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**FH CANADA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

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To the Members of:  
FH Canada

### **Report on the Financial Statements**

We have audited the accompanying financial statements of FH Canada which comprise the statement of financial position as at September 30, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes comprising 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 judgment, 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were unable to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, current assets, and net assets.

### **Qualified Opinion**

In our opinion, except for the possible 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 FH Canada as at September 30, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



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## **INDEPENDENT AUDITORS' REPORT**

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### **Report on Other Legal and Regulatory Requirements**

As required by the British Columbia Society Act, we report that, in our opinion, the Organization's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

*Manning Elliott LLP*

Chartered Professional Accountants


Abbotsford, British Columbia


January 3, 2019

**FH CANADA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2018**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (Note 3)	\$ 583,459	\$ 341,400
Cash held in trust (Note 3)	949,282	-
Investments (Note 4)	74,696	66,181
Accounts receivable	14,335	21,138
Inventory	-	166,989
Prepaid expenses	96,703	193,318
	<b>1,718,475</b>	<b>789,026</b>
PROPERTY, EQUIPMENT AND SOFTWARE (Note 5)	32,616	48,905
PROPERTY HELD FOR SALE	-	230,559
CASH SURRENDER VALUE OF LIFE INSURANCE	5,991	4,865
	<b>\$ 1,757,082</b>	<b>\$ 1,073,355</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 164,287	\$ 234,022
Deferred contributions (Note 6)	201,462	137,384
Fair value of forward contracts	-	90,711
	<b>365,749</b>	<b>462,117</b>
<b>NET ASSETS</b>	<b>1,391,333</b>	<b>611,238</b>
	<b>\$ 1,757,082</b>	<b>\$ 1,073,355</b>

Approved by the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director



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**FH CANADA****STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	<b>2018</b>	<b>2017</b>
BALANCE, BEGINNING OF YEAR	\$ 611,238	\$ 1,409,833
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR	780,095	(798,595)
BALANCE, END OF YEAR	\$ 1,391,333	\$ 611,238

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**FH CANADA****STATEMENT OF OPERATIONS****FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>		
Donations (Note 8)	\$ 6,337,206	\$ 6,209,806
Gifts in kind	4,812,285	3,684,186
Investment and other income (Note 9)	790,739	72,628
	<hr/> 11,940,230	<hr/> 9,966,620
<b>EXPENSES</b>		
International programs (Note 12)	8,943,266	8,018,107
Canadian programs (Note 12)	338,948	416,586
Public awareness and education (Note 12)	163,737	132,960
Other expense (Note 9)	351	95,115
	<hr/> 9,446,302	<hr/> 8,662,768
<b>SUPPORT</b>		
Fundraising (Notes 10 & 12)	1,204,749	1,659,936
Administration (Note 12)	509,084	442,511
	<hr/> 1,713,833	<hr/> 2,102,447
	<hr/> 11,160,135	<hr/> 10,765,215
<b>EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR</b>	<hr/> <b>\$ 780,095</b>	<hr/> <b>\$ (798,595)</b>



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**FH CANADA****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	<b>2018</b>	<b>2017</b>
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue) for the year	\$ 780,095	\$ (798,595)
Items not involving cash:		
Amortization	14,156	26,147
Change in cash surrender value of life insurance	(1,126)	(598)
Unrealized gain on investments	-	(5,860)
Gain on disposal of assets	(721,824)	-
Gain on disposal of investments	(365)	(419)
Unrealized (realized) loss on forward contracts	(90,711)	90,711
	(19,775)	(688,614)
Change in non-cash working capital items:		
Accounts receivable	6,803	(10,997)
Inventory	166,989	635,893
Prepaid expenses	96,615	(121,533)
Accounts payable and accrued liabilities	(69,734)	(169,247)
Deferred contributions	64,078	(119,835)
	244,976	(474,333)
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	957,640	-
Purchase of property, equipment and software	(3,125)	(34,351)
Net proceeds (purchase) of investments	(8,150)	410,195
	946,365	375,844
INCREASE (DECREASE)		
IN CASH AND EQUIVALENTS DURING THE YEAR	1,191,341	(98,489)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	341,400	439,889
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,532,741	\$ 341,400

Cash and equivalents included in the cash flow statement comprise the following balance sheet accounts:

Cash	\$ 583,459	\$ 341,400
Cash held in trust	949,282	-
	\$ 1,532,741	\$ 341,400

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**FH CANADA****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**NATURE OF OPERATIONS**

FH Canada (the "Organization") is incorporated under the Canada Not-for-profit Corporations Act, is registered as a charity under the Income Tax Act (Canada), and accordingly is exempt from income taxes on its operations. The purpose of FH Canada is to provide sustainable development and disaster relief to the needy and destitute of the world, and to provide educational programs and information in Canada to enhance public understanding of the issues surrounding poverty.

**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in accordance with Canadian generally accepted accounting principles (GAAP), and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

**a) Cash and cash equivalents**

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

**b) Amortization**

Property, equipment and software is stated at cost less accumulated amortization. The following asset categories are amortized on the declining balance basis over the estimated useful life of the assets, with a half-year's provision in the year of acquisition, at the following annual rates:

Buildings	5%
Motor vehicles	20%
Furniture and fixtures	20%
Computer hardware	40%

Leasehold improvements are amortized on the straight-line basis over the term of the lease. Computer software is amortized on the straight-line basis over three years. A half-year's provision is taken in the year of acquisition.

**c) Revenue recognition**

The Organization follows the deferral method of accounting for contributions.

Donations and sponsorships include cash contributions. Cash contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Cash contributions related to expenses of future periods are deferred and recognized as revenue in the period when the related expenses are incurred.

Donations of goods and supplies are recognized in the accounts of the Organization at estimated fair market value. In cases where a gift in kind charitable receipt is required for contributed materials they are recognized as revenue when received, if the amount to be received can be reasonably estimated. Licensed bio-medical equipment is recognized as revenue when its serviceability has been verified and it is shipped. All other equipment and supplies are recognized as revenue when received.

Service income is recognized when services have been rendered.

Income from investments is recorded as earned, including gains and losses based on quoted fair values, whether realized or unrealized.





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**FH CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

e) Foreign currency transactions

Monetary assets and liabilities in currencies other than the Canadian dollar are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue, expenses and non-monetary balances are translated at the rate of exchange prevailing at the transaction dates.

f) Income taxes

The Organization is registered as a charity under the Canada Not-for-profit Corporations Act and extra-provincially under the Society Act of British Columbia. The Organization is also registered with Canada Revenue Agency as a charitable organization and, as such, is not subject to income taxes.

g) Contributed services

A number of volunteers contribute some of their time each year. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

h) Donations-in-kind

Commodity values represent donated and purchased supplies and food shipped to various areas of need around the world in accordance with the Organization's purpose and objectives. Medical and other equipment and supplies donated to the Organization were stored at the Organization's warehouse until shipped. Donated food containers are shipped directly from donors' premises.

The total donations-in-kind received during the year amounted to \$4,812,285 (2017 - \$3,684,186) and the value of shipments has been recorded as commodities sent to the field in the amount of \$5,006,133 (2017 - \$4,184,319).

i) Allocation of expenses

The Organization incurs a number of general support expenses that are common to the administration of the Organization and its programs. Where shared or indirect costs relate to more than one activity, such as the administration of these programs, the Organization allocates these costs to all of the activities. These costs include administrative personnel, occupancy costs, and other operating expenses not directly attributable to specific activities. These expenses are allocated by applying a percentage to direct costs of each activity. The percentages provided by management are based on estimates from ongoing analysis and monitoring of the level of support applicable to each program.



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**FH CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial instruments

i) Measurement

The Organization's financial instruments consist of investments, accounts receivable and accounts payable.

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of equity instruments carried at fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost includes accounts payable.

ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in net income. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income in the period in which it is determined.

2. FINANCIAL INSTRUMENTS

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the balance sheet date.

a) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk arising primarily from its accounts payable, accrued liabilities, and wages payable. The Organization's ability to meet obligations depends on the receipt of funds from its donors.

b) 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 risk and other price risk.



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**FH CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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2. FINANCIAL INSTRUMENTS (Continued)

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization receives donations largely in Canadian funds from donors, which are then remitted to the countries of operation in U.S. Dollars to fund program activities. Currency risk arises as a result of the possibility of the cost of program activities fluctuating because of changes in foreign exchange rates. The Organization also has cash denominated in foreign currencies and thus is exposed to the financial risk of earning fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Organization manages this risk through forward currency contracts.

d) 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 and floating interest rate financial instruments. Fixed rate instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

e) Other market risk

Other 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 (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 Organization's investments in publicly traded securities expose the Organization to market risk as such investments are subject to price changes in the open market.

3. CASH

The Organization had an unused secured line of credit of \$300,000 (2017 - \$500,000) at the bank's prime rate plus 2.30% per annum. This facility was cancelled on September 30, 2018, the date of sale of the securing property.

Cash of \$949,282 is held in trust by a law firm due to the sale of the property. The funds were released by the law firm subsequent to year-end.

4. INVESTMENTS

	<b>2018</b>	<b>2017</b>
RBC Dominion Securities Inc.	\$ 69,136	\$ 61,119
BMO InvestorLine	5,560	5,062
	<b>\$ 74,696</b>	<b>\$ 66,181</b>

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**FH CANADA****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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## 5. PROPERTY, EQUIPMENT AND SOFTWARE

			<b>2018</b>	<b>2017</b>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 44,259	\$ 29,606	\$ 14,653	\$ 20,597
Computer software	141,761	141,761	-	136
Furniture and fixtures	13,512	12,640	872	1,442
Leasehold improvements	61,328	47,605	13,723	17,466
Motor vehicles	9,138	5,770	3,368	9,264
	<u>\$ 269,998</u>	<u>\$ 237,382</u>	<u>\$ 32,616</u>	<u>\$ 48,905</u>

## 6. DEFERRED CONTRIBUTIONS

Deferred contributions represents donations that were designated by supporters and will be disbursed in the future to ongoing programs. When project funding requirements have been fully met, the board of directors has the right to redirect the funds to another project.

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 137,384	\$ 257,219
Amounts received during the year	200,362	131,284
Amounts recognized as revenue during the year	(136,284)	(251,119)
Balance, end of year	<u>\$ 201,462</u>	<u>\$ 137,384</u>

## 7. CONTRACTUAL OBLIGATIONS

The Organization has entered into operating leases for the use of its premises and office equipment. Under the terms of the leases, the minimum annual lease payments required are:

2019	\$ 96,957
2020	96,957
2021	93,032
2022	54,544
	<u>\$ 341,490</u>

## 8. DONATIONS

	<b>2018</b>	<b>2017</b>
Sponsorships	\$ 3,649,672	\$ 3,209,819
Donations	2,687,534	2,999,987
	<u>\$ 6,337,206</u>	<u>\$ 6,209,806</u>



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**FH CANADA****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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## 9. INVESTMENT AND OTHER INCOME (EXPENSE)

## Investment and other income

	<b>2018</b>	<b>2017</b>
Gain on disposal of assets	\$ 721,824	\$ -
Gain on disposal of investments	365	419
Unrealized gain on investments	1,126	5,860
Foreign exchange gain	48,869	34,699
Other income	18,555	31,650
	<hr/> \$ 790,739	<hr/> \$ 72,628

## Investment and other expense

	<b>2018</b>	<b>2017</b>
Unrealized foreign exchange loss	\$ (351)	\$ (92,233)
Loss on disposal of assets	-	(2,882)
	<hr/> \$ (351)	<hr/> \$ (95,115)

## 10. FUNDRAISING EXPENSES

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Organization discloses that the expenses incurred for the purpose of soliciting contributions includes expenses and fees of \$425,599 (2017 - \$757,931) for artists and fundraising businesses to solicit contributions on the Organization's behalf. The amounts paid as remuneration to employees of the Organization whose principal duties involve fundraising was \$500,413 (2017 - \$626,522).

The Organization supported overseas charitable activities by forwarding funding of \$3,478,331 (2017 - \$3,036,103) and shipped goods valued at \$5,006,133 (2017 - \$4,184,319).

## 11. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2017 have been reclassified to make their presentation identical to that adopted in 2018.



**FH CANADA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

12. ALLOCATION OF EXPENSES

	<b>International programs</b>	<b>Canadian programs</b>	<b>Public awareness and education</b>	<b>Fundraising</b>	<b>Administration</b>	<b>2018</b>	<b>2017</b>
Commodities sent to the field	5,006,133	-	-	-	-	<b>5,006,133</b>	4,184,319
Direct international program payments	3,340,618	124,386	-	-	13,326	<b>3,478,331</b>	3,036,103
Wages and benefits	303,335	140,858	107,820	373,871	272,845	<b>1,198,729</b>	1,471,603
Media and events	21,174	14,771	27,103	613,967	6,675	<b>683,691</b>	967,372
Commodity shipping and other costs	153,135	-	-	-	-	<b>153,135</b>	189,227
Postage and delivery	20,670	2,546	124	110,674	10,032	<b>144,045</b>	131,777
Data processing and communications	14,575	10,708	8,248	28,397	81,700	<b>143,628</b>	142,907
Occupancy	60,797	12,467	10,070	29,174	20,614	<b>133,123</b>	136,818
Travel	2,730	29,393	4,511	19,386	37,930	<b>93,950</b>	143,504
Professional fees	1,109	8	3,004	15,242	31,547	<b>50,910</b>	44,188
Repairs and maintenance	14,499	-	-	-	7,930	<b>22,428</b>	27,388
Office and miscellaneous	413	276	820	6,863	6,193	<b>14,566</b>	13,257
Amortization	3,794	1,781	1,439	4,292	2,850	<b>14,156</b>	26,147
Meals and entertainment	284	1,754	598	2,883	6,438	<b>11,957</b>	16,355
Insurance	-	-	-	-	10,504	<b>10,504</b>	12,073
Grants to qualified donees	-	-	-	-	500	<b>500</b>	127,062
<b>Total program expense</b>	<b>8,943,266</b>	<b>338,948</b>	<b>163,737</b>	<b>1,204,749</b>	<b>509,084</b>	<b>11,159,784</b>	10,670,100