

**Health Partners International  
of Canada**

**Financial Statements**

For the years ended September 30, 2012  
and December 31, 2011

**Health Partners International of Canada**  
**Financial Statements**  
For the years ended September 30, 2012 and December 31, 2011

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Montréal QC H3B 4W5 Canada

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## Independent Auditor's Report

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**To the Members of  
Health Partners International of Canada**

We have audited the accompanying financial statements of Health Partners International of Canada, which comprise the statements of financial position as at September 30, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended September 30, 2012 and December 31, 2011, and 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the auditor's 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, the auditor considers 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 audits is sufficient and appropriate to provide a basis for our audit opinion.



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## Independent Auditor's Report

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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Health Partners International of Canada as at September 30, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended September 30, 2012 and December 31, 2011 in accordance with Canadian accounting standards for non-for-profit enterprises.

*BDO Canada LLP/s.r.l./S.E.N.C.R.L.*<sup>1</sup>

Montréal, Québec  
February 12, 2013

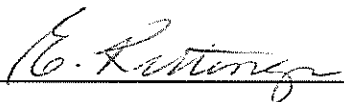
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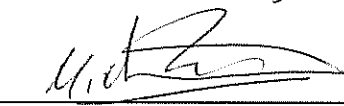
<sup>1</sup> CPA auditor, CA public accountancy permit no. A106501

## Health Partners International of Canada Statements of Financial Position

	September 30, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>			
<b>Current</b>			
Cash			
Unrestricted	\$ 119,567	\$ 223,498	\$ 301,633
Restricted (Notes 7 and 8)	492,419	498,484	268,581
Investments (Notes 3, 7 and 8)			
Unrestricted	164,179	300,966	300,900
Restricted	-	350,141	300,516
Accounts receivable (Note 4)	186,376	396,697	204,945
Inventory	5,124,207	6,057,762	6,467,022
Prepaid expenses	-	7,944	8,277
	6,086,748	7,835,492	7,851,874
Deposits	53,130	53,130	53,130
Capital assets (Note 5)	46,706	45,505	9,676
	\$ 6,186,584	\$ 7,934,127	\$ 7,914,680
<b>Liabilities and Net Assets</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 111,658	\$ 151,781	\$ 155,388
Deferred inventory contributions (Note 6)	5,124,207	6,057,762	6,467,022
Deferred government grants (Note 7)	447,495	788,839	359,227
Deferred revenue - Foundations and organizations (Note 8)	215,685	419,641	468,824
	5,899,045	7,418,023	7,450,461
Net assets			
Unrestricted	287,539	516,104	464,219
	\$ 6,186,584	\$ 7,934,127	\$ 7,914,680

On behalf of the Board

 Director

 Director

## Health Partners International of Canada Statements of Operations

<b>For the years ended</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
	(9 months)	(12 months)
<b>Revenue</b>		
Contributions of materials	\$ 15,653,697	\$ 47,263,776
Government grants	1,114,667	1,038,414
Contributions to medical programs	541,989	914,058
General donations	751,762	1,041,190
Other revenues	28,614	12,573
Rental revenue	5,286	12,047
Salary subsidies	3,619	5,790
Interest and investment income	2,588	3,740
	<u>18,102,222</u>	<u>50,291,588</u>
<b>Expenditures</b>		
Inventory expense	15,653,697	47,263,776
Capacity building and access to medicine project	1,154,393	1,112,135
Program expenditures	826,435	939,788
Administration	388,211	494,292
Philanthropy	216,255	278,915
Public affairs	98,782	149,448
Product planning expenses	118,203	112,608
Overhead allocations to specific contracts	(125,189)	(111,259)
	<u>18,330,787</u>	<u>50,239,703</u>
<b>Excess of (expenditures over revenue) revenue over expenditures for the year</b>	<b>\$ (228,565)</b>	<b>\$ 51,885</b>

The accompanying notes are an integral part of these financial statements.

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## Health Partners International of Canada Statements of Changes in Net Assets

<b>For the years ended</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
	<b>(9 months)</b>	<b>(12 months)</b>
<b>Unrestricted net assets, beginning of year</b>	<b>\$ 516,104</b>	<b>\$ 464,219</b>
<b>Excess of (expenditures over revenue) revenue over expenditures for the year</b>	<b>(228,565)</b>	<b>51,885</b>
<b>Unrestricted net assets, end of year</b>	<b>\$ 287,539</b>	<b>\$ 516,104</b>

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## Health Partners International of Canada Statements of Cash Flows

<b>For the years ended</b>	<b>September 30, 2012</b>	<b>December 31, 2011</b>
	(9 months)	(12 months)
<b>Cash flows from operating activities</b>		
Excess of (expenditures over revenue) revenue over expenditures for the year	\$ (228,565)	\$ 51,885
Item not involving cash Amortization	7,507	5,359
	<u>(221,058)</u>	<u>57,244</u>
Net change in non-cash working capital items		
Accounts receivable	210,321	(191,752)
Prepaid expenses	7,944	333
Inventory	933,555	409,260
Accounts payable and accrued liabilities	(40,123)	(3,607)
Deferred contributions	(933,555)	(409,260)
Deferred government grants	(341,344)	429,612
Deferred revenue - Foundations and organizations	(203,956)	(49,183)
	<u>(588,216)</u>	<u>242,647</u>
<b>Cash flows from investing activities</b>		
Restricted cash	6,065	(229,903)
Additions to capital assets	(8,708)	(41,188)
Investments	486,928	(49,691)
	<u>484,285</u>	<u>(320,782)</u>
<b>Decrease in cash during the year</b>	<b>(103,931)</b>	<b>(78,135)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>223,498</b>	<b>301,633</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 119,567</b>	<b>\$ 223,498</b>

The accompanying notes are an integral part of these financial statements.



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# Health Partners International of Canada

## Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### 1. Significant Accounting Policies

<b>Incorporation, Nature of Business and Change in Year-end</b>	<p>The organization was incorporated as a non-profit organization in 1986 under Part II of the <i>Canada Corporations Act</i> and is a registered charity under the <i>Income Tax Act of Canada</i>. Effective November 1, 2000, the organization filed Articles of Amendment to change its name from MAP International of Canada to Health Partners International of Canada (Partenaires Canadiens pour la Santé Internationale). The organization requests and receives medical aid donations from Canada's pharmaceutical, vaccine, and medical supply companies and responds to requests from Canadian medical professionals and aid agencies that provide health care in the developing world. It is also involved in sustainable development programs in the health-care field in collaboration with ministries of health and partner non-governmental organizations in developing countries.</p> <p>The organization has requested with the Taxation Authorities to change its year-end from December 31<sup>st</sup> to September 30<sup>th</sup> for better planning and budgeting. The request has been granted and as a result the organization has presented a nine-month period ending September 30, 2012 for the current reporting period.</p>
<b>Basis of Accounting</b>	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").</p>
<b>Revenue Recognition</b>	<p>The organization follows the deferral method of accounting for revenue. Restricted government grants are recognized as revenue in the year in which the related expenses are incurred.</p> <p>Contributions of materials are recognized as revenue in the year the contributed materials are distributed. They are measured at fair value, which represents the estimated wholesale price.</p> <p>General donations and contributions to medical programs are recognized as revenue in the year received or receivable if the amount to be received can be reasonably assured.</p> <p>Rental revenue is recognized on a straight-line basis over the lease term.</p>

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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	Interest and investment income is accounted for on an accrual basis.
<b>Inventory</b>	Inventory represents donated materials not for sale and is donated for distribution outside Canada. Donated materials are valued at the lower of cost and replacement value. Cost is determined on the first-in, first-out basis.
<b>Capital Assets and Amortization</b>	Equipment is recorded at cost and is amortized over three years using the straight-line method, with the exception of leasehold improvements, which are amortized over the term of the lease, being ten years.
<b>Income Taxes</b>	The organization is a registered charitable organization and is exempt from income taxes.
<b>Contributed Services</b>	Volunteers contribute significant hours per year to assist the organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
<b>Financial Instruments</b>	<p><i>Measurement of Financial Instruments</i></p> <p>The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all 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 are recognized in the statement of operations.</p> <p>Financial assets measured at amortized cost include cash, accounts receivable and deposits.</p> <p>Financial assets measured at fair value include investments.</p> <p>Financial liabilities measured at amortized cost include accounts payable.</p> <p><i>Impairment</i></p> <p>Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.</p>

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### *Transaction Costs*

The organization recognizes its transaction costs for financial instruments at fair value in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from its financial instruments and the carrying amounts approximate fair values.

### **Allocation of Expenses**

The organization engages in different programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The organization also incurs a number of general support expenses that are common to the administration of the organization and each of its programs. The organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.

### **Use of Estimates**

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include, but are not limited to, the estimated useful life of assets, accruals and inventory obsolescence. Actual results could differ from management's best estimates as additional information becomes available in the future.

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### 2. First-time Adoption

Effective January 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year ended September 30, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011.

The organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards.

The adoption of ASNPO resulted in no adjustments to the previously reported financial statements.

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### 3. Investments

	2012	2011
Mutual funds at fair value (cost - \$164,179)	\$ 164,179	\$ -
Term deposit matured during the year	-	651,107
	<u>\$ 164,179</u>	<u>\$ 651,107</u>

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### 4. Accounts Receivable

	2012	2011
Accounts receivable	\$ 68,939	\$ 134,442
Advances to Kabul office	94,486	238,020
Sales taxes receivable	22,951	24,235
	<u>\$ 186,376</u>	<u>\$ 396,697</u>

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### 5. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 6,916	\$ 6,916	\$ 6,916	\$ 6,916
Equipment	93,908	88,902	93,908	85,693
Leasehold improvements	45,997	4,297	37,290	-
	<b>\$ 146,821</b>	<b>\$ 100,115</b>	<b>\$ 138,114</b>	<b>\$ 92,609</b>
Net book value		<b>\$ 46,706</b>		<b>\$ 45,505</b>

Amortization for the period amounts to \$7,507 (2011 - \$5,359). Additions in the period amounted to \$8,708 (2011 - \$41,188).

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### 6. Deferred Inventory Contributions

The deferred contributions represent gifts in kind received and receipted for tax purposes but not distributed. The changes in the deferred contributions balance for the year are as follows:

	2012	2011
Balance, beginning of year	\$ 6,057,762	\$ 6,467,022
Total inventory received during the year	15,520,633	47,563,183
Total inventory delivered during the year	(15,653,697)	(47,278,196)
Donated inventory written-off during the year	(800,491)	(707,612)
Other	-	13,365
Balance, end of year	<b>\$ 5,124,207</b>	<b>\$ 6,057,762</b>

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### 7. Deferred Government Grants

The deferred government grants contributions represent unspent resources externally restricted for specific projects. The changes in the deferred contributions balance for the year are as follows:

	2012	2011
<b>Balance, beginning of year</b>	<b>\$ 788,839</b>	<b>\$ 359,227</b>
<b>CIDA grants received during the year</b>		
Capacity building and access to medicine project	773,323	1,468,026
<b>Grants earned during the year for services completed</b>		
Capacity building and access to medicine project	(1,114,667)	(1,038,414)
<b>Balance, end of year</b>	<b>\$ 447,495</b>	<b>\$ 788,839</b>
<b>Consisting of:</b>		
Capacity building and access to medicine project	<b>\$ 447,495</b>	<b>\$ 788,839</b>
<b>Represented by:</b>		
Restricted cash	\$ 447,495	\$ 438,698
Restricted temporary investments	-	350,141
	<b>\$ 447,495</b>	<b>\$ 788,839</b>

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### 8. Deferred Revenue - Foundations and Organizations

The deferred revenue from foundations and organizations represent unspent resources for specific projects as follows:

	2012	2011
<b>Unrestricted deferred revenue</b>		
Program contingency	\$ 50,000	\$ 150,000
Health care	50,000	58,327
Women & Children Fund	-	54,629
Information technology	-	20,000
Jake Epp Mission Development Fund	70,761	76,899
	170,761	359,855
<b>Restricted deferred revenue</b>		
Trillium	44,924	-
Zimbabwe Association of Church Hospitals	-	36,216
Haiti	-	20,699
Cuban Council of Churches	-	2,871
	44,924	59,786
	\$ 215,685	\$ 419,641
<b>Restricted deferred revenue represented by:</b>		
Restricted cash	\$ 44,924	\$ 59,786

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### 9. Allocation of Expenses

Salaries and benefits expenses in the amount of \$1,181,412 (2011 - \$1,429,630) and rent charges in the amount of \$51,565 (2011 - \$73,302) have been allocated as follows:

	2012	2011
<b>Salaries and benefits</b>		
Programs delivery	\$ 646,423	\$ 717,263
Fundraising and administration	534,989	712,367
	\$ 1,181,412	\$ 1,429,630

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2012 and December 31, 2011

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### 9. Allocation of Expenses (Continued)

	2012	2011
<b>Rent charges</b>		
Administration	\$ 34,426	\$ 50,553
Programs department	17,139	22,749
	<u>\$ 51,565</u>	<u>\$ 73,302</u>

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### 10. Operating Leases

The organization is obligated under operating leases, terminating in January 2016 and January 2022, for the rental of premises for the following annual amounts and in aggregate:

2013	\$ 200,466
2014	202,601
2015	204,735
2016	151,268
2017	148,348
Thereafter	<u>597,660</u>
	<u>\$ 1,505,078</u>

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### 11. Financial Instruments

#### *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 organization is exposed to credit risk with respect to cash and investments. The organization mitigates the credit risk for cash and temporary investments by dealing only with large financial institutions with good credit ratings. The organization is also exposed to credit risk arising from its accounts and contributions receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The organization works to ensure that the receivables meet all eligibility criteria in order to qualify to receive the funding. There has been no change to the company's exposure to credit risk since the previous period.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages this risk by monitoring working capital and cash flows needs. There has been no change to the company's exposure to liquidity risk since the previous period.

#### *Market Risk*

The organization is exposed to fluctuations in equity markets on its investments.

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