



Financial Statements

Hope and Healing International

June 30, 2023

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Operations	3
Consolidated Statement of Fund Balances	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 12

Independent Auditor's Report

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To the Members of
Hope and Healing International

Opinion

We have audited the consolidated financial statements of Hope and Healing International (the "Organization"), which comprise the consolidated statement of financial position as at June 30, 2023 and the consolidated statements of operations, fund balances and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2023 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 ("ASNPO").

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 *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with ASNPO and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Markham, Canada
November 18, 2023

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

Hope and Healing International

Consolidated Statement of Operations

Year ended June 30

				2023	2022
	Operating Fund	Capital Fund	Nia	Consolidated	Consolidated
Revenue					
Contributions	\$ 11,300,673	\$ -	\$ -	\$ 11,300,673	\$ 13,274,067
Donations-in-kind	19,656,659	-	-	19,656,659	19,206,419
Bequests	2,215,570	-	-	2,215,570	2,595,587
Annuity and trust income	133,056	-	-	133,056	7,684
Investment income (loss)	483,801	-	-	483,801	(575,372)
Other	<u>1,336</u>	-	<u>95,615</u>	<u>96,951</u>	<u>35,340</u>
	<u>33,791,095</u>	<u>-</u>	<u>95,615</u>	<u>33,886,710</u>	<u>34,543,725</u>
Expenditures (Note 6)					
International Programs	29,277,060	-	177,987	29,455,047	21,918,228
Canadian Programs - Educational and Spiritual	<u>2,512,996</u>	-	-	<u>2,512,996</u>	<u>2,504,428</u>
	<u>31,790,056</u>	<u>-</u>	<u>177,987</u>	<u>31,968,043</u>	<u>24,422,656</u>
Supporting Ministries					
Fundraising/marketing	4,527,048	-	-	4,527,048	4,056,803
General and administrative support	1,310,272	-	99,047	1,409,319	1,385,962
Amortization	<u>-</u>	<u>297,934</u>	-	<u>297,934</u>	<u>303,098</u>
	<u>5,837,320</u>	<u>297,934</u>	<u>99,047</u>	<u>6,234,301</u>	<u>5,745,863</u>
	<u>37,627,376</u>	<u>297,934</u>	<u>277,034</u>	<u>38,202,344</u>	<u>30,169,519</u>
(Deficiency) excess of revenue over expenditures before other items	(3,836,281)	(297,934)	(181,419)	(4,315,634)	4,375,206
Grant to Nia	<u>(160,000)</u>	-	<u>160,000</u>	<u>-</u>	<u>-</u>
(Deficiency) excess of revenue over expenditures	<u>\$ (3,996,281)</u>	<u>\$ (297,934)</u>	<u>\$ (21,419)</u>	<u>\$ (4,315,634)</u>	<u>\$ 4,375,206</u>

See accompanying notes to the financial statements.

Hope and Healing International

Consolidated Statement of Fund Balances

Year ended June 30

						<u>2023</u>	<u>2022</u>
	<u>Operating Fund</u>	<u>Externally Restricted Fund</u>	<u>Reserve Fund</u>	<u>Capital Fund</u>	<u>Nia</u>	<u>Consolidated</u>	<u>Consolidated</u>
Fund balance, beginning of year	\$ 12,676,708	\$ 2,307,377	\$ 4,074,038	\$ 1,687,113	\$ 31,076	\$ 20,776,312	\$ 16,401,106
(Deficiency) excess of revenue over expenditures	(3,996,281)	-	-	(297,934)	(21,419)	(4,315,634)	4,375,206
Purchase of capital assets	(90,524)	-	-	90,524	-	-	-
Fund balance, end of year	<u>\$ 8,589,903</u>	<u>\$ 2,307,377</u>	<u>\$ 4,074,038</u>	<u>\$ 1,479,703</u>	<u>\$ 9,657</u>	<u>\$ 16,460,678</u>	<u>\$ 20,776,312</u>

See accompanying notes to the financial statements.

Hope and Healing International

Consolidated Statement of Financial Position

As at June 30, 2023

						2023	2022
	Operating Fund	Externally Restricted Fund	Reserve Fund	Capital Fund	Nia	Consolidated	Consolidated
Assets							
Current							
Cash and cash equivalents	\$ 5,284,312	\$ 163	\$ -	\$ -	\$ 81,049	\$ 5,365,524	\$ 7,111,891
Investments (Note 3)	1,592,630	2,871,926	4,074,038	-	-	8,538,594	8,813,416
Accounts receivable	252,982	-	-	-	-	252,982	260,174
Donations-in-kind	1,957,373	-	-	-	-	1,957,373	3,773,780
Project advance	152,143	-	-	-	-	152,143	765,543
Prepaid expenses	83,710	-	-	-	3,302	87,012	155,712
	<u>9,323,150</u>	<u>2,872,089</u>	<u>4,074,038</u>	<u>-</u>	<u>84,351</u>	<u>16,353,628</u>	<u>20,880,516</u>
Capital assets (Note 4)	-	-	-	1,479,703	-	1,479,703	1,687,113
	<u>\$ 9,323,150</u>	<u>\$ 2,872,089</u>	<u>\$ 4,074,038</u>	<u>\$ 1,479,703</u>	<u>\$ 84,351</u>	<u>\$ 17,833,331</u>	<u>\$ 22,567,629</u>
Liabilities							
Current							
Accounts payable and accrued liabilities	\$ 733,247	\$ -	\$ -	\$ -	\$ 37,704	\$ 770,951	\$ 1,058,052
Gift annuities	-	51,931	-	-	-	51,931	71,678
Deferred income	-	-	-	-	36,990	36,990	-
	<u>733,247</u>	<u>51,931</u>	<u>-</u>	<u>-</u>	<u>74,694</u>	<u>859,872</u>	<u>1,129,730</u>
Annuitants and trusts (Note 5)							
Gift annuities	-	258,168	-	-	-	258,168	413,085
Trust agreements	-	75,500	-	-	-	75,500	77,187
Deferred income	-	179,113	-	-	-	179,113	171,315
	<u>-</u>	<u>512,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,781</u>	<u>661,587</u>
	<u>733,247</u>	<u>564,712</u>	<u>-</u>	<u>-</u>	<u>74,694</u>	<u>1,372,653</u>	<u>1,791,317</u>
Fund Balances							
Invested in capital assets	-	-	-	1,479,703	-	1,479,703	1,687,113
Externally restricted	-	2,307,377	-	-	-	2,307,377	2,307,377
Internally restricted	-	-	4,074,038	-	-	4,074,038	4,074,038
Unrestricted (Note 7)	8,589,903	-	-	-	9,657	8,599,560	12,707,784
	<u>8,589,903</u>	<u>2,307,377</u>	<u>4,074,038</u>	<u>1,479,703</u>	<u>9,657</u>	<u>16,460,678</u>	<u>20,776,312</u>
	<u>\$ 9,323,150</u>	<u>\$ 2,872,089</u>	<u>\$ 4,074,038</u>	<u>\$ 1,479,703</u>	<u>\$ 84,351</u>	<u>\$ 17,833,331</u>	<u>\$ 22,567,629</u>

On behalf of the Board of Directors



Brenda Ben, Board Chair



Don Gerke, Treasurer

See accompanying notes to the financial statements.

Hope and Healing International

Consolidated Statement of Cash Flows

Year ended June 30

	<u>2023</u>	<u>2022</u>
Increase (decrease) in cash		
Operating		
(Deficiency) excess of revenue over expenditures	\$ (4,315,634)	\$ 4,375,206
Item not affecting cash:		
Amortization of capital assets	<u>297,934</u>	<u>303,098</u>
	(4,017,700)	4,678,304
Change in non-cash operating working capital items:		
Accounts receivable	7,192	(714)
Project advance	613,400	(334,022)
Prepaid expenses	68,700	(113)
Donations-in-kind	1,816,407	(3,046,965)
Accounts payable and accrued liabilities	(287,101)	523,335
Gift annuities	(174,664)	(132,860)
Trust agreements	(1,687)	(7,265)
Deferred income	<u>44,788</u>	<u>(1,512)</u>
	2,087,035	(3,000,116)
	(1,930,665)	1,678,188
Investing		
Net change in investments	274,822	1,270,784
Purchase of capital assets	<u>(90,524)</u>	<u>(72,344)</u>
	184,298	1,198,440
Net (decrease) increase in cash and cash equivalents	(1,746,367)	2,876,628
Cash and cash equivalents, beginning of year	<u>7,111,891</u>	<u>4,235,263</u>
Cash and cash equivalents, end of year	\$ 5,365,524	\$ 7,111,891
Cash and cash equivalents consist of:		
Cash	\$ 2,165,524	\$ 4,111,891
Canadian money market mutual funds	<u>3,200,000</u>	<u>3,000,000</u>
	\$ 5,365,524	\$ 7,111,891

See accompanying notes to the financial statements.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2023

1. Nature of operations

Hope and Healing International (the "Organization") is a religious, charitable, not-for-profit corporation without share capital, registered by Canada Revenue Agency for tax receipting purposes. The consolidated financial statements present the consolidated financial position and results of operations conducted by the Canadian organization world-wide.

The Organization is an international Christian development organization, committed to bringing hope and healing and improving the quality of life of persons with disabilities in the poorest countries of the world.

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements present, in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook, the assets, liabilities, fund balances, revenue, expenses and cash flows of the Organization and its controlled entities.

Nia Technologies Inc. (Nia) commenced operations effective July 21, 2015. It is controlled by the Organization by virtue of the Organization being its sole member and consolidated within these financial statements.

Fund accounting

The accounts are maintained in accordance with the principles of fund accounting, whereby fund balances of the Organization are classified for accounting and reporting purposes into funds to be used as determined by the Organization or donors.

The operating fund reports the activity related to the operations and administration of the Organization.

The externally restricted fund reports the activity related to the planned giving operations of the Organization for which contributions have been externally restricted by the donor. The capital fund reports the activity related to the capital assets of the Organization. The Nia fund reports the activity related to Nia.

The internally restricted reserve fund was established by the Board of Directors (the "Board") in 2020. The reserve fund is only to be used when approved by the Board for items they deem necessary. The intent is to have funds available to fund charitable operations in times of financial difficulty. The reserve is to be funded through transfers from unrestricted net assets that are sourced from operational surpluses.

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recorded on the accrual basis and includes interest income, dividends, realized gains on sale of investments and change in unrealized gains on investments.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2023

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Deferred income relates to unrealized gains and losses within investment holdings pertaining to gift annuities received but not yet earned.

Donations-in-kind

Donations-in-kind are valued at fair value at the date of contribution and included as revenue and assets of the Organization. When distributed, donations-in-kind are expensed; and the asset is written off.

Contributed services

Volunteer services contributed to the Organization in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their fair value.

Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated based upon the estimated useful life of the assets on a straight-line basis at the following annual rates:

Leasehold improvements	- over 10 years
Furniture and other equipment	- over 5 years
Computer equipment	- over 3 years

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the consolidated statement of operations. Any impairment recognized is not reversed.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Areas requiring the use of significant estimates include the estimated value of donations-in-kind recognized in revenue, the valuation of investments, the useful life of property and equipment, accrued liabilities, allocated expenses and the measurement of the annuity obligation. Actual results could differ from management's best estimates as additional information becomes available in the future.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2023

2. Summary of significant accounting policies (continued)

Allocation of expenditures

The Organization engages in international programs, Canadian programs, education and fundraising programs. The Organization also incurs various general and administrative support expenditures that are common to the administration of the Organization and each of its programs. All costs that are allocated relate to general and administrative support expenditures.

With respect to general and administrative support expenditures, the appropriate basis of allocating each component expenditure is identified and applied on a consistent basis each year. Corporate governance and general management expenses are not allocated. Other general and administrative support expenses are allocated on the following basis:

- Facilities costs are allocated proportionately on the basis of office space utilization.
- Human resources, information technology, accounting support service costs and remaining general and administrative support expenditures are allocated proportionately on the basis of hours incurred directly in undertaking each function.

Financial instruments

Measurement of Financial Instruments

The Organization's financial instruments are comprised of cash, investments, accounts receivable, accounts payable, gift annuities and trust agreements. The Organization initially measures its financial assets and liabilities from arm's length transactions at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all of its financial assets and liabilities from arm's length transactions at amortized cost, except investments in an active market which are measured at fair value using the closing price at year end.

Impairment

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. If such impairment exists, the asset is written down; and the resulting impairment loss is recognized in the consolidated statement of operations.

Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any reversal are recognized in the consolidated statement of operations.

Financial instruments in related party transactions

Financial assets or liabilities in related party transactions are initially measured at cost. The Organization does not have any financial assets or liabilities in related party transactions which are initially measured at fair value.

These instruments are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2023

3. Investments

	<u>2023</u>	<u>2022</u>
Equities		
Domestic	\$ 5,067,627	\$ 5,028,087
Foreign	770,684	723,073
Fixed income	2,682,798	3,045,046
Cash and cash equivalents	<u>17,485</u>	<u>17,210</u>
	<u>\$ 8,538,594</u>	<u>\$ 8,813,416</u>

4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2023 Net Book Value</u>	<u>2022 Net Book Value</u>
Leasehold improvements	\$ 1,604,338	\$ 341,363	\$ 1,262,975	\$ 1,337,716
Furniture and other equipment	235,703	104,442	131,261	174,743
Computer equipment	<u>385,549</u>	<u>300,082</u>	<u>85,467</u>	<u>174,654</u>
	<u>\$ 2,225,590</u>	<u>\$ 745,887</u>	<u>\$ 1,479,703</u>	<u>\$ 1,687,113</u>

5. Gift annuities and trust agreements

Gift annuities

The Organization has entered into irrevocable gift annuity agreements with donors desirous of making a charitable donation to the Organization. Payments at guaranteed rates are made during the lifetime of the annuitant. On the death of the annuitant, the balance of funds remain the property of the Organization and are recorded as revenue at that time.

Trust agreements

The Organization has established revocable and irrevocable trust agreements as a form of deferred giving. Under the terms of the agreements, interest earned is paid to the donor/investor. At the time of the donor/investor's death, the principal becomes available for ministry purposes.

6. Allocation of expenses

General and administrative support expenses are stated after allocation of the following amounts:

	<u>2023</u>	<u>2022</u>
International programs	\$ 207,135	\$ 144,020
Canadian Programs – Educational and Spiritual	284,162	255,910
Fundraising/marketing	<u>351,330</u>	<u>319,417</u>
	<u>\$ 842,627</u>	<u>\$ 719,347</u>

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2023

7. Unrestricted fund balance

The Organization has approved and committed to fund projects or initiatives and is committed to raise funds for such purposes. To mitigate risk and provide higher certainty associated to the funding of projects or initiatives in any given year, the Organization has changed its budgeting method in planning and spending bequest donations beginning in the 2023 fiscal period. Due to the unpredictable nature of these types of donations, the Organization will retain bequest donations collected in the current fiscal period for spending on projects or initiatives in the following fiscal period. The Organization has received \$2,215,570 in bequest donations in the current fiscal year to fund commitments to these projects and initiatives.

8. Line of credit

The Organization has a \$800,000 (2022 - \$800,000) revolving line of credit which bears interest at the prime rate plus 1.50% and is secured by a direct investment account containing \$8,879,101 (2022 - \$8,861,513) of cash and cash equivalents and investments held at year-end. As at year-end, the Organization has utilized \$Nil (2022 - \$Nil) of the line of credit and has incurred interest costs of \$Nil (2022 - \$Nil) during the year.

9. Commitments

The Organization has operating lease obligations for its premises with future minimum payments as follows:

2024	\$	175,000
2025		175,000
2026		188,125
2027		201,250
2028		201,250
Thereafter		<u>503,125</u>
	\$	<u>1,443,750</u>

10. Financial instruments

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The Organization's Board has approved a Statement of Investment Policy that provides the guidelines for managing the investments of the Organization. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at June 30, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed income investments. The Organization manages this risk by staggering the terms of the investments held.

Hope and Healing International

Notes to the Consolidated Financial Statements

June 30, 2023

10. Financial instruments (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Organization is exposed to currency risk in holding assets and/or liabilities denominated in currencies other than the Canadian dollar, the Organization's functional currency, as the value of the instruments denominated in other currencies will fluctuate in accordance with the applicable exchange rates in effect.

Price risk

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 instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Organization is exposed to price risk on its investments in equities. The Organization mitigates this risk through controls to monitor and limit concentration levels.

Other risks

The Organization's exposure to credit risk is limited, because it does not engage in transactions directly exposed to this risk. The Organization's exposure to liquidity risk is limited because of the near-term maturity of the majority of its short-term investments.

Included in accounts payable and accrued liabilities is \$112,369 (2022 - \$103,971) of government remittances payable.