



**FOOD FOR  
THE HUNGRY**

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**FH CANADA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of FH Canada

### Qualified Opinion

We have audited the financial statements of FH Canada (the "Organization"), which comprise the statement of financial position as at September 30, 2019, and the statements of changes in net assets, operations 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 possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2019, 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.

### 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, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, or cash flows from operations for the year ended September 30, 2019, or current assets and net assets as at September 30, 2019.

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 the Organization in accordance with 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 qualified audit opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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.

### 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.

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## INDEPENDENT AUDITORS' REPORT

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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 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 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 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.



*Manning Elliott LLP*

MANNING ELLIOTT LLP  
Chartered Professional Accountants  
Abbotsford, British Columbia  
January 8, 2020

**FH CANADA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 739,852	\$ 583,459
Cash held in trust	-	949,282
Investments (Note 3)	1,285,238	74,696
Accounts receivable	14,548	14,335
Prepaid expenses	198,943	96,703
	<b>2,238,581</b>	1,718,475
PROPERTY, EQUIPMENT AND SOFTWARE (Note 4)	35,997	32,616
CASH SURRENDER VALUE OF LIFE INSURANCE	6,468	5,991
	<b>\$ 2,281,046</b>	<b>\$ 1,757,082</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 247,236	\$ 164,287
Deferred contributions (Note 5)	295,955	201,462
Fair value of foreign exchange options (Note 6)	15,066	-
	<b>558,257</b>	365,749
<b>NET ASSETS</b>	<b>1,722,789</b>	1,391,333
	<b>\$ 2,281,046</b>	<b>\$ 1,757,082</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, 2019**

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	<b>2019</b>	2018
NET ASSETS - BEGINNING OF YEAR	<b>\$ 1,391,333</b>	\$ 611,238
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<b>331,456</b>	780,095
NET ASSETS - END OF YEAR	<b>\$ 1,722,789</b>	\$ 1,391,333

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**FH CANADA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018
<b>REVENUES</b>		
Donations (Note 8)	\$ 6,540,680	\$ 6,337,206
Gifts in kind	3,711,732	4,812,285
Investment and other income (Note 9)	37,248	790,739
	<b>10,289,660</b>	<b>11,940,230</b>
<b>EXPENSES</b>		
International programs (Note 11)	7,843,817	8,943,266
Canadian programs (Note 11)	343,420	338,948
Public awareness and education (Note 11)	188,625	163,737
Other expense (Note 9)	15,644	351
	<b>8,391,506</b>	<b>9,446,302</b>
<b>SUPPORT</b>		
Fundraising (Notes 10 & 11)	1,034,838	1,204,749
Administration (Note 11)	531,860	509,084
	<b>1,566,698</b>	<b>1,713,833</b>
	<b>9,958,204</b>	<b>11,160,135</b>
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ 331,456</b>	<b>\$ 780,095</b>

**FH CANADA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	\$ 331,456	\$ 780,095
Items not affecting cash:		
Amortization	14,033	14,156
Change in the cash surrender value of life insurance	(477)	(1,126)
Loss (gain) on disposal of assets	867	(721,824)
Gain on disposal of investments	(26)	(365)
Unrealized (realized) loss on forward contracts	-	(90,711)
Unrealized loss on foreign exchange options	15,066	-
Unrealized gain on investments	(4,004)	-
	<b>356,915</b>	<b>(19,775)</b>
Changes in non-cash working capital:		
Accounts receivable	(213)	6,803
Inventory	-	166,989
Prepaid expenses	(102,240)	96,615
Accounts payable and accrued liabilities	82,947	(69,734)
Deferred contributions	94,493	64,078
	<b>74,987</b>	<b>264,751</b>
	<b>431,902</b>	<b>244,976</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of property and equipment	3,000	957,640
Purchase of property, equipment and software	(6,567)	(3,125)
Purchase of investments	(1,221,224)	(8,150)
	<b>(1,224,791)</b>	<b>946,365</b>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(792,889)</b>	<b>1,191,341</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,532,741</b>	<b>341,400</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 739,852</b>	<b>\$ 1,532,741</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	\$ 739,852	\$ 583,459
Cash held in trust	-	949,282
	<b>\$ 739,852</b>	<b>\$ 1,532,741</b>

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**FH CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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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 at the following annual rates:

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.

(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, 2019**

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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 translation

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 Societies 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 as well as food containers donated to the Organization are shipped directly from the donors' premises.

Other donations-in-kind include gifts of publicly traded equities.

The total donations-in-kind received during the year amounted to \$3,711,732 (2018 - \$4,812,285) and the value of shipments has been recorded as commodities sent to the field in the amount of \$3,704,143 (2018 - \$5,006,133).

(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, 2019**

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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, 2019**

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 US 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 and options.

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. INVESTMENTS

	2019	2018
RBC Dominion Securities Inc.	\$ 154,140	\$ 69,136
BMO InvestorLine	1,131,098	5,560
	<b>\$ 1,285,238</b>	<b>\$ 74,696</b>

The above investments consist of GICs and equity instruments. The equity investments are quoted on an active market and are measured at fair value.

4. PROPERTY, EQUIPMENT AND SOFTWARE

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer hardware	\$ 56,955	\$ 31,636	\$ 25,319	\$ 14,653
Computer software	6,683	6,683	-	-
Furniture and fixtures	13,512	12,814	698	872
Leasehold improvements	61,328	51,348	9,980	13,723
Motor vehicles	-	-	-	3,368
	<b>\$ 138,478</b>	<b>\$ 102,481</b>	<b>\$ 35,997</b>	<b>\$ 32,616</b>

**FH CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

5. 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>2019</b>	2018
Balance, beginning of year	\$ 201,462	\$ 137,384
Amounts received during the year	<b>294,855</b>	200,362
Amounts recognized as revenue during the year	<b>(200,362)</b>	(136,284)
Balance, end of year	<b>\$ 295,955</b>	\$ 201,462

6. FOREIGN EXCHANGE OPTIONS

The Organization has entered into foreign exchange option contracts with a notional amount of US dollars \$1,500,000 (2018 - \$nil) with Western Union Business Solutions. The options have a ceiling rate of 1.40. If the rate increases above 1.40 the options allow the Organization to purchase US dollars at 1.40. If the rate drops below 1.229 the Organization is required to purchase US dollars at a rate of 1.40 for double the notional amount. The options mature between October 1, 2019 and September 1, 2020.

The fair value of the options is estimated to be a loss of \$15,066 based on the rates at September 30, 2019 and will fluctuate according to changes in the spot exchange rate until the options mature.

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:

2020	\$ 96,957
2021	93,032
2022	54,544
	<u>\$ 244,533</u>

8. DONATIONS

	<b>2019</b>	2018
Sponsorships	\$ 3,668,683	\$ 3,649,672
Donations	<b>2,871,997</b>	2,687,534
	<b>\$ 6,540,680</b>	\$ 6,337,206

**FH CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

9. INVESTMENT AND OTHER INCOME (EXPENSE)

	2019	2018
Investment and other income:		
Gain on disposal of assets	\$ -	\$ 721,824
Gain on disposal of investments	26	365
Unrealized gain on investments	4,481	1,126
Foreign exchange gain	12,623	48,869
Other income	20,118	18,555
	<b>37,248</b>	790,739
Investment and other expense:		
Unrealized loss on foreign exchange	(14,777)	(351)
Loss on disposal of assets	(867)	-
	<b>(15,644)</b>	(351)

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 \$261,551 (2018 - \$425,599) 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 \$503,595 (2018 - \$500,413).

The Organization supported overseas charitable activities by forwarding funding of \$3,697,888 (2018 - \$3,478,331) and shipped goods valued at \$3,704,143 (2018 - \$5,006,133).

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**FH CANADA****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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## 11. ALLOCATION OF EXPENSES

	<b>International programs</b>	<b>Canadian programs</b>	<b>Public awareness and education</b>	<b>Fundraising</b>	<b>Administration</b>	<b>2019</b>	<b>2018</b>
Commodities sent to the field	3,704,143	-	-	-	-	<b>3,704,143</b>	5,006,133
Direct international program payments	3,576,525	121,364	-	-	-	<b>3,697,889</b>	3,478,331
Wages and benefits	299,507	149,091	126,107	372,288	285,122	<b>1,232,115</b>	1,198,729
Media and events	7,390	27,172	16,584	430,486	5,965	<b>487,597</b>	683,691
Data processing and communications	14,337	9,449	11,102	28,343	85,376	<b>148,607</b>	143,628
Commodity shipping and other costs	137,747	-	-	-	-	<b>137,747</b>	153,135
Travel	42,007	20,176	16,223	17,550	36,633	<b>132,589</b>	93,950
Postage and delivery	11,599	302	330	98,865	18,700	<b>129,796</b>	144,045
Dues and fees	19,129	81	2,319	45,063	47,302	<b>113,894</b>	50,910
Occupancy	16,169	13,139	11,311	27,738	21,068	<b>89,425</b>	133,123
Office and miscellaneous	5,218	110	1,281	5,488	9,559	<b>21,656</b>	11,957
Meals and entertainment	7,511	470	1,594	4,624	8,695	<b>22,894</b>	14,566
Amortization	2,520	2,066	1,774	4,393	3,279	<b>14,032</b>	14,156
Insurance	-	-	-	-	7,690	<b>7,690</b>	10,504
Repairs and maintenance	15	-	-	-	1,971	<b>1,986</b>	22,428
Grants to qualified donees	-	-	-	-	500	<b>500</b>	500
<b>Total program expense</b>	<b>7,843,817</b>	<b>343,420</b>	<b>188,625</b>	<b>1,034,838</b>	<b>531,860</b>	<b>9,942,560</b>	11,159,786