

**Health Partners International  
of Canada**  
**Financial Statements**  
For the year ended December 31, 2011

**Health Partners International of Canada**  
**Financial Statements**  
For the year ended December 31, 2011

**Contents**

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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 of the statement of financial position as at December 31, 2011, and the statements 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 generally accepted accounting principles, 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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### Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from cash donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the organization. We were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets, liabilities and unrestricted net assets.

### Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Health Partners International of Canada as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants

Montréal, Québec  
May 25, 2012

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<sup>1</sup> CPA auditor, CA permit No. A106501


## Health Partners International of Canada Statement of Financial Position

| December 31                              | 2011         | 2010         |
|--|--------------|--------------|
| <b>Assets</b>                            |              |              |
| <b>Current</b>                           |              |              |
| Cash                                     |              |              |
| Unrestricted                             | \$ 223,498   | \$ 301,633   |
| Restricted (Notes 5 and 6)               | 498,484      | 268,581      |
| Temporary investments (Notes 5, 6 and 7) |              |              |
| Unrestricted                             | 300,966      | 300,900      |
| Restricted                               | 350,141      | 300,516      |
| Accounts receivable                      | 396,697      | 204,945      |
| Inventory                                | 6,057,762    | 6,467,022    |
| Prepaid expenses                         | 7,944        | 8,277        |
|  | 7,835,492    | 7,851,874    |
| <b>Deposits</b>                          | 53,130       | 53,130       |
| <b>Capital assets (Note 3)</b>           | 45,505       | 9,676        |
|  | \$ 7,934,127 | \$ 7,914,680 |

### Liabilities and Net Assets

|   |              |              |
|---|--------------|--------------|
| <b>Current</b>  |              |              |
| Accounts payable and accrued liabilities                  | \$ 151,781   | \$ 155,388   |
| Deferred contributions (Note 4)                           | 6,057,762    | 6,467,022    |
| Deferred government grants (Note 5)                       | 788,839      | 359,227      |
| Deferred revenue - Foundations and organizations (Note 6) | 419,641      | 468,824      |
|   | 7,418,023    | 7,450,461    |
| <b>Net assets</b>   |              |              |
| Unrestricted  | 516,104      | 464,219      |
|   | \$ 7,934,127 | \$ 7,914,680 |

On behalf of the Board

 Director

 Director

## Health Partners International of Canada Statement of Operations

| <b>For the year ended December 31</b>                   | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
| <b>Revenue</b>  |                   |                   |
| Contributions of materials                              | \$ 47,263,776     | \$ 28,100,197     |
| General donations                                       | 1,041,190         | 1,035,101         |
| Government grants                                       | 1,038,414         | 1,010,370         |
| Contributions to medical programs                       | 914,058           | 918,819           |
| Other revenues  | 12,573            | 72,588            |
| Rental Revenue  | 12,047            | -                 |
| Salary Subsidies  | 5,790             | -                 |
| Interest and investment income                          | 3,740             | 1,529             |
|   | <b>50,291,588</b> | <b>31,138,604</b> |
| <b>Expenditures</b>                                     |                   |                   |
| Inventory expense                                       | 47,263,776        | 28,100,197        |
| Capacity building and access to medicine project        | 1,112,135         | 1,074,653         |
| Program expenditures                                    | 939,788           | 956,518           |
| Administration  | 494,292           | 398,960           |
| Philanthropy  | 278,915           | 287,816           |
| Public affairs  | 149,448           | 215,047           |
| Product planning expenses                               | 112,608           | 128,218           |
| Overhead allocations to specific contracts              | (111,259)         | (108,254)         |
|   | <b>50,239,703</b> | <b>31,053,155</b> |
| <b>Excess of revenue over expenditures for the year</b> | <b>\$ 51,885</b>  | <b>\$ 85,449</b>  |

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

| <b>For the year ended December 31</b>                   | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
| <b>Unrestricted net assets, beginning of year</b>       | <b>\$ 464,219</b> | <b>\$ 378,770</b> |
| <b>Excess of revenue over expenditures for the year</b> | <b>51,885</b>     | <b>85,449</b>     |
| <b>Unrestricted net assets, end of year</b>             | <b>\$ 516,104</b> | <b>\$ 464,219</b> |

## Health Partners International of Canada Statement of Cash Flows

| <b>For the year ended December 31</b>               | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>         |                   |                   |
| Excess of revenue over expenditures for the year    | \$ 51,885         | \$ 85,449         |
| Item not involving cash                             |                   |                   |
| Amortization  | 5,359             | 3,299             |
|   | <u>57,244</u>     | <u>88,748</u>     |
| Net change in non-cash working capital items        |                   |                   |
| Accounts receivable                                 | (191,752)         | (98,630)          |
| Prepaid expenses                                    | 333               | 51,538            |
| Inventory   | 409,260           | (1,008,072)       |
| Accounts payable and accrued liabilities            | (3,607)           | 131,912           |
| Deferred contributions                              | (409,260)         | 1,008,072         |
| Deferred government grants                          | 429,612           | 191,479           |
| Deferred revenue - Foundations and organizations    | (49,183)          | 295,959           |
|   | <u>242,647</u>    | <u>661,006</u>    |
| <b>Cash flows from investing activities</b>         |                   |                   |
| (Increase) decrease in restricted cash              | (229,903)         | 72,032            |
| Additions to capital assets                         | (41,188)          | (8,940)           |
| Additions to temporary investments                  | (49,691)          | (601,416)         |
|   | <u>(320,782)</u>  | <u>(538,324)</u>  |
| <b>(Decrease) increase in cash during the year</b>  | <b>(78,135)</b>   | <b>122,682</b>    |
| <b>Cash and cash equivalents, beginning of year</b> | <b>301,633</b>    | <b>178,951</b>    |
| <b>Cash and cash equivalents, end of year</b>       | <b>\$ 223,498</b> | <b>\$ 301,633</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

December 31, 2011

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### 1. Status and Nature of Activities

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 health-care field in collaboration with ministries of health and partner non-governmental organizations in developing countries.

The organization has requested with the Taxation Authorities to change its year-end from December 31st to September 30th for better planning and budgeting. The request has been granted and as a result, the organization's next reporting period will be for a nine-month period ending September 30, 2012.

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### 2. Significant Accounting Policies

#### 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, contributions to medical programs and health & hope magazine revenues 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

**December 31, 2011**

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|  |  |
|--|--|
| <b>Capital Assets and Amortization</b> | Equipment is 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.  |
| <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>The organization's financial instruments consist of cash, temporary investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.</p> <p>The organization classifies its financial instruments in the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:</p> <p><i>Held-for-trading</i></p> <p>This category is comprised of cash and temporary investments. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.</p> <p><i>Loans and Receivables</i></p> <p>This category is comprised of accounts receivable. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.</p> |

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## Health Partners International of Canada Notes to Financial Statements

December 31, 2011

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### *Other Financial Liabilities*

Other financial liabilities includes accounts payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to these financial liabilities are expensed as incurred.

The organization has chosen to apply Section 3861, Financial Instruments - Disclosure and Presentation in place of Section 3862, Financial Instruments - Disclosure and Section 3863, Financial Instruments - Presentation.

### **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 generally accepted accounting principles 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

### **Recent Accounting Pronouncement**

#### *Accounting Standards for Not-for-profit Organizations*

The Accounting Standards Board of Canada has announced that, effective January 1, 2012, not-for-profit organizations, other than public sector organizations, will be required to adopt either International Financial Reporting Standards ("IFRS") or the new Accounting Standards for Not-for-Profit Organizations ("ASNPO"), being Private Enterprises ("ASPE") plus the current Section 4400 series of standards. The organization has decided that it will apply ASNPO and had completed its evaluation of the impact of this change. The organization does not anticipate any material changes to its financial statements on the changeover to ASNPO.

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## Health Partners International of Canada Notes to Financial Statements

December 31, 2011

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### 3. Capital Assets

|                           | 2011       |                             | 2010              |                   |
|---------------------------|------------|-----------------------------|-------------------|-------------------|
|                           | Cost       | Accumulated<br>Amortization | Net Book<br>Value | Net Book<br>Value |
| Computer equipment        | \$ 6,916   | \$ 6,916                    | \$ -              | \$ 1,729          |
| Equipment                 | 93,908     | 85,693                      | 8,215             | 7,947             |
| Leasehold<br>improvements | 37,290     | -                           | 37,290            | -                 |
|                           | \$ 138,114 | \$ 92,609                   | \$ 45,505         | \$ 9,676          |

Amortization for the year amounts to \$5,359 (2010 - \$3,299). Additions in the year amounted to \$41,188 (2010 - \$Nil).

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### 4. Deferred 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:

|   | 2011         |  | 2010         |  |
|---|--------------|--|--------------|--|
| Balance, beginning of year                    | \$ 6,467,022 |  | \$ 5,458,950 |  |
| Total inventory received during the year      | 47,563,183   |  | 30,028,925   |  |
| Total inventory delivered during the year     | (47,278,196) |  | (28,139,608) |  |
| Other   | 13,365       |  | (505,545)    |  |
| Donated inventory written-off during the year | (707,612)    |  | (375,700)    |  |
|   | \$ 6,057,762 |  | \$ 6,467,022 |  |

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## Health Partners International of Canada Notes to Financial Statements

**December 31, 2011**

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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:

|   | 2011        | 2010        |
|---|-------------|-------------|
| <b>Balance, beginning of year</b>                           | \$ 359,227  | \$ 167,748  |
| <b>CIDA grants received during the year</b>                 |             |             |
| Capacity building and access to medicine project            | 1,468,026   | 1,201,848   |
| <b>Grants earned during the year for services completed</b> |             |             |
| Capacity building and access to medicine project            | (1,038,414) | (1,010,369) |
| <b>Balance, end of year</b>                                 | \$ 788,839  | \$ 359,227  |
| <b>Consisting of:</b>                                       |             |             |
| Capacity building and access to medicine project            | \$ 788,839  | \$ 359,227  |
| <b>Represented by:</b>                                      |             |             |
| Restricted cash   | \$ 438,698  | \$ 268,581  |
| Restricted temporary investments                            | 350,141     | 90,646      |
|   | \$ 788,839  | \$ 359,227  |

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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:

|                                      | 2011       | 2010       |
|--------------------------------------|------------|------------|
| <b>Unrestricted deferred revenue</b> |            |            |
| Program contingency                  | \$ 150,000 | \$ 83,954  |
| Health care                          | 58,327     | 155,000    |
| Jake Epp Mission Development Fund    | 76,899     | -          |
| Women & Children Fund                | 54,629     | -          |
| Information technology               | 20,000     | 20,000     |
|                                      | \$ 359,855 | \$ 258,954 |

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## Health Partners International of Canada Notes to Financial Statements

**December 31, 2011**

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### 6. Deferred Revenue - Foundations and Organizations (Continued)

|  | 2011       | 2010       |
|--|------------|------------|
| <b>Restricted deferred revenue</b>                 |            |            |
| Zimbabwe Association of Church Hospitals           | \$ 36,216  | \$ 7,692   |
| Haiti  | 20,699     | 194,965    |
| Cuban Council of Churches                          | 2,871      | 7,213      |
|  | 59,786     | 209,870    |
|  | \$ 419,641 | \$ 468,824 |
| <b>Restricted deferred revenue represented by:</b> |            |            |
| Restricted cash                                    | \$ 59,786  | \$ -       |
| Restricted temporary investments                   | -          | 209,870    |
|  | \$ 59,786  | \$ 209,870 |

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### 7. Temporary Investments

|   | 2011       | 2010       |
|---|------------|------------|
| Term deposit, 0.90 % (2010 - 0.30%), maturing in February 2012 (2010 - February 2011) | \$ 100,804 | \$ 100,248 |
| Term deposit, 0.90 % (2010 - 0.90%), maturing in November 2012 (2010 - November 2011) | 200,162    | 200,652    |
| Term deposit, 1.00 % (2010 - 0.45%), maturing in December 2012 (2010 - July 2011)     | 350,141    | 300,516    |
|   | \$ 651,107 | \$ 601,416 |

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## Health Partners International of Canada Notes to Financial Statements

**December 31, 2011**

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### 8. Allocation of Expenses

Salaries and benefits expenses in the amount of \$1,429,630 (2010 - \$1,379,679) and rent charges in the amount of \$73,302 (2010 - \$68,643) have been allocated as follows:

|                                | 2011                | 2010                |
|--------------------------------|---------------------|---------------------|
| <b>Salaries and benefits</b>   |                     |                     |
| Programs delivery              | \$ 717,263          | \$ 746,303          |
| Fundraising and Administration | 712,367             | 633,376             |
|                                | <b>\$ 1,429,630</b> | <b>\$ 1,379,679</b> |
| <br><b>Rent charges</b>        |                     |                     |
| Administration                 | \$ 50,553           | \$ 68,643           |
| Programs Department            | 22,749              | -                   |
|                                | <b>\$ 73,302</b>    | <b>\$ 68,643</b>    |

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### 9. 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:

|            |    |                     |
|------------|----|---------------------|
| 2012       | \$ | 216,081             |
| 2013       |    | 200,466             |
| 2014       |    | 202,601             |
| 2015       |    | 204,735             |
| 2016       |    | 151,268             |
| Thereafter |    | 746,007             |
|            |    | <b>\$ 1,721,158</b> |

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## Health Partners International of Canada Notes to Financial Statements

**December 31, 2011**

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### 10. Capital Disclosures

The organization's capital consists of net assets and donations from individuals, entities and government. The following table summarizes certain information with respect to the organization's capital structure at the end of each year:

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Deferred contributions                           | \$ 6,057,762        | \$ 6,467,022        |
| Deferred government grants                       | 788,839             | 359,227             |
| Deferred revenue - Foundations and organizations | 419,641             | 468,824             |
|  | <u>\$ 7,266,242</u> | <u>\$ 7,295,073</u> |

The organization's objectives in managing its capital are to distribute all donations received in kind to third world countries and to maintain as much as possible an excess of revenue over expenditures close to zero. Annual budgets are developed and reviewed once a year to ensure that the organization reaches its objectives.

No change in the capital management approach occurred since the prior year.

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