



Hungry for Life International
Financial Statements
For the year ended December 31, 2020



Hungry for Life International
Financial Statements
For the year ended December 31, 2020

	Page
Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



INDEPENDENT AUDITOR'S REPORT

To the Directors of Hungry for Life International

Qualified Opinion

We have audited the financial statements of Hungry For Life International (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and cash receipts, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, and cash flows for the year ended December 31, 2020 and current assets and net assets as at December 31, 2020.

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 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 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

(continues)



Independent Auditor's Report to the Directors of Hungry for Life International *(continued)*

In preparing the 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 Responsibility 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 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 financial statements.

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 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 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

LLT LLP



Hungry for Life International

Statement of Financial Position

December 31 2020 2019

Assets

Current

Cash	\$ 793,000	\$ 829,748
Short-term investments (Note 2)	792,293	804,330
Accounts receivable	5,483	4,237
Tax rebates receivable	29,472	2,794
Prepaid expenses	5,380	87,786

1,625,628 1,728,895

Endowment fund investments (Note 3)

270,948 285,619

Capital assets (Note 4)

1,134,651 16,638

\$ 3,031,227 \$ 2,031,152

Liabilities, Deferred Contributions and Net Assets

Current

Accounts payable and accrued liabilities	\$ 13,021	\$ 26,491
Restricted contributions (Note 5)	1,174,974	1,335,167
Current portion of long-term debt (Note 6)	18,162	-

1,206,157 1,361,658

Long-term debt (Note 6)

606,364 -

Deferred contributions related to capital assets (Note 7)

391,517 1,562

2,204,038 1,363,220


Net assets

Restricted for endowment	270,947	285,619
Internally restricted (Note 8)	203,653	159,456
Invested in capital assets	118,608	15,076
Unrestricted	233,981	207,781

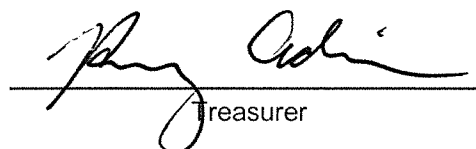
827,189 667,932

\$ 3,031,227 \$ 2,031,152

Approved by the Board of Directors:



President



Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Hungry for Life International Statement of Changes in Net Assets

For the year ended December 31

2020 2019

	Internally restricted	Invested in capital assets	Restricted for endowment	Unrestricted	Total	Total
Balance, beginning of year	\$ 159,456	\$ 15,076	\$ 285,619	\$ 207,781	\$ 667,932	\$ 737,202
Endowment income	-	-	7,328	-	7,328	8,601
Excess (deficiency) of revenue over expenses	-	(10,687)	-	80,119	69,432	(37,159)
Funds used from Music Ministry media	(1,022)	-	-	1,022	-	-
Funds accumulated for strategic development	45,219	-	-	(45,219)	-	-
Investment in capital assets	-	9,722	-	(9,722)	-	-
Transfers from endowment for project	-	-	(22,000)	-	(22,000)	(40,712)
Donated land (Note 7)	-	104,497	-	-	104,497	-
Balance, end of year	\$ 203,653	\$ 118,608	\$ 270,947	\$ 233,981	\$ 827,189	\$ 667,932



The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Hungry for Life International Statement of Operations

For the year ended December 31

				2020	2019
	Projects	Staffing	Operations	Total	Total
Revenue					
Contributions for projects and staffing costs (Note 5)	\$ 1,714,394	\$ 584,230	\$ -	\$ 2,298,624	\$ 2,156,345
Other contributions	-	-	349,805	349,805	344,834
Investment income	22,000	-	25,794	47,794	59,181
Amortization of deferred contributions related to capital assets	-	-	5,548	5,548	1,035
Staffing revenue supplement from operations	-	12,891	(12,891)	-	-
Foreign exchange losses	-	-	(526)	(526)	(1,536)
	<u>1,736,394</u>	<u>597,121</u>	<u>367,730</u>	<u>2,701,245</u>	<u>2,559,859</u>
Expenses					
Project and trip costs					
Direct relief and development expenditures	1,422,985	-	-	1,422,985	1,186,609
Volunteer and staff travel costs	170,217	-	10,958	181,175	288,549
Wages and benefits	-	417,138	53,241	470,379	554,122
Supplies	118,060	-	-	118,060	129,232
Other project delivery costs	22,927	-	-	22,927	30,007
Staff support and training	-	51,609	-	51,609	33,457
Occupancy costs	-	-	22,096	22,096	23,816
	<u>1,734,189</u>	<u>468,747</u>	<u>86,295</u>	<u>2,289,231</u>	<u>2,245,792</u>
General and administrative					
Amortization of capital assets	-	-	16,235	16,235	6,692
Communications and donor development	-	-	20,784	20,784	9,474
Fundraising	2,205	-	14,907	17,112	27,387
Ministry costs	-	-	4,594	4,594	8,228
Occupancy costs	-	-	12,494	12,494	10,207
Office and miscellaneous	-	-	90,883	90,883	90,521
Staff support and training	-	10,744	24,984	35,728	41,953
Travel and meals	-	-	11,385	11,385	26,353
Wages and benefits (Note 7)	-	117,630	15,737	133,367	130,411
	<u>2,205</u>	<u>128,374</u>	<u>212,003</u>	<u>342,582</u>	<u>351,226</u>
	<u>1,736,394</u>	<u>597,121</u>	<u>298,298</u>	<u>2,631,813</u>	<u>2,597,018</u>
Excess (deficiency) of revenue over expenses for the year	\$ -	\$ -	\$ 69,432	\$ 69,432	\$ (37,159)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Hungry for Life International Statement of Cash Flows

For the year ended December 31

	2020	2019
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 69,432	\$ (37,159)
Adjustment for non-cash items		
Amortization of capital assets	16,235	6,692
Amortization of deferred contributions related to capital assets	(5,548)	(1,035)
Loss (gain) on disposal of assets	28	(575)
	<u>80,147</u>	<u>(32,077)</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,246)	8,116
Prepaid expenses	82,406	(69,965)
Accounts payable and accrued liabilities	(13,470)	15,307
Tax rebates receivable	(26,678)	994
Restricted contributions	(160,193)	141,264
	<u>(119,181)</u>	<u>95,716</u>
	<u>(39,034)</u>	<u>63,639</u>
Investing activities		
Purchase of computers and equipment	(1,653)	(3,437)
Purchase of land and building	(632,624)	-
Investment in leasehold improvements	-	(4,025)
Proceeds on disposition of equipment	-	695
Net investment in short-term investments	12,037	(35,396)
	<u>(622,240)</u>	<u>(42,163)</u>
Financing activities		
Proceeds from long-term debt	627,500	-
Repayment of long-term debt	(2,974)	-
	<u>624,526</u>	<u>-</u>
(Decrease) increase in cash during the year	(36,748)	21,476
Cash, beginning of year	829,748	808,272
Cash, end of year	<u>\$ 793,000</u>	<u>\$ 829,748</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Hungry for Life International

Notes to Financial Statements

December 31, 2020

Status of Organization and Activities

Hungry for Life International is a not-for-profit organization incorporated under the provisions of the *Canada Not-for-profit Corporations Act* and registered as an Extraprovincial Non-share Corporation under the *Societies Act* of British Columbia.

It is a Christian humanitarian aid organization that funds, facilitates and carries out projects of relief of human suffering, hunger and need worldwide. The organization conducts a monthly inter-church worship service event in Chilliwack BC, mobilizing local churches and individuals for short-term missions activities.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

1. Significant Accounting Policies

(a) Basis of presentation

These financial standards have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(b) Investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are recognized in the Statement of Operations.

(c) Amortization of capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization, based upon the estimated useful life of the assets, is recorded at the following annual rates, with half-rates used in the year of acquisition and none in the year of disposition:

Building	- 5 % diminishing balance basis
Computers	- 45 % diminishing balance basis
Software	- 5 years straight-line basis
Furniture and equipment	- 25 % diminishing balance basis
Leasehold improvements	- 6 years straight-line basis

(d) Revenue recognition

The organization follows the deferral method of accounting for restricted contributions.

Contributions received for specific projects, trips, and staff support are recognized as revenue in the year in which the related expenses are incurred. Contributions designated for administration and unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions related to capital assets are recorded as revenue over the same amortization period as the related capital asset.

Lease rental revenue is recorded as revenue over the lease term on a straight-line basis.

Hungry for Life International **Notes to Financial Statements**

December 31, 2020

1. Significant Accounting Policies continued

(e) Contributed services and materials

Volunteers contribute a significant amount of time to the organization in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements. Contributions of materials are recognized only when a fair value can be reasonably estimated and the materials are used in the normal course of operations. No contributed materials were received during the year.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for calculating amortization. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(g) Allocation of expenses

Certain employees perform a combination of project, fundraising and administrative functions; as a result, salaries and benefits are allocated based on time dedicated to the functional activities. Occupancy costs are allocated based on workspace utilization. Such allocations are reviewed regularly by management.

(h) Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. Financial assets subsequently measured at amortized cost include cash, accounts receivable, and tax rebates receivable. Financial assets measured at fair value include short-term investments and endowment fund investments. Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, restricted contributions, and long-term debt.

(i) Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year-end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Hungry for Life International

Notes to Financial Statements

December 31, 2020

2. Short-term Investments

The market risk associated with these short-term investments is minimized by ensuring that these assets are invested in corporate bonds, term deposits and money-market funds. Though the principal is not necessarily guaranteed through the holding of government-backed securities or insurable products, the intent of the investment strategy employed by management is to maintain the original principal balance of its portfolio by holding low-risk interest-bearing instruments. Any donated securities that do not fit this criteria are redeemed or sold as soon as reasonably possible.

3. Endowment Fund Investments

In 2009, the organization received an investment portfolio valued at \$313,246 to be held in endowment, with the stipulation that the proceeds of this fund are to be used specifically for orphan care in Kenya. Unused investment proceeds are reinvested in the endowment fund. During the year, the endowment experienced investment income of \$7,328 (2019 - \$8,601), and \$22,000 (2019 - \$40,712) was withdrawn for orphan care and recognized in the statement of operations.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2020	2019
Cash held for investment	\$ 1,344	\$ 13
Fixed income	240,972	250,179
Equities and other marketable securities	28,632	35,427
	<u>\$ 270,948</u>	<u>\$ 285,619</u>

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 237,851	\$ -	\$ -	\$ -
Building	900,218	12,854	-	-
Computers	43,715	38,277	49,204	41,725
Software	6,900	6,900	6,900	6,900
Furniture and equipment	27,129	23,131	27,129	21,794
Leasehold improvements	-	-	5,445	1,621
	<u>\$ 1,215,813</u>	<u>\$ 81,162</u>	<u>\$ 88,678</u>	<u>\$ 72,040</u>
Net book value		<u>\$ 1,134,651</u>		<u>\$ 16,638</u>

The organization uses approximately 25% of its land and building for leasing purposes.

Hungry for Life International

Notes to Financial Statements

December 31, 2020

5. Restricted Contributions

Restricted contributions represent the unspent amount of contributions received for specific projects and staffing costs, held in the form of cash, short-term investments and prepaid expenses, for use in a future fiscal period.

				2020	2019
	Operations Development	Projects	Staffing	Total	Total
Balance, beginning of year	\$ 30,899	\$ 987,382	\$ 316,886	\$ 1,335,167	\$ 1,193,903
Contributions received	-	1,486,177	652,254	2,138,431	2,297,608
Amount expended and recognized as revenue	-	(1,714,394)	(584,230)	(2,298,624)	(2,156,344)
Balance, end of year	\$ 30,899	\$ 759,165	\$ 384,910	\$ 1,174,974	\$ 1,335,167

6. Long-term Debt

	2020	2019
Loan payable, bearing a fixed interest rate of 2.59%, secured by land, building and a general security agreement, due October 2025, monthly payments of \$2,844 principal and interest, held with Royal Bank of Canada	\$ 624,526	\$ -
Less current portion	18,162	-
	\$ 606,364	\$ -

Principal repayments for the next five years are as follows:

2021	\$ 18,162
2022	18,638
2023	19,127
2024	19,628
2025	548,971

Hungry for Life International

Notes to Financial Statements

December 31, 2020

7. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount of donated capital assets and restricted contributions used for the purchase of depreciable capital assets.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,562	\$ 2,597
Donated building	395,503	-
Amounts amortized to revenue	<u>(5,548)</u>	<u>(1,035)</u>
Balance, end of year	<u>\$ 391,517</u>	<u>\$ 1,562</u>

The organization received a gift in kind donation of \$500,000 in the form of a reduction of the purchase price of the property at 45950 Alexander Avenue, Chilliwack, B.C. Of this amount, \$104,497 was allocated to land and \$395,503 was allocated to building.

8. Internally Restricted Net Assets

Internally restricted net assets are comprised of funds of \$NIL (2019 - \$1,022) set aside for Shekinah Music Ministry media, and unused general donations of \$203,653 (2019 - \$158,434) set aside for strategic planning and implementation.

9. Commitments

In 2016, the organization entered into a five year lease of a photocopier. The lease requires total annual payments of \$2,283 in 2021.

10. Remuneration

During the year ended December 31, 2020, the amounts paid to the Board of Directors of the Society for acting their noted capacity was \$ NIL. A total of one employee or contractor received remuneration in excess of \$75,000 which resulted in total compensation of \$76,402.

Hungry for Life International **Notes to Financial Statements**

December 31, 2020

11. Financial Instruments

The organization faces certain risks with respect to its financial instruments as follows:

Credit risk

Credit risk is the risk of economic loss arising from a counter party's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject the organization to concentrations of credit risk consist of cash deposits, short-term investments and endowment investments. The organization has cash and certain short-term investments deposited with RBC Royal Bank, protected by the Canada Deposit Insurance Corporation up to \$100,000 in aggregate. Excess and foreign currency deposits are not insured. The organization has certain short-term investments deposited with RBC Dominion Securities, which are protected by the Canadian Investor Protection Fund within specific limits. As these are reputable financial institutions, management believes the risk of loss to be remote.

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they become due. The organization's policy is to ensure it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation. Typically, the organization ensures that it has sufficient cash on demand to meet expected operational expenses. Management believes the organization's exposure to liquidity risk to be small.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The organization's investments in publicly traded securities expose the organization to market risk since these equity investments are subject to price fluctuations in the open market. Risk tolerances and investment risk profiles are as noted elsewhere in these financial statements. Management believes it has reduced market risk by reinvesting the endowment.

Currency risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization routinely exchanges funds into foreign currencies for its operations, but at the time it is needed, and typically does not carry any receivables or payables in foreign currencies. The organization does maintain some foreign currency deposits in United States dollars. Balance in United States dollars held at year-end was \$30,051 (2019 - \$26,083). It is management's opinion that the organization's exposure to currency risk is small.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The organization does not have significant interest rate risk.

Hungry for Life International **Notes to Financial Statements**

December 31, 2020

12. Significant Event

During the year, there was a global outbreak of the COVID-19 virus, which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.