

HOPE STORY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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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, 2021, 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, 2021, 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.

Carolan Mathew Professional Corporation

Cambridge, Ontario
May 20, 2022

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

**STATEMENT OF REVENUE AND EXPENDITURE
YEAR ENDED DECEMBER 31, 2021**

	Unrestricted Fund \$	Restricted Fund \$	2021 \$	2020 \$
Revenue				
Donations	147,698	1,321,373	1,469,071	1,109,885
Grants and foundation	44,596	230,984	275,580	258,501
Investment income	38,003	12,430	50,433	28,844
Administrative fees (note 7)	251,404	(251,404)		
Government assistance				39,986
	481,701	1,313,383	1,795,084	1,437,216
Expenditures of Designated Funds				
Overseas project support		1,234,647	1,234,647	705,134
Short term team expenses				2,231
Fundraising	48,714		48,714	11,720
	48,714	1,234,647	1,283,361	719,085
Head Office Expenditures				
Administrative remuneration	353,133		353,133	294,942
Employment expenses	22,396		22,396	17,439
Office and administrative	67,297		67,297	38,803
Head office rent	12,000		12,000	12,000
Bank charges	16,588	1,321	17,909	16,862
Professional fees and insurance	35,641		35,641	27,065
Other				32
Amortization	1,270		1,270	995
	508,325	1,321	509,646	408,138
	557,039	1,235,968	1,793,007	1,127,223
Income (loss) before undernoted	(75,338)	77,415	2,077	309,993
Gain (loss) on investments	6,060	(484)	5,576	15,596
Excess (deficiency) of revenue over expenditures for year	(69,278)	76,931	7,653	325,589

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	Unrestricted Fund \$	Restricted Fund \$	2021 \$	2020 \$
Balance, beginning of year	198,020	1,148,868	1,346,888	1,021,299
Excess (deficiency) of revenue over expenditures for year	(69,278)	76,931	7,653	325,589
Interfund transfers (note 7)	(1,876)	1,876		
Balance, end of year (note 6)	126,866	1,227,675	1,354,541	1,346,888



**FINANCIAL POSITION
DECEMBER 31, 2021**

	2021	2020
	\$	\$
ASSETS		
Cash	260,304	507,570
Short-term investments	1,107,047	875,595
Accounts receivable	7,994	7,649
Prepaid expenses	839	802
Current assets	1,376,184	1,391,616
Capital assets (note 3)	3,947	3,918
	1,380,131	1,395,534

LIABILITIES		
Accounts payable and accrued liabilities (note 4)	25,590	18,646
Current liabilities	25,590	18,646
Long-term debt (note 8)		30,000
	25,590	48,646

FUND BALANCES		
Unrestricted fund balance (note 6)	126,866	198,020
Restricted fund balance (note 6)	1,227,675	1,148,868
	1,354,541	1,346,888
	1,380,131	1,395,534

APPROVED BY THE BOARD:

 Director
 Director

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

	2021 \$	2020 \$
Cash flows from operating activities:		
Excess of revenue over expenditures for year	7,653	325,589
Item not involving cash:		
Amortization	1,270	995
	8,923	326,584
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(345)	15,963
Accounts payable and accrued liabilities	6,944	(12,891)
Prepaid expenses	(37)	
	15,485	329,656
Cash flows from investment activities:		
Increase in short-term investments	(231,452)	(245,778)
Purchase of capital assets	(1,299)	(2,355)
	(232,751)	(248,133)
Cash flows from financing activities:		
Repayment of long-term debt	(30,000)	(10,000)
Proceeds from long-term debt		40,000
	(30,000)	30,000
Net increase (decrease) in cash	(247,266)	111,523
Cash, beginning of year	507,570	396,047
Cash, end of year	260,304	507,570

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021**

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, 2021**

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.

	2021 \$	2020 \$
3. Capital Assets		
Cost		
Furniture and equipment	13,193	13,193
Computer hardware and software	25,747	24,448
	38,940	37,641
Accumulated amortization		
Furniture and equipment	12,388	12,187
Computer hardware and software	22,605	21,536
	34,993	33,723
Net Book Value	3,947	3,918

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities	19,428	13,953
Government remittances payable	6,162	4,693
	25,590	18,646

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021**

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.

	2021	2020
	\$	\$
6. Fund Balances		
Restricted funds: projects		
Burkina Faso	326,231	214,128
Columbia	33,511	22,803
Zambia	201,241	108,959
Tanzania	111,914	231,706
Kenya	128,670	135,517
Nepal	18,579	13,812
Canada	67,646	53,741
Other project funds	91,034	91,829
	978,826	872,495
Restricted funds: other		
Scholarship funds	197,732	191,245
Undesignated	51,117	85,128
	248,849	276,373
Total restricted funds	1,227,675	1,148,868
Total unrestricted funds	126,866	198,020
Total fund balances	1,354,541	1,346,888

7. Administrative Fees and Interfund Transfers

During the year, \$251,404 (\$182,254 in 2020) 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 \$1,876 from the Unrestricted Fund to Restricted Funds in the year (\$123,740 in 2020).

8. Long-Term Debt

Canada Emergency Business Account loan, interest free until January 2024. 25% of the balance owing forgivable if repaid by December 2023. Interest at 5% beginning January 2024. Balance repaid in January 2021.

	NIL	30,000
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During the year the Canada Emergency Business Account loan was repaid in full.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021**

9. Financial Instruments

The entity is exposed to various risks through its financial instruments. The following provides a description 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 its payment obligations (accounts payable and accrued liabilities) associated with financial liabilities in a timely basis. Based on current financial results, the entity is not exposed to liquidity risk at this time.

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 investments.

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: foreign currency risk, interest rate risk and other price risk. The entity is exposed to market risk with respect to its investments.

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.

Hope Story mitigates some of the above noted risks through the use of an investment policy and managers whose objective is to manage and control the risk exposures within acceptable parameters while optimizing the return.

10. 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.

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.