

**Health Partners International  
of Canada**  
**Financial Statements**  
For the year ended September 30, 2013

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For the year ended September 30, 2013

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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 statement of financial position as at September 30, 2013, and the statement of operations, changes in net assets and cash flows for the year then ended, 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 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 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 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, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for non-profit enterprises.

*BDO Canada LLP / S.R.L. / S.E.N.C.R.L.*

Montréal, Québec  
February 20, 2014


## Health Partners International of Canada Statement of Financial Position


September 30	2013	2012
		(Restated - Note 10)
<b>Assets</b>		
<b>Current</b>		
Cash		
Unrestricted	\$ 272,241	\$ 214,053
Restricted (Notes 5 and 6)	725,463	492,419
Investments		
Unrestricted	-	164,179
Accounts receivable (Note 2)	25,491	91,890
Inventory	6,975,811	5,377,960
Prepaid expenses	8,317	-
	8,007,323	6,340,501
<b>Deposits</b>	53,130	53,130
<b>Capital assets (Note 3)</b>	35,524	46,706
	\$ 8,095,977	\$ 6,440,337

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 135,886	\$ 111,658
Deferred inventory contributions (Note 4)	6,975,811	5,377,960
Deferred government grants (Note 5)	680,539	447,495
Deferred revenue - Foundations and organizations (Note 6)	240,886	215,685
	8,033,122	6,152,798
<b>Net assets</b>		
Unrestricted	62,855	287,539
	\$ 8,095,977	\$ 6,440,337

On behalf of the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

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

## Health Partners International of Canada Statement of Operations

<b>For the year ended September 30</b>	<b>2013</b>	<b>2012</b>
	(12 months)	(9 months)
<b>Revenue</b>		
Contributions of materials	\$ 20,540,724	\$ 15,653,697
Government grants	1,551,431	1,114,667
Contributions to medical programs	619,202	541,989
General donations	979,263	751,762
Other revenues	61,081	28,614
Rental revenue	450	5,286
Salary subsidies	15,132	3,619
Interest and investment income	1,788	2,588
	<u>23,769,071</u>	<u>18,102,222</u>
<b>Expenditures</b>		
Inventory expense	20,540,724	15,653,697
Capacity building and access to medicine project	1,626,961	1,154,393
Program expenditures	1,008,546	826,435
Administration	490,601	388,211
Philanthropy	206,457	216,255
Public affairs	193,618	98,782
Product planning expenses	98,064	118,203
Overhead allocations to specific contracts	(171,216)	(125,189)
	<u>23,993,755</u>	<u>18,330,787</u>
<b>Excess of expenditures over revenue for the year</b>	<b>\$ (224,684)</b>	<b>\$ (228,565)</b>

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

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**Health Partners International of Canada  
Statement of Changes in Net Assets**

<u>For the year ended September 30</u>	<u>2013</u>	<u>2012</u>
	(12 months)	(9 months)
Unrestricted net assets, beginning of year	\$ 287,539	\$ 516,104
Excess of expenditures over revenue for the year	<u>(224,684)</u>	<u>(228,565)</u>
Unrestricted net assets, end of year	<u>\$ 62,855</u>	<u>\$ 287,539</u>

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

## Health Partners International of Canada Statement of Cash Flows

<b>For the year ended September 30</b>	<b>2013</b>	<b>2012</b>
	(12 months)	(9 months) (Restated - Note 10)
<b>Cash flows from operating activities</b>		
Excess of expenditures over revenue for the year	\$ (224,684)	\$ (228,565)
Item not involving cash		
Amortization	11,182	7,507
	<u>(213,502)</u>	<u>(221,058)</u>
Net change in non-cash working capital items		
Accounts receivable	66,399	210,321
Inventory	(1,597,851)	933,555
Prepaid expenses	(8,317)	7,944
Accounts payable and accrued liabilities	24,228	(40,123)
Deferred inventory contributions	1,597,851	(933,555)
Deferred government grants	233,044	(341,344)
Deferred revenue - Foundations and organizations	25,201	(203,956)
	<u>127,053</u>	<u>(588,216)</u>
<b>Cash flows from investing activities</b>		
Restricted cash	(233,044)	6,065
Additions to capital assets	-	(8,708)
Investments	164,179	486,928
	<u>(68,865)</u>	<u>484,285</u>
<b>Increase (decrease) in cash during the year</b>	<b>58,188</b>	<b>(103,931)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>214,053</b>	<b>317,984</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 272,241</b>	<b>\$ 214,053</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, 2013

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### 1. Significant Accounting Policies

#### **Incorporation and Nature of Business**

The organization was incorporated as a non-profit organization in 1986 under Part II of the *Canada Corporations Act* and is a registered charity under the *Income Tax Act of Canada*. 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 healthcare field in collaboration with ministries of health and partner non-governmental organizations in developing countries.

#### **Basis of Accounting**

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

#### **Revenue Recognition**

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.

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.

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.

Rental revenue is recognized on a straight-line basis over the lease term.

Interest and investment income is accounted for on an accrual basis.

#### **Inventory**

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.

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2013

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**Capital Assets and Amortization** 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.

**Income Taxes** The organization is a registered charitable organization and is exempt from income taxes.

**Contributed Services** 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.

**Financial Instruments**

*Measurement of Financial Instruments*

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.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

*Impairment*

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 the statement of operations.

*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.

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2013

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### 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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## 2. Accounts Receivable

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 5,359	\$ 68,939
Sales taxes receivable	20,132	22,951
	<u>\$ 25,491</u>	<u>\$ 91,890</u>

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2013

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### 3. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 6,916	\$ 6,916	\$ 6,916	\$ 6,916
Equipment	93,908	93,182	93,908	88,902
Leasehold improvements	45,997	11,199	45,997	4,297
	<b>\$ 146,821</b>	<b>\$ 111,297</b>	<b>\$ 146,821</b>	<b>\$ 100,115</b>
Net book value		<b>\$ 35,524</b>		<b>\$ 46,706</b>

Amortization for the period amounts to \$11,182 (2012 - \$7,507). There were no additions during the year (2012 - \$8,708).

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### 4. 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:

	2013	2012
		(Restated - Note 10)
Balance, beginning of year	\$ 5,377,960	\$ 6,057,762
Total inventory received during the year	22,253,757	15,774,386
Total inventory delivered during the year	(20,540,724)	(15,653,697)
Donated inventory adjustments during the year	(115,182)	(800,491)
Balance, end of year	<b>\$ 6,975,811</b>	<b>\$ 5,377,960</b>

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## Health Partners International of Canada Notes to Financial Statements

**September 30, 2013**

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### 5. 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:

	2013	2012
<b>Balance, beginning of year</b>	\$ 447,495	\$ 788,839
<b>CIDA grants received during the year</b>		
Capacity building and access to medicine project	1,784,475	773,323
<b>Grants earned during the year for services completed</b>		
Capacity building and access to medicine project	(1,551,431)	(1,114,667)
<b>Balance, end of year</b>	\$ 680,539	\$ 447,495
<b>Consisting of:</b>		
Capacity building and access to medicine project	\$ 680,539	\$ 447,495
<b>Represented by:</b>		
Restricted cash	\$ 680,539	\$ 447,495

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### 6. Deferred Revenue - Foundations and Organizations

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

	2013	2012
<b>Unrestricted deferred revenue</b>		
Program contingency	\$ 50,000	\$ 50,000
Health care	63,298	50,000
Women & Children Fund	14,000	-
Jake Epp Mission Development Fund	62,269	70,761
Emergencies	6,395	-
	195,962	170,761
<b>Restricted deferred revenue</b>		
Trillium	44,924	44,924
	\$ 240,886	\$ 215,685
<b>Restricted deferred revenue represented by:</b>		
Restricted cash	\$ 44,924	\$ 44,924

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## Health Partners International of Canada Notes to Financial Statements

**September 30, 2013**

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### 7. Allocation of Expenses

Salaries and benefits expenses in the amount of \$1,497,258 (2012 - \$1,181,412) and rent charges in the amount of \$62,416 (2012 - \$51,565) have been allocated as follows:

	2013	2012
<b>Salaries and benefits</b>		
Programs delivery	\$ 850,932	\$ 646,423
Fundraising and administration	646,326	534,989
	\$ 1,497,258	\$ 1,181,412
<b>Rent charges</b>		
Administration	\$ 41,611	\$ 34,426
Programs department	20,805	17,139
	\$ 62,416	\$ 51,565

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### 8. 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:

2014	\$	202,601
2015		204,735
2016		151,268
2017		148,348
2018		149,415
Thereafter		448,245
		\$ 1,304,612

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## Health Partners International of Canada Notes to Financial Statements

September 30, 2013

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### 9. 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. The organization mitigates the credit risk for cash 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.

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### 10. Prior Period Correction

These financial statements include an adjustment for a correction in the inventory and deferred inventory contributions. As a result of the adjustment, the following changes were made to the previous year's figures: inventory and deferred inventory contributions increased by \$253,753 on the statement of financial position as at September 30, 2012. The error did not result in any adjustment on the statement of operations and statement of net assets.

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### 11. Comparative Figures

Certain of prior year figures presented in the financial statements have been reclassified to conform with the current year's presentation.

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