Health Partners International of Canada

Financial Statements

For the year ended September 30, 2014

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Contents

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Independent Auditor's Report

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, 2014, and the statements of income, 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.

Independent Auditor's Report

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, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for non-for-profit enterprises.

BDO Canada LLP/S.R.L./S.E.N.C.R.L. [1]

Montréal, Québec
February 19, 2015

[1] CPA auditor, CA public accountancy permit no. A106501

Health Partners International of Canada
Statement of Financial Position

September 30	2014	2013
Assets		
Current		
Cash		
Unrestricted	**$ 133,626**	$ 272,241
Restricted (Notes 5 and 6)	**20,808**	725,463
Accounts receivable (Note 2)	**38,316**	25,491
Inventory	**4,103,476**	6,975,811
Prepaid expenses	**3,168**	8,317
	4,299,394	8,007,323
Deposits	**53,130**	53,130
Capital assets (Note 3)	**31,157**	35,524
	$ 4,383,681	$ 8,095,977
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	**$ 75,429**	$ 135,886
Deferred inventory contributions (Note 4)	**4,100,915**	6,975,811
Deferred government grants (Note 5)	**-**	680,539
Deferred revenue - Foundations and organizations (Note 6)	**142,031**	240,886
	4,318,375	8,033,122
Net assets		
Unrestricted	**65,306**	62,855
	$ 4,383,681	$ 8,095,977

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 Income

For the year ended September 30	2014	2013
Revenue		
Contributions of materials	**$ 23,211,800**	$ 20,540,724
Government grants	**1,096,157**	1,551,431
General donations	**1,016,737**	979,263
Contributions to medical programs	**835,047**	619,202
Rental revenue	**26,650**	450
Other revenues	**22,855**	62,869
Salary subsidies	**6,231**	15,132
	26,215,477	23,769,071
Expenditures		
Inventory expense	**23,223,823**	20,540,724
Capacity building and access to medicine project	**1,125,312**	1,626,961
Program expenditures	**1,039,580**	1,008,546
Administration	**482,736**	490,601
Philanthropy	**176,245**	206,457
Product planning expenses	**149,070**	98,064
Public affairs	**133,705**	193,618
Overhead allocations to specific contracts	**(117,445)**	(171,216)
	26,213,026	23,993,755
Excess of revenue over expenditures (expenditures over revenue) for the year	**$ 2,451**	$ (224,684)

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

Health Partners International of Canada
Statement of Changes in Net Assets

For the year ended September 30		2014		2013
Unrestricted net assets, beginning of year	**$**	**62,855**	$	287,539
Excess of revenue over expenditures (expenditures over revenue) for the year		**2,451**		(224,684)
Unrestricted net assets, end of year	**$**	**65,306**	$	62,855

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

Health Partners International of Canada
Statement of Cash Flows

For the year ended September 30	2014	2013
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue) for the year	**$ 2,451**	$ (224,684)
Item not involving cash		
Amortization	**9,124**	11,182
	11,575	(213,502)
Net change in non-cash working capital items		
Accounts receivable	**(12,825)**	66,399
Inventory	**2,872,335**	(1,597,851)
Prepaid expenses	**5,149**	(8,317)
Accounts payable and accrued liabilities	**(60,457)**	24,228
Deferred inventory contributions	**(2,874,896)**	1,597,851
Deferred government grants	**(680,539)**	233,044
Deferred revenue - Foundations and organizations	**(98,855)**	25,201
	(838,513)	127,053
Cash flows from investing activities		
Restricted cash	**704,655**	(233,044)
Additions to capital assets	**(4,757)**	-
Investments	**-**	164,179
	699,898	(68,865)
(Decrease) increase in cash during the year	**(138,615)**	58,188
Cash and cash equivalents, beginning of year	**272,241**	214,053
Cash and cash equivalents, end of year	**$ 133,626**	$ 272,241

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

September 30, 2014

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.

Capital Assets and Amortization

Computer equipment and equipment are recorded at cost and are 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 income.

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 income.

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.

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.

2. Accounts Receivable

	2014	2013
Accounts receivable	**$ 16,079**	$ 5,359
Sales taxes receivable	**22,237**	20,132
	$ 38,316	$ 25,491

September 30, 2014

3. Capital Assets

	2014		2013	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer equipment	**$ 11,673**	**$ 8,105**	$ 6,916	$ 6,916
Equipment	**93,908**	**93,908**	93,908	93,182
Leasehold improvements	**45,997**	**18,408**	45,997	11,199
	$ 151,578	**$ 120,421**	$ 146,821	$ 111,297
Net book value		**$ 31,157**		$ 35,524

Amortization for the period amounts to $9,124 (2013 - $11,182). There were $4,757 of additions during the year (2013 - $Nil).

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:

	2014	2013
Balance, beginning of year	**$ 6,975,811**	$ 5,377,960
Total inventory received during the year	**20,966,816**	22,253,757
Total inventory delivered during the year	**(23,211,800)**	(20,540,724)
Donated inventory adjustments during the year	**(629,912)**	(115,182)
Balance, end of year	**$ 4,100,915**	$ 6,975,811

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:

		2014		2013
Balance, beginning of year	**$**	**680,539**	$	447,495
CIDA grants received during the year				
Capacity building and access to medicine project		**654,877**		1,784,475
Grants earned during the year for services completed				
Capacity building and access to medicine project		**(1,096,157)**		(1,551,431)
Repayment of excess funds		**(239,259)**		-
Balance, end of year	**$**	**-**	$	680,539
Consisting of:				
Capacity building and access to medicine project	**$**	**-**	$	680,539
Represented by:				
Restricted cash	**$**	**-**	$	680,539

6. Deferred Revenue - Foundations and Organizations

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

		2014		2013
Unrestricted deferred revenue				
Program contingency	**$**	**60,000**	$	50,000
Jake Epp Mission Development Fund		**55,000**		62,269
Health Care		**6,223**		63,298
Women & Children Fund		**-**		14,000
Emergencies		**-**		6,395
	$	**121,223**	$	195,962

September 30, 2014

6. Deferred Revenue - Foundations and Organizations (Continued)

	2014	2013
Restricted deferred revenue		
Memaz	$ **9,678**	$ -
Shipment contributions	**5,635**	-
Seniors	**5,000**	-
Congo	**495**	-
Trillium	**-**	44,924
	20,808	44,924
	$ **142,031**	$ 240,886
Restricted deferred revenue represented by:		
Restricted cash	$ **20,808**	$ 44,924

7. Allocation of Expenses

Salaries and benefits expenses in the amount of $1,335,120 (2013 - $1,497,258) and rent charges in the amount of $73,953 (2013 - $62,416) have been allocated as follows:

	2014	2013
Salaries and benefits		
Programs delivery	$ **690,579**	$ 850,932
Fundraising and administration	**644,541**	646,326
	$ **1,335,120**	$ 1,497,258
Rent charges		
Administration	$ **49,302**	$ 41,611
Programs department	**24,651**	20,805
	$ **73,953**	$ 62,416

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:

2015	$ 277,515
2016	223,369
2017	220,387
2018	221,721
2019	221,988
Thereafter	443,976
	$ 1,608,956

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 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.