

OPPORTUNITY INTERNATIONAL CANADA

FINANCIAL STATEMENTS

JUNE 30, 2012

Independent Auditor's Report

To the Board of Directors of Opportunity International Canada

We have audited the accompanying statement of financial position of Opportunity International Canada, as at June 30, 2012 the statements of operations, changes in fund balances 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 managements, as well as evaluating the overall presentation of the financial statements.

Except as noted in the following paragraphs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Opportunity International Canada derives revenue from fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Opportunity International Canada, and we were not able to determine whether any adjustments might be necessary to fundraising revenues and fund balances.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of Opportunity International Canada as at June 30, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding period.



Chartered Accountants
Licensed Public Accountants
London, Ontario, Canada
September 26, 2012

OPPORTUNITY INTERNATIONAL CANADA
 (Incorporated under the laws of Canada)
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(with comparative figures as at June 30, 2011)

	2012		2011	
	Unrestricted	Restricted	Investment in capital assets	Total
ASSETS				
Current				
Cash	\$ 85,028	\$ 1,123,112	\$ -	\$ 1,208,140
Accounts receivable	234,153	-	-	234,153
Interfund receivable (payable)	393,521	(393,521)	-	-
Due from Opportunity International Canada Foundation (note 13)	36,530	-	-	36,530
Prepaid expenses	27,494	-	-	27,494
Total current assets	776,726	729,591	-	1,506,317
Long-term				
Investment in implementing member (note 4)	-	1,065	-	1,065
Security and rent deposit – office lease	29,984	-	-	29,984
Capital assets (note 5)	-	-	25,625	25,625
Total assets	\$ 806,710	\$ 730,656	\$ 25,625	\$ 1,562,991
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accrued liabilities	\$202,381	-	\$ -	\$ 202,381
Promissory note payable (note 6)	-	-	-	-
Total current liabilities	202,381	-	-	202,381
Fund balances – Statement 2	604,329	730,656	25,625	1,360,610
Total liabilities and fund balances	\$806,710	\$ 730,656	\$ 25,625	\$ 1,562,991

(see accompanying notes)

The accompanying financial statements have been reviewed by the undersigned who represent that they fairly present the financial position of the organization at June 30, 2012 and the results of its operations for the year then ended.

Director

Director

OPPORTUNITY INTERNATIONAL CANADA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

(with comparative figures for the year ended June 30, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Investment in capital assets</u>	<u>Total</u>
Balance, June 30, 2010	\$ 239,814	\$ 847,517	\$ 69,427	\$ 1,156,758
Interfund transfers	248,493	(332,897)	84,404	-
Excess (deficiency) of revenue over expenses - Statement 3	<u>(342,135)</u>	<u>111,414</u>	<u>(67,753)</u>	<u>(298,474)</u>
Balance, June 30, 2011	146,172	626,034	86,078	858,284
Interfund transfers	-	-	-	-
Excess (deficiency) of revenue over expenses - Statement 3	<u>458,157</u>	<u>104,622</u>	<u>(60,453)</u>	<u>502,326</u>
Balance, June 30, 2012	<u>\$ 604,329</u>	<u>\$ 730,656</u>	<u>\$ 25,625</u>	<u>\$ 1,360,610</u>

(see accompanying notes)

OPPORTUNITY INTERNATIONAL CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012

(with comparative figures for the year ended June 30, 2011)

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	<u>Unrestricted</u>	<u>Restricted</u>	<u>Investment in capital assets</u>	<u>Total</u>
Revenue (note 3(b))				
Donations and event revenues	\$ 1,802,671	\$ 4,209,630	\$ -	\$ 6,012,301
CIDA grant (note 8)	<u>17,727</u>	<u>514,823</u>	<u>-</u>	<u>514,823</u>
Interest and other	<u>1,820,398</u>	<u>18,550</u>	<u>-</u>	<u>36,277</u>
		<u>4,743,003</u>	<u>-</u>	<u>6,563,401</u>
Expenses				
Disbursement to International Programs				
Microfinance operations (Note 10)	<u>-</u>	<u>1,778,867</u>	<u>-</u>	<u>1,778,867</u>
Microfinance expansion (Note 10)	<u>-</u>	<u>2,248,313</u>	<u>-</u>	<u>2,248,313</u>
	<u>-</u>	<u>4,027,180</u>	<u>-</u>	<u>4,027,180</u>
Canadian Programs				
Education and public awareness	279,755	96,237	53,429	429,421
Program research and development	<u>-</u>	<u>31,821</u>	<u>-</u>	<u>31,821</u>
Program monitoring and oversight	<u>245,883</u>	<u>120,632</u>	<u>-</u>	<u>366,515</u>
	<u>525,638</u>	<u>248,690</u>	<u>53,429</u>	<u>827,757</u>
Canadian Management				
Philanthropy	444,730	204,473	-	649,203
General and Administrative	<u>391,873</u>	<u>158,038</u>	<u>7,024</u>	<u>556,935</u>
	<u>836,603</u>	<u>362,511</u>	<u>7,024</u>	<u>1,206,138</u>
	<u>1,362,241</u>	<u>4,638,381</u>	<u>60,453</u>	<u>6,061,075</u>
Excess (deficiency) of revenues over expenses	<u>\$ 458,157</u>	<u>\$ 104,622</u>	<u>\$ (60,453)</u>	<u>\$ 502,326</u>
				<u>\$ (298,474)</u>

(see accompanying notes)

OPPORTUNITY INTERNATIONAL CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(with comparative figures for the year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Operating activities		
Excess (deficiency) of revenues over expenses		
Unrestricted	\$ 458,157	\$ (342,135)
Restricted	104,622	111,414
Investment in capital assets	<u>(60,453)</u>	<u>(67,753)</u>
	502,326	(298,474)
Items not affecting cash		
Amortization	<u>60,453</u>	<u>67,753</u>
	562,779	(230,721)
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	(42,958)	27,012
Increase in due from Opportunity International Canada Foundation	(14,075)	(15,426)
Increase (decrease) in prepaid expenses	5,519	(10,605)
(Decrease) increase in accounts payable	(44,914)	25,138
Decrease in due from ASIDME	-	120,000
(Decrease) increase in promissory note payable	<u>(60,000)</u>	<u>60,000</u>
	406,351	(24,602)
Investing activities		
Purchase of shares in implementing member	(1,065)	-
Financing activities		
Decrease (increase) in security and rent deposit – office lease	<u>277</u>	<u>(30,261)</u>
Net increase (decrease) in cash	405,563	(54,863)
Cash, beginning of year	<u>802,577</u>	<u>857,440</u>
Cash, end of year	<u>\$ 1,208,140</u>	<u>\$ 802,577</u>

(see accompanying notes)

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. Purpose of the organization

Opportunity International 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 that provide small business loans, savings, insurance and training to people working their way out of poverty in the developing world.

The Organization was incorporated under the Canada Corporations Act by letters patent on July 18, 1997 as a corporation without share capital. The organization is registered under the Income Tax Act (Canada) 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.

The Organization, along with the other affiliated partner organizations of Opportunity, are members of the Opportunity International Network ("the Network"). The Network was established to coordinate a common strategy among all partners, to develop an accreditation process for participating members and to manage standardization and quality throughout the Network member organizations. The Network operates a service organization that provides training, consulting, and other services to member organizations.

2. Changes in accounting policies

Future accounting changes

The CICA has issued a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and Accounting Standards for Not-for-Profit Organizations, whichever suits them best. The framework to be adopted and the impact of the transition will have on these financial statements have not yet been determined.

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

3. Significant accounting policies

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 three funds: Restricted, Unrestricted and Capital.

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

- Colombia
- Dominican Republic
- Philippines
- CIDA matching project in Africa (Ghana/Mozambique) – see Note 8
- Rural Finance (The MasterCard Foundation Project) – see Note 9

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

iii) The capital asset fund accounts for the assets, fund balance, revenues and expenses associated with the Organization's equipment.

b) Revenue recognition

Restricted contributions 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.

CIDA grants are recognized as revenue in the year received.

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

3. Significant accounting policies (continued)

d) Capital assets

Capital assets purchased for use at the administrative offices are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Equipment costing less than \$3,000 is expensed in the year of acquisition.

Amortization expenses are reported in the capital asset fund and are provided for on a straight line basis over the assets' estimated useful lives as follows:

Office furniture and phone system	5 years
Computer hardware	3 years
Computer software	3 years

e) Foreign currency

Financial instruments held in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences are recorded in the statement of operations as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. The foreign exchange loss in the current year was \$532 (2011 - \$40,485).

f) Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known. Accounts specifically affected by estimates in these financial statements are the useful life of capital assets and the allowance for doubtful accounts. Actual results may vary from these estimates.

g) Long term investments

The long term investments where the Organization does not control or significantly influence the investees are classified as available-for-sale investments. Unrealized gains and losses, including foreign exchange differences, are recorded as direct increases or decreases to fund balances and disclosed in the statement of changes in fund balances.

4. Long Term Investment

	<u>2012</u>	<u>2011</u>
Opportunity International Colombia	\$ <u>1,065</u>	<u>-</u>

During the year, the Organization purchased 190,119 shares in Opportunity International Colombia, an Implementing Member of the Network. The investment in Opportunity International Colombia is carried at cost as there is no active market for these shares.

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

5. Capital assets

The capital assets of the Organization, recorded at cost, consist of the following:

	<u>2012</u>			<u>2011</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office furniture and phone system	\$ 19,558	\$ 19,558	\$ -	\$ 6,441
Computer hardware	3,500	3,500	-	583
Computer software	<u>196,112</u>	<u>170,487</u>	<u>25,625</u>	<u>79,054</u>
	<u>\$ 219,170</u>	<u>\$193,545</u>	<u>\$ 25,625</u>	<u>\$ 86,078</u>

The amortization expense for the current year is \$60,453 (2011 - \$67,753). During the year, office furniture with a total cost of \$10,921 was disposed of for nominal or no value.

Included in Computer Software is the purchase and implementation of a web based technology platform for \$153,750. This technology engages donors and visitors with personalized goal-oriented initiatives, and dynamic tools that increase both awareness and donations, aiming at growing revitalized communities of donors.

6. Related party transactions and balances

The promissory note payable of \$60,000 at June 30, 2011 was due to a Board Member of the Organization. This non-interest bearing note was forgiven during the year and recorded as a donation.

7. Commitments

a) Lease obligations

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:

2013	\$ 17,792
2014	18,142
2015	18,492
2016	18,841
2017	19,192
Thereafter	<u>42,758</u>
	<u>\$ 135,217</u>

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. Commitments (continued)

b) Web based technology platform

The Organization has entered into an agreement with a technology provider to pay royalty fees based on 4% of donations and 9% of other revenue received through the web based technology platform (note 5). This arrangement is in effect unless Opportunity International Canada terminates the agreement, which can be done at any time by providing the technology provider with 60 days notice.

8. Partnership between Canadian International Development Agency (CIDA) and Opportunity International Canada

In Fiscal 2011, the Organization entered into a cost sharing contribution agreement with the Canadian International Development Agency (CIDA) for a program in the amount of \$3,700,853 in Africa (Ghana and Mozambique). Under the agreement, CIDA was to contribute a total of \$1,315,732 and the Organization undertook to contribute \$2,385,121. During the year, the agreement was amended such that the total program will amount to \$2,489,237, with CIDA contributing \$1,315,069 and the Organization undertaking to contribute \$1,174,168. In the current year, CIDA has provided \$514,823 (2011 - \$102,190). It is anticipated that CIDA will contribute the remaining \$698,056 of funding between July 1, 2012 and March 31, 2014.

The funds raised by the Organization towards these programs along with the CIDA contributions are included in restricted donations and other revenues on the Statement of Operations.

9. Partnership between The MasterCard Foundation and Opportunity International Canada

The Organization has entered into an agreement with The MasterCard Foundation for a project in the amount of US\$8,000,000 in Africa (Malawi, Ghana, Uganda, Rwanda and Mozambique). Through this project, Opportunity International Canada 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. US\$3,104,407 (Cdn\$3,176,407) (2011 - US\$2,319,613 (Cdn\$2,330,860)) was received toward this project during the current year and has been included in restricted donations and other revenues on the Statement of Operations.

The remaining funding of US\$324,824 is expected to be advanced between July 1, 2012 and December 31, 2013. This amount has not been included in the Statement of Operations as the subsequent advancement of funds is dependent on The MasterCard Foundation's compliance review of specified program performance criteria. As such, subsequent funding by The MasterCard Foundation will be reflected as revenue in the fiscal period in which it is received.

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

10. Microfinance operations and microfinance expansion

During the current year and previous fiscal years, Opportunity International Canada entered into, and continued with, contracts for services with local Implementing Member Organizations 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 micro-finance loan portfolios. In order to provide a degree of stewardship and monitoring over these contracts, the service payments advanced to the Member Organizations to fund their microfinance loan portfolios may be refundable to Opportunity International Canada on termination of the service contract.

It is the charitable purpose and business intent of Opportunity International Canada to have the funds advanced to an Implementing Member's microfinance loan portfolio remain in the project country. Accordingly, it is the policy of Opportunity International Canada 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 Members are included in the Statement of Financial Position of Opportunity International Canada as at June 30, 2012. The contract payments are included as expenditures in microfinance operations and microfinance expansion in the Statement of Operations.

The commitments of Opportunity International Canada outlined in the contracts are dependent upon Opportunity International Canada 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 Opportunity International Canada advancing funds to its implementing members, no future commitments for contract service payments are included in the financial statements.

11. Financial instruments

All financial instruments are initially recorded at fair value or amortized cost, depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with change in fair value recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with change in fair value recorded in fund balances. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The Organization has classified its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading
- Accounts receivable, Due from Opportunity International Canada Foundation, and Security and rent deposit – office lease are classified as loans and receivables
- Accounts payable and accrued liabilities are classified as other liabilities
- Long term investment is classified as available-for-sale

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

11. Financial instruments (continued)

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant market, interest or credit risks arising from these financial instruments.

The Organization is exposed to the following risks in respect of certain financial instruments held:

Currency risk

It is management's opinion that the Organization is exposed to foreign exchange risks arising from foreign currency denominated financial instruments at the end of the current fiscal year due to normal fluctuations in the prevailing exchange rate throughout a fiscal year. These financial instruments include cash and cash equivalents of \$750,786 (US\$769,413), accounts receivable of \$151,780 (US\$148,105) and accounts payable of \$64,332 (US\$62,775) as at the year-end. The Organization does not engage in hedging activities or use financial instruments to reduce its risk exposure.

12. Capital management

The Organization's capital consists of its unrestricted net assets, restricted net assets and its funds invested in capital assets. The Organization's primary objective of capital management is to ensure it has sufficient resources to continue to provide funding for its microfinance implementing partners. The Organization is not subject to any externally imposed capital requirements.

Responsibility for the ongoing monitoring of the Organization's capital management rests with the Senior Leadership of the Organization while the Board of Directors is responsible for the review and approval of the annual budget and financial statements.

13. Opportunity International Canada Foundation

Opportunity International Canada exercises significant influence over Opportunity International Canada Foundation (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 is designated as a registered Canadian charity as a Public Foundation under Section 149.1(1) of the Income Tax Act (Canada). By Supplementary Letters Patent dated November 3, 2010, the Foundation officially changed its name to Opportunity International Canada Foundation.

The Foundation has a similar charitable purpose to Opportunity International Canada. Opportunity International Canada provides certain services and pays certain expenses on behalf of the Foundation. The Foundation reimburses Opportunity International Canada 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.

During the year, the Foundation provided donations to Opportunity International Canada in the amount of \$408,420 (2011 - \$60,000) derived from donations received and the interest income earned on its investments. These funds have been included in unrestricted donations on the Statement of Operations.

OPPORTUNITY INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

13. Opportunity International Canada Foundation (continued)

As at June 30, 2012, the Foundation has a balance payable to Opportunity International Canada of \$36,530 (2011 - \$22,455), including \$3,600 of general and administration costs charged to the Foundation during the 2012 fiscal year.

In May 2012, Opportunity International Canada made a donation to the Foundation in the total amount of \$2,248,312 (2011 - \$1,341,274) for the purpose of investing in capital for the Rural Financing Program in Africa under the MasterCard Foundation Program. Opportunity International Canada also donated \$203,162 in 2011 for the purpose of assisting in the formation of an Opportunity International bank in Columbia (Note 4). These donations have been included as expenditures in microfinance expansion in the Statement of Operations.

14. Comparative Amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.