

***FRIENDS OF HONDURAN CHILDREN***

**AUDITED FINANCIAL STATEMENTS**

**AT JUNE 30, 2023**

***FRIENDS OF HONDURAN CHILDREN***  
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# John F. Rubie

PROFESSIONAL CORPORATION · CHARTERED PROFESSIONAL ACCOUNTANT

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Friends of Honduran Children

#### Qualified Opinion

I have audited the accompanying financial statements of Friends of Honduran Children, which comprise the statement of financial position as at June 30, 2023 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Friends of Honduran Children as at June 30, 2023, and the statement of revenue and expenses 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 Friends of Honduran Children derives revenue from donations and special events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly my 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 the revenues, excess revenue over expenses, assets, fund balances and cash flows. I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Friends of Honduran Children in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 Friends of Honduran Children'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 Friends of Honduran Children or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Friends of Honduran Children's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my opinion. Reasonable assurance is a high level of assurance, but it 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 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 purposes of expressing an opinion on the effectiveness of Friends of Honduran Children'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 Friends of Honduran Children's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Friends of Honduran Children 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that I identify during my audit.

Peterborough, Ontario  
November 14, 2023

Chartered Professional Accountant  
Professional Corporation



*Licensed to practice public accounting by  
the Chartered Professional Accountants of Ontario*

## **FRIENDS OF HONDURAN CHILDREN**

### **STATEMENT OF FINANCIAL POSITION**

As at June 30, 2023

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	137,129	209,827
Accounts receivable - Note 3	3,000	2,191
Prepaid expense	3,074	2,844
Investments - Note 4	82,709	40,342
<b>Total Assets</b>	<b>225,912</b>	<b>255,204</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	13,230	11,838
Statutory deductions payable	1,243	1,492
Deferred revenue - Note 5	68,228	71,135
Current portion of long-term debt - Note 6	40,000	-
	122,701	84,465
<b>Long-Term Debt - Note 6</b>	<b>-</b>	<b>40,000</b>
	122,701	124,465
<b>Fund Balances</b>		
Unrestricted	20,502	90,397
Internally restricted - Note 7	82,709	40,342
	103,211	130,739
<b>Total Liabilities and Net Assets</b>	<b>225,912</b>	<b>255,204</b>

On behalf of the Board of Directors

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

*The accompanying notes are an integral part of the financial statements.*

**FRIENDS OF HONDURAN CHILDREN****STATEMENT OF FUND BALANCES  
For The Year Ended June 30, 2023**

	Internally Restricted \$	Unrestricted Operating Fund \$	Total 2023 \$	2022 \$
<b>Balance, beginning of year</b>	40,342	90,397	130,739	162,409
Excess (deficiency) of revenue over expenses	-	(27,528)	(27,528)	(31,670)
Interfund transfers	42,367	(42,367)	-	-
<b>Balance, end of year</b>	82,709	20,502	103,211	130,739

*The accompanying notes are an integral part of the financial statements.*

**FRIENDS OF HONDURAN CHILDREN**

**STATEMENT OF REVENUE AND EXPENSES**  
**For The Year Ended June 30, 2023**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Donations	486,484	443,441
Investment income	2,437	1,492
Other	3,444	3,503
	<b>492,365</b>	<b>448,436</b>
<b>Expenses</b>		
Administration	102,695	88,071
Brigades	104,136	11,642
Child sponsorships	163,943	152,371
Children's village support	25,886	59,636
Education and other support provided	18,747	61,972
Fundraising	15,102	22,013
Irene Reyes program	89,384	84,401
	<b>519,893</b>	<b>480,106</b>
<b>Excess (Deficiency) Of Revenue Over Expenses</b>	<b>(27,528)</b>	<b>(31,670)</b>

*The accompanying notes are an integral part of the financial statements.*

**FRIENDS OF HONDURAN CHILDREN**

**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2023

	2023 \$	2022 \$
<b>CASH PROVIDED BY (USED IN)</b>		
<b>Operating Activities</b>		
Excess of revenue over expenditures	(27,528)	(31,670)
Changes in non-cash working capital accounts:		
Accounts receivable	(809)	4,540
Prepaid expense	(230)	22,705
Accounts payable and accrued liabilities	1,392	6,458
Statutory deductions payable	(249)	279
Deferred revenue	(2,907)	(10,747)
	(30,331)	(8,435)
<b>Investing Activities</b>		
Net proceeds (purchase) of investments	(42,367)	1,504
<b>Increase (Decrease) In Cash</b>	(72,698)	(6,931)
<b>Cash, Beginning of Year</b>	209,827	216,758
<b>Cash, End of Year</b>	137,129	209,827

*The accompanying notes are an integral part of the financial statement.*



## **FRIENDS OF HONDURAN CHILDREN**

### **NOTES TO THE AUDITED FINANCIAL STATEMENTS For The Year Ended June 30, 2023**

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#### **NOTE 1: NATURE OF ENTITY**

The Organization's mission is to improve the quality of life for impoverished Honduran children and their families by meeting their basic needs and empowering them to break the cycle of deprivation and hardship that controls their lives. The Organization sends medical teams to provide healthcare in remote areas, provides funding for equipment and supplies to assist in continuing education, assists in community development for the relief of poverty, builds homes and medical clinics, provides emergency relief for natural disasters and provides scholarships for continuing education. The Organization is a registered charity.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Presentation***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP").

Friends of Honduran Children follows the deferral method of accounting.

##### ***Realization of Revenues and Expenses***

Restricted contributions from donors and funders are utilized only for the purpose designated and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Investment income is recognized as received or receivable.

##### ***Capital Assets***

The policy of the Organization is to amortize capital assets with a cost greater than \$1,000 over their estimated useful lives by annual charges to operations using the straight line method over the following years:

Office furniture & equipment	5 years
Computer equipment	5 years

No capital assets were charged to the statement of revenue and expenses in the year.

##### ***Income Taxes***

The Organization is a registered charity and qualifies as a non-profit organization as defined by the Federal and Ontario Income Tax Acts and, as such, is not subject to Federal and Provincial income taxes.

##### ***Contributed Materials and Services***

Volunteers contribute significant hours each year to assist the Organization in carrying out its activities. Due to the difficulty of determining their fair value, these services are not recognized in the financial statements.

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if the fair value can be reasonably estimated.

## **FRIENDS OF HONDURAN CHILDREN**

### **NOTES TO THE AUDITED FINANCIAL STATEMENTS** For The Year Ended June 30, 2023

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### ***Use of Accounting Estimates***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Significant areas subject to such estimates and assumptions include the fair value of certain assets, useful lives of capital assets and amortization expense. Actual results could differ from those estimates.

##### ***Financial Instruments***

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments:

- Cash and bank
- Accounts receivable
- Investments
- Accounts payable
- Long-term debt

A financial asset or liability is recognized when the Organization becomes a party to a contractual provision of the instrument. The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and investments that are quoted in an active market, which are subsequently measured at fair value. The Organization removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires. Financial assets measured at cost are tested for impairment when there are indicators of impairment. Financial assets or financial liabilities obtained in related party transactions are measured at the exchange amount.

#### **NOTE 3: ACCOUNTS RECEIVABLE**

The accounts receivable is shown net of an allowance for doubtful accounts of \$nil (2022 - \$nil).

#### **NOTE 4: INVESTMENTS**

The investments are managed by a national securities company.

	2023	2022
	\$	\$
Investments held in marketable securities, held at fair market value	82,709	40,342

## **FRIENDS OF HONDURAN CHILDREN**

### **NOTES TO THE AUDITED FINANCIAL STATEMENTS For The Year Ended June 30, 2023**

#### **NOTE 5: DEFERRED REVENUE**

Deferred revenue are funds received for brigades and programs for which the expenses will be incurred in a subsequent fiscal period.

	2023	2022
	\$	\$
Health and education brigade	40,956	36,842
Special Projects	25,842	28,453
Other	1,430	5,840
<b>Balance, end of year</b>	<b>68,228</b>	<b>71,135</b>

#### **NOTE 6: LONG-TERM DEBT**

Revolving line of credit payable under the Canada Emergency Business Account loan program through Kawartha Credit Union, interest-free until December 31, 2023 with no principal repayments required until the loan matures on December 31, 2023

	2023	2022
	\$	\$
	40,000	40,000
	40,000	40,000
Less principal portion due within one year	40,000	-
	-	40,000
<b>Debt Retirement - Projection of Requirements</b>		
2024	40,000	
	<u>\$ 40,000</u>	

#### **NOTE 7: INTERNALLY RESTRICTED FUNDS**

The internally restricted fund is controlled by the Board of Directors to meet future operational needs. During the year \$42,367 (2022: (\$1,504)) was transferred to the internally restricted funds.

## **FRIENDS OF HONDURAN CHILDREN**

### **NOTES TO THE AUDITED FINANCIAL STATEMENTS For The Year Ended June 30, 2023**

#### **NOTE 8: FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Organization is exposed to various risks associated with its financial instruments as described below. Unless otherwise noted, there has been no change in risk exposures from the prior year.

##### ***Liquidity Risk***

Liquidity risk is the risk that the organization will not be able to meet its obligations associated with financial liabilities. Cash flow from donations and net investment income provides a substantial portion of the Organization's cash requirements.

##### ***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 exchange risk, interest rate risk and other price risk. The Organization is exposed to fluctuations in market prices on its investments. This risk is mitigated by the Organization's use of professional advisors in the management of the investment portfolio. The Organization is mainly exposed to foreign exchange and other price risk.

##### ***Foreign Exchange Risk***

Foreign exchange risk is the risk that significant fluctuations in foreign currency denominated payments would have an affect on earnings. The foundation receives donations in US currency.

	2023	2022
	\$	\$
US dollar denominated bank accounts	14,629	8,591
Exchange rate difference	4,751	2,470
	<u>19,380</u>	<u>11,061</u>

##### ***Other Price Risk***

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk). All investments are subject to other price risk.