

Financial Statements of

**OPPORTUNITY INTERNATIONAL
CANADA/OPPORTUNITÉ
INTERNATIONALE CANADA**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Opportunity
International Canada/Opportunit  Internationale Canada

Opinion

We have audited the financial statements of Opportunity International Canada/Opportunit  Internationale Canada (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Responsibilities of Management for the Financial Statements

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In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 2, 2019

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Financial Position

December 31, 2018, with comparative information for 2017

			2018	2017
	Unrestricted	Restricted	Total	Total
Assets				
Current assets:				
Cash	\$ 306,323	\$ 2,968,159	\$ 3,274,482	\$ 2,806,972
Short-term investment	–	250,000	250,000	250,000
Accounts receivable	154,244	68,928	223,172	217,941
Due from Opportunity International Canada Foundation (note 7)	9,349	–	9,349	–
Prepaid expenses	19,163	–	19,163	8,357
	489,079	3,287,087	3,776,166	3,283,270
Long-term:				
Investment in implementing partner (note 2)	–	1,065	1,065	1,065
	\$ 489,079	\$ 3,288,152	\$ 3,777,231	\$ 3,284,335

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 164,405	\$ 116,903	\$ 281,308	\$ 130,032
Due to Opportunity International Canada Foundation (note 7)	–	–	–	3,672
	164,405	116,903	281,308	133,704
Fund balances	324,674	3,171,249	3,495,923	3,150,631
	\$ 489,079	\$ 3,288,152	\$ 3,777,231	\$ 3,284,335

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, 2018, with comparative information for 2017

			2018	2017
	Unrestricted	Restricted	Total	Total
Revenue:				
Donations and events (note 7)	\$ 1,408,117	\$ 1,647,820	\$ 3,055,937	\$ 3,622,839
Grants (note 3)	–	5,487,083	5,487,083	5,300,982
Other	9,863	–	9,863	16,730
	<u>1,417,980</u>	<u>7,134,903</u>	<u>8,552,883</u>	<u>8,940,551</u>
Expenses:				
Disbursement to international programs:				
Microfinance operations (note 5)	–	5,396,920	5,396,920	4,610,418
Microfinance expansion (notes 5 and 7)	–	234,983	234,983	318,381
	<u>–</u>	<u>5,631,903</u>	<u>5,631,903</u>	<u>4,928,799</u>
Canadian programs:				
Education and public awareness	266,914	–	266,914	248,673
Program monitoring and oversight	181,190	824,409	1,005,599	439,298
	<u>448,104</u>	<u>824,409</u>	<u>1,272,513</u>	<u>687,971</u>
Canadian management:				
Philanthropy	852,789	200,755	1,053,544	861,098
General and administrative	154,568	95,063	249,631	347,700
	<u>1,007,357</u>	<u>295,818</u>	<u>1,303,175</u>	<u>1,208,798</u>
	<u>1,455,461</u>	<u>6,752,130</u>	<u>8,207,591</u>	<u>6,825,568</u>
Excess (deficiency) of revenue over expenses	\$ (37,481)	\$ 382,773	\$ 345,292	\$ 2,114,983

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

2018	Unrestricted	Restricted	Total
Fund balances, January 1, 2018	\$ 362,155	\$ 2,788,476	\$ 3,150,631
Excess (deficiency) of revenue over expenses	(37,481)	382,773	345,292
Fund balances, December 31, 2018	\$ 324,674	\$ 3,171,249	\$ 3,495,923

2017	Unrestricted	Restricted	Total
Fund balances, January 1, 2017	\$ 428,550	\$ 607,098	\$ 1,035,648
Excess (deficiency) of revenue over expenses	(66,395)	2,181,378	2,114,983
Fund balances, December 31, 2017	\$ 362,155	\$ 2,788,476	\$ 3,150,631

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 345,292	\$ 2,114,983
Change in non-cash operating working capital:		
Accounts receivable	(5,231)	(84,358)
Due to/from Opportunity International Canada Foundation	(13,021)	9,381
Prepaid expenses	(10,806)	6,075
Accounts payable and accrued liabilities	151,276	23,934
	<u>467,510</u>	<u>2,070,015</u>
Investing activities:		
Purchase of short-term investment	—	(250,000)
Increase in cash	467,510	1,820,015
Cash, beginning of year	2,806,972	986,957
Cash, end of year	<u>\$ 3,274,482</u>	<u>\$ 2,806,972</u>

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements

Year ended December 31, 2018

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 Partners").

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.

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 programs:

Latin America:

- Colombia
- Dominican Republic
- Honduras
- Nicaragua

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

Asia:

- India

Africa:

- Malawi
- EduFinance
- Financial Inclusion for Enterprise Development (Global Affairs Canada Project) (note 3)
- Africa Growth and Innovations Initiative (The MasterCard Foundation Project) (note 4)

Internal:

- Operating Reserve - established to ensure the stability of the mission, programs, employment and ongoing operations of the Organization

- (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 year 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, 2018

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 year 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, 2018, the foreign exchange gain is included in unrestricted program monitoring and oversight and unrestricted general and administration and amounted to \$9,624 (2017 - loss of (\$2,635)).

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

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 year. 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 Partner. 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, 2018

3. Partnership with Global Affairs Canada:

In 2017, Opportunity International Canada entered into a contribution agreement with Global Affairs Canada ("GAC") for a project entitled Financial Inclusion for Enterprise Development (the "Project") in the amount of \$24,116,757. The Project aims to increase access to formal financing, create business-to-business linkages and networking opportunities for small to medium enterprises ("SMEs") in Ghana, with a focus on small SMEs, women and vulnerable groups. The Project will empower women small entrepreneurs to innovate and grow their businesses, and deliver results on clean economic growth. The Project will be implemented over a 5-year period in urban, peri-urban, and rural areas of Ghana. GAC will contribute a total of \$19,879,876 to the Project, of which GAC has provided \$5,000,000 in 2017 and \$3,781,545 in the current year. It is anticipated GAC will contribute the remaining \$11,098,331 between January 1, 2019 and March 31, 2021.

The following contributions are to be made over the term of the Project:

Global Affairs Canada	\$ 19,879,876
Opportunity International (Ghana) Implementing Partners	3,862,381
Opportunity International Canada	374,500
	<hr/>
	\$ 24,116,757

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, Inc. 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. In 2017, the agreement was amended and the total amount to be received was adjusted to U.S. \$21,164,576. Up to 2017, funding of U.S. \$19,858,461 (Cdn. \$22,904,225) had been received towards this project. The remaining funds of U.S. \$1,306,115 (Cdn. \$1,675,759) was received during the year.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Partnership with The MasterCard Foundation (continued):

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.

5. Microfinance operations and microfinance expansion:

The Organization enters into contracts for services with local Implementing Partners 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 Partners 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 Partner'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 year the payments are advanced.

As a result, no microfinance loan portfolio receivables from the Implementing Partners are included in the statement of financial position of the Organization as at December 31, 2018. 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 Partners 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 Partners, 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, 2018

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, 2017.

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, 2018, the Organization has a balance receivable from the Foundation of \$9,349 (2017 - balance payable of \$3,672).

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Opportunity International Canada Foundation (continued):

During the year ended December 31, 2018, the Organization made donations to the Foundation in the total amount of \$234,983 (2017 - \$318,381) and charged general and administration costs in the total amount of \$12,000 (2017 - \$12,000). These donations are made for the purpose of investing in the Organization's Implementing Partners 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:

	2018	2017
Canadian programs:		
Education and public awareness	\$ 200,718	\$ 177,978
Program monitoring and oversight	109,857	68,634
Canadian management:		
Philanthropy	231,089	156,846
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	\$ 541,664	\$ 403,458