

Financial Statements of

**OPPORTUNITY INTERNATIONAL
CANADA/OPPORTUNITÉ
INTERNATIONALE CANADA**

Year ended December 31, 2016



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Opportunity International Canada/
Opportunité Internationale Canada

We have audited the accompanying financial statements of Opportunity International Canada/Opportunité Internationale Canada, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Opportunity International Canada/Opportunité Internationale Canada as at December 31, 2016, and its results of operations, its changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 19, 2017
Vaughan, Canada

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Financial Position

December 31, 2016, with comparative information for 2015

			2016	2015
	Unrestricted	Restricted	Total	Total
Assets				
Current assets:				
Cash	\$ 384,479	\$ 602,478	\$ 986,957	\$ 675,540
Accounts receivable	126,613	6,970	133,583	215,935
Due from Opportunity International Canada Foundation (note 7)	5,709	–	5,709	9,130
Prepaid expenses	14,432	–	14,432	27,502
	531,233	609,448	1,140,681	928,107
Long-term:				
Investment in implementing member (note 2)	–	1,065	1,065	1,065
	\$ 531,233	\$ 610,513	\$ 1,141,746	\$ 929,172

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 102,683	\$ 3,415	\$ 106,098	\$ 85,021
Fund balances	428,550	607,098	1,035,648	844,151
Commitments (note 3)				
	\$ 531,233	\$ 610,513	\$ 1,141,746	\$ 929,172

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Operations

Year ended December 31, 2016, with comparative information for
the period from July 1, 2015 to December 31, 2015

			2016	2015
	Unrestricted	Restricted	Total	Total
Revenue:				
Donations and events (note 7)	\$ 1,212,902	\$ 6,886,833	\$ 8,099,735	\$ 1,577,977
Grants	–	374,117	374,117	43,533
	1,212,902	7,260,950	8,473,852	1,621,510
Expenses:				
Disbursement to international programs:				
Microfinance operations (note 5)	–	5,438,640	5,438,640	594,828
Microfinance expansion (notes 5 and 7)	–	1,048,973	1,048,973	851,100
	–	6,487,613	6,487,613	1,445,928
Canadian programs:				
Education and public awareness	220,731	–	220,731	69,705
Program research and development	–	4,559	4,559	6,514
Program monitoring and oversight	277,496	103,207	380,703	235,338
	498,227	107,766	605,993	311,557
Canadian management:				
Philanthropy	605,530	238,381	843,911	422,120
General and administrative	235,963	108,875	344,838	81,331
	841,493	347,256	1,188,749	503,451
	1,339,720	6,942,635	8,282,355	2,260,936
Excess (deficiency) of revenue over expenses	\$ (126,818)	\$ 318,315	\$ 191,497	\$ (639,426)

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Changes in Fund Balances

Year ended December 31, 2016, with comparative information for
the period from July 1, 2015 to December 31, 2015

2016	Unrestricted	Restricted	Total
Fund balances, January 1, 2016	\$ 555,368	\$ 288,783	\$ 844,151
Excess (deficiency) of revenue over expenses	(126,818)	318,315	191,497
Fund balances, December 31, 2016	\$ 428,550	\$ 607,098	\$ 1,035,648

2015	Unrestricted	Restricted	Total
Fund balances, July 1, 2015	\$ 955,867	\$ 527,710	\$ 1,483,577
Deficiency of revenue over expenses	(400,499)	(238,927)	(639,426)
Fund balances, December 31, 2015	\$ 555,368	\$ 288,783	\$ 844,151

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for
the period from July 1, 2015 to December 31, 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 191,497	\$ (639,426)
Change in non-cash operating working capital:		
Accounts receivable	82,352	(75,111)
Due to/from Opportunity International Canada Foundation	3,421	(19,464)
Security deposit - office lease	-	20,216
Prepaid expenses	13,070	(17,300)
Accounts payable and accrued liabilities	21,077	(32,649)
Increase (decrease) in cash	311,417	(763,734)
Cash, beginning of period	675,540	1,439,274
Cash, end of period	\$ 986,957	\$ 675,540

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements

Year ended December 31, 2016

Opportunity International Canada/Opportunité Internationale Canada (the "Organization") is a not-for-profit organization and is motivated by the call of Jesus to serve the poor through the development and advocacy of microfinance and financial literacy programs. The Organization, in conjunction with Opportunity International, provides microfinance services, including lending, savings, insurance and transformational training to people in need. Over the past decade, Opportunity International has grown to include numerous financial institutions and non-governmental organizations partners (the Opportunity "Implementing Members").

The Organization is incorporated without share capital. The Organization was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act effective July 8, 2014. The Organization is registered under the Income Tax Act (Canada) ("Act") effective January 1, 1998 and, as such, is exempt from Canadian income taxes and is able to issue donation receipts for income tax purposes under registration number 87751 6385 RR0001. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Effective July 1, 2015, the Organization changed its year end from June 30 to December 31.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Restricted fund accounting:

The Organization follows the restricted fund method of accounting for contributions. It ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. All financial statement transactions have been recorded in two funds: restricted and unrestricted.

(i) The restricted fund accounts for the assets, fund balances, designated donations and expenses associated with the following projects:

Latin America:

- Colombia
- Dominican Republic
- Honduras
- Nicaragua

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

Asia:

- Philippines
- India

Africa:

- Malawi
- EduFinance
- Africa Growth and Innovations Initiative (The MasterCard Foundation Project) (note 4)

- (ii) The unrestricted fund accounts for the Organization's other programs, a portion of the above-listed projects, and associated administrative activities.

(b) Revenue recognition:

Restricted contributions, including grants, are recognized as revenue of the appropriate restricted project fund when received or receivable, if the amounts can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the unrestricted fund in the period received or receivable, if the amounts can be reasonably estimated and collection is reasonably assured. All unrestricted contributions are considered to be available for general use unless specifically restricted by the donor.

Interest income is recognized as unrestricted revenue when earned.

(c) Volunteer services:

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to measure the value of these services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Foreign currency:

Financial instruments held in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the statement of financial position date. Exchange differences are recorded in the statement of operations as they arise. Revenue and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. For the year ended December 31, 2016, the foreign exchange gain is included in unrestricted program monitoring and oversight and unrestricted general and administration and amounted to \$19,419 (2015 - \$16,837).

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(f) Allocation of expenses:

Expenses are recorded and reported by Canadian programs and Canadian management. Certain employees perform a combination of Canadian program, fundraising and administrative activities; as a result, salaries are allocated based on time dedicated to the activity. Other general and administrative expenses, including executive office, information technology, human resources and finance, have been allocated based on the level of benefit received by the Canadian programs. Such allocations are reviewed annually, updated and applied on a prospective basis.

A percentage of restricted funds received are retained by the Organization to assist with fundraising and other general and administrative expenses. This percentage is reviewed annually, and applied on a prospective basis.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect 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 revenue and expenses during the period. Allocation of expenses are subject to estimates and assumptions. Actual results may vary from these estimates.

2. Long-term investment:

In fiscal 2012, the Organization purchased 190,119 shares for \$1,065 in Opportunity International Colombia S.A. Compañía de Financiamiento, an Implementing Member. This investment is carried at cost as there is no active market for these shares.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Commitments:

The Organization leases office space in Toronto, Ontario under an operating lease, including base rent and additional rent for a term of eight years ending August 31, 2019. The annual commitments for base rent are as follows:

2017	\$ 19,400
2018	19,700
2019	13,300
	<hr/>
	\$ 52,400

4. Partnership with The MasterCard Foundation:

During the year ended June 30, 2014, the Organization entered into an agreement with The MasterCard Foundation for a project in the amount of U.S. \$22,678,669 in Africa (Malawi, Ghana, Uganda, Rwanda and Tanzania). Through this project, Opportunity International will extend a full range of financial services to the rural areas, including: the collection of savings from and provision of comprehensive and crop-specific agriculture loans to smallholder farmers; the provision of education finance to provide quality education in the poorest communities of Africa; and strengthening the capacity to deliver under more convenient access to financial services through training and technology. Funding of U.S. \$19,858,461 (Cdn. \$22,904,225) has been received towards this project since December 17, 2013. The remaining funds of U.S. \$2,820,208 are anticipated to be received during the period from January 1, 2017 to December 31, 2018.

The Organization has entered into an agreement with Opportunity International, Inc., which operates in the United States ("OIUS"), for the period from December 17, 2013 to December 31, 2018 for the purpose of providing program management over The MasterCard Foundation Project. In return for these services, OIUS is to be paid a total management fee of U.S. \$975,030 over the term of the agreement.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Microfinance operations and microfinance expansion:

The Organization enters into contracts for services with local Implementing Members in various countries. Payments made under these contracts for services are allocated between four project support areas: infrastructure, staff training, operating expenses and seed funding for microfinance loan portfolios. In order to provide a degree of stewardship and monitoring over these contracts, the service payments advanced to the Implementing Members to fund their microfinance loan portfolios may be refundable to the Organization on termination of the service contract.

It is the charitable purpose and business intent of the Organization to have the funds advanced to an Implementing Member's microfinance loan portfolio remaining in the project country. Accordingly, it is the policy of the Organization to record service contract payments for all project support areas, including seed funding for microfinance loan portfolios, as an expense in the period the payments are advanced.

As a result, no microfinance loan portfolio receivables from the Implementing Members are included in the statement of financial position of the Organization as at December 31, 2016. The contract payments are included as expenses in microfinance operations and microfinance expansion in the statement of operations.

The commitments of the Organization outlined in the contracts are dependent upon the Organization receiving sufficient donor funds to meet any potential funding commitments, as well as being dependent on the project Implementing Members meeting the bench marks outlined in the contracts for services. As a result, due to the uncertainty of the Organization advancing funds to its Implementing Members, no future commitments for contract service payments are included in the financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Financial risks:

The Organization believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments.

The Organization is exposed to foreign currency risk as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization receives donations and incurs certain expenses denominated in U.S. dollars. The Organization does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from the fiscal year ended December 31, 2016.

7. Opportunity International Canada Foundation:

The Organization exercises significant influence over Opportunity International Canada Foundation (the "Foundation") by virtue of its ability to appoint a minority of the Foundation's Board of Directors and through other member voting rights. The Foundation was incorporated under the laws of Canada as a corporation without share capital on August 8, 2007 and was continued under the Canada Not-for-profit Corporations Act in June 2014. The Foundation is designated as a registered Canadian charity as a Public Foundation under Section 149.1(1) of the Act.

The Foundation has a charitable purpose similar to the Organization. The Organization provides certain services and pays certain expenses on behalf of the Foundation. The Foundation reimburses the Organization for all direct costs and certain other general and administration costs associated with the services provided and expenses paid in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2016, the Foundation has a balance payable to the Organization of \$5,709 (2015 - \$9,130).

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Opportunity International Canada Foundation (continued):

During the year ended December 31, 2016, the Organization made donations to the Foundation in the total amount of \$1,048,973 (2015 - \$851,100) and charged general and administration costs in the total amount of \$12,000 (2015 - \$6,000). These donations are made for the purpose of investing in the Organization's Implementing Members in Latin America. These donations have been included as an expense in microfinance expansion on the statement of operations.

8. Allocation of expenses:

A portion of philanthropy and general and administrative activities, which includes the executive office, information technology, human resources and finance, directly support programs and have been allocated as follows:

	2016	2015
Canadian programs:		
Education and public awareness	\$ 162,879	\$ 51,627
Program monitoring and oversight	54,444	38,804
Canadian management:		
Philanthropy	128,907	71,637
	<hr/>	<hr/>
	\$ 346,230	\$ 162,068