958	1,109,885	1,150,579
Grants and foundation	44,167	214,334	258,501	220,183
Investment income	21,306	7,538	28,844	23,403
Administrative fees (note 7)	182,254	(182,254)		
Government assistance	39,986		39,986	
	555,640	881,576	1,437,216	1,394,165
Expenditures of Designated Funds				
Overseas project support		705,134	705,134	489,603
Missionary support and expenses				142,723
Short term team expenses		2,231	2,231	23,285
Fundraising	11,720		11,720	22,898
	11,720	707,365	719,085	678,509
Head Office Expenditures				
Administrative remuneration	312,942		312,942	372,201
Employment expenses	17,439		17,439	24,259
Office and administrative	38,450	353	38,803	56,143
Head office rent	12,000		12,000	12,000
Bank charges	15,400	1,462	16,862	15,039
Professional fees and insurance	9,065		9,065	11,091
Amortization	995		995	871
	406,291	1,815	408,106	491,604
	418,011	709,180	1,127,191	1,170,113
Income before undernoted item	137,629	172,396	310,025	224,052
Gain on investments	10,446	5,118	15,564	29,041
Excess of revenue over expenditures for year	148,075	177,514	325,589	253,093

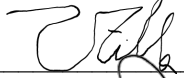

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	Unrestricted Fund \$	Restricted Fund \$	2020 \$	2019 \$
Balance, beginning of year	173,685	847,614	1,021,299	768,206
Excess of revenue over expenditures for year	148,075	177,514	325,589	253,093
Interfund transfers (note 7)	(123,740)	123,740		
Balance, end of year (note 6)	198,020	1,148,868	1,346,888	1,021,299

**FINANCIAL POSITION
DECEMBER 31, 2020**

	2020 \$	2019 \$
ASSETS		
Cash	507,570	396,047
Short-term investments	875,595	629,817
Accounts receivable	7,649	23,612
Prepaid expenses	802	802
Current assets	1,391,616	1,050,278
Capital assets (note 3)	3,918	2,558
	1,395,534	1,052,836
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	18,646	31,537
Current liabilities	18,646	31,537
Long-term debt (note 9)	30,000	
	48,646	31,537
FUND BALANCES		
Unrestricted fund balance (note 6)	198,020	173,685
Restricted fund balance (note 6)	1,148,868	847,614
	1,346,888	1,021,299
	1,395,534	1,052,836

APPROVED BY THE BOARD:

 _____ Director
 _____ Director

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	2020 \$	2019 \$
Cash flows from operating activities:		
Excess of revenue over expenditures for year	325,589	253,093
Item not involving cash:		
Amortization	995	871
	326,584	253,964
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	15,963	(14,842)
Accounts payable and accrued liabilities	(12,891)	(369)
Prepaid expenses		121
	329,656	238,874
Cash flows from investment activities:		
Increase in short-term investments	(245,778)	(47,620)
Purchase of capital assets	(2,355)	
	(248,133)	(47,620)
Cash flows from financing activities:		
Proceeds from long-term debt	40,000	
Repayment of long-term debt	(10,000)	
	30,000	
Net increase in cash	111,523	191,254
Cash, beginning of year	396,047	204,793
Cash, end of year	507,570	396,047

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2020**

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 empowers local churches to give vulnerable children the support and hope they need to live an abundant life. Through its love for the Church, and commitment to share stories of transformation, Hope Story provides Canadians with an opportunity to both alleviate poverty and build the Kingdom.

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. Government wage assistance is recorded in the period in which the related expenditures are incurred.

(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, 2020**

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.

	2020 \$	2019 \$
3. Capital Assets		
Cost		
Furniture and equipment	13,193	13,193
Computer hardware and software	24,448	22,093
	37,641	35,286
Accumulated amortization		
Furniture and equipment	12,187	11,935
Computer hardware and software	21,536	20,793
	33,723	32,728
Net Book Value	3,918	2,558

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, 2020

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.

	2020	2019
	\$	\$
6. Fund Balances		
Restricted funds: projects		
Burkina Faso	214,128	184,025
Columbia	22,803	39,586
Zambia	108,959	114,570
Tanzania	231,706	175,695
Kenya	135,517	121,530
Nepal	13,812	14,430
Canada	53,741	1,606
Other project funds	91,829	(452)
	872,495	650,990
Restricted funds: other		
Missionary support funds		868
Scholarship funds	191,245	195,756
Undesignated	85,128	
	276,373	196,624
Total restricted funds	1,148,868	847,614
Total unrestricted funds	198,020	173,685
Total fund balances	1,346,888	1,021,299

7. Interfund Transfers

During the year, \$182,254 (\$172,517 in 2019) 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 \$123,740 from the Unrestricted Fund to Restricted Funds in the year (\$28,239 from Restricted Funds to the Unrestricted Fund in 2019).

8. 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, 2020**

	2020	2019
	\$	\$
9. Long-Term Debt		
Canada Emergency Business Account loan, interest free until January 2023. 25% of the balance owing forgivable if repaid by December 2022. Interest at 5% beginning January 2023 and balance due in full by December 2025.	30,000	NIL

Subsequent to year end \$30,000 of the Canada Emergency Business Account loan was repaid in full.

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 and long-term debt.

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. Uncertainty Regarding COVID-19

As the COVID-19 pandemic continues to impact the economy, it could result in a significant negative impact on the Corporation’s operations. As of the time of authorization of these financial statements, it is not possible to estimate the length and severity of these developments and their impact on the financial results and operations of the Corporation.