

Financial Statements of

**OPPORTUNITY INTERNATIONAL
CANADA**

Years ended June 30, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Opportunity International Canada

We have audited the accompanying financial statements of Opportunity International Canada, which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended June 30, 2013 and June 30, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, Opportunity International Canada derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Opportunity International Canada.

Therefore, we were not able to determine whether, as at June 30, 2013, June 30, 2012 and July 1, 2011 and for the years ended June 30, 2013 and June 30, 2012, any adjustments might be necessary to donations and excess (deficiency) of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and fund balances reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Opportunity International Canada as at June 30, 2013, June 30, 2012 and July 1, 2011, and its results of operations, changes in fund balances and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 20, 2013
Toronto, Canada

OPPORTUNITY INTERNATIONAL CANADA

Statements of Operations

Years ended June 30, 2013 and 2012

	2013					2012		
	Unrestricted	Restricted	Capital	Total	Unrestricted	Restricted	Capital	Total
Revenue:								
Donations and event (note 10)	\$ 1,369,159	\$ 2,108,597	\$ -	\$ 3,477,756	\$ 1,802,671	\$ 4,209,630	\$ -	\$ 6,012,301
Canadian International Development Agency grant (note 6)	-	460,049	-	460,049	-	514,823	-	514,823
Interest and other	7,618	-	-	7,618	17,727	18,550	-	36,277
	1,376,777	2,568,646	-	3,945,423	1,820,398	4,743,003	-	6,563,401
Expenses:								
Disbursement to international programs: Microfinance operations (note 8)	-	1,410,950	-	1,410,950	-	1,778,867	-	1,778,867
Microfinance expansion (notes 8 and 10)	-	109,860	-	109,860	-	2,248,313	-	2,248,313
	-	1,520,810	-	1,520,810	-	4,027,180	-	4,027,180
Canadian programs: Education and public awareness	203,729	41,664	25,625	271,018	279,755	96,237	53,429	429,421
Program research and development	-	259,688	-	259,688	-	31,821	-	31,821
Program monitoring and oversight	248,719	103,544	-	352,263	245,883	120,632	-	366,515
	452,448	404,896	25,625	882,969	525,638	248,690	53,429	827,757
Canadian management: Philanthropy	433,176	420,682	-	853,858	444,730	204,473	-	649,203
General and administrative	185,143	132,324	-	317,467	391,873	158,038	7,024	556,935
	618,319	553,006	-	1,171,325	836,603	362,511	7,024	1,206,138
	1,070,767	2,478,712	25,625	3,575,104	1,362,241	4,638,381	60,453	6,061,075
Excess (deficiency) of revenue over expenses	\$ 306,010	\$ 89,934	\$ (25,625)	\$ 370,319	\$ 458,157	\$ 104,622	\$ (60,453)	\$ 502,326

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA

Statements of Changes in Fund Balances

Years ended June 30, 2013 and 2012

	Unrestricted	Restricted	Capital	Total
Balance July 1, 2011	\$ 146,172	\$ 626,034	\$ 86,078	\$ 858,284
Excess (deficiency) of revenue over expenses	458,157	104,622	(60,453)	502,326
Balance, June 30, 2012	604,329	730,656	25,625	1,360,610
Excess (deficiency) of revenue over expenses	306,010	89,934	(25,625)	370,319
Balance, June 30, 2013	\$ 910,339	\$ 820,590	\$ —	\$ 1,730,929

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 370,319	\$ 502,326
Items not involving cash:		
Amortization	25,625	60,453
Forgiveness of promissory note payable	—	(60,000)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	7,230	(42,958)
Increase in due from Opportunity International Canada Foundation	(10,377)	(14,075)
Decrease (increase) in prepaid expenses	(5,848)	5,519
Decrease in accounts payable and accrued liabilities	(10,221)	(44,914)
	<u>376,728</u>	<u>406,351</u>
Financing activities:		
Decrease in security and rent deposit - office lease	9,768	277
Investing activities:		
Purchase of shares in implementing member	—	(1,065)
Increase in cash	386,496	405,563
Cash, beginning of year	1,208,140	802,577
Cash, end of year	<u>\$ 1,594,636</u>	<u>\$ 1,208,140</u>

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements

Years ended June 30, 2013 and 2012

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. 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 NGO partners (the Opportunity "Implementing Members").

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) ("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.

On July 1, 2012, the Organization adopted Canadian Accounting Standards for Not-For-Profit Organizations ("Not-For-Profit Standards") in Part III of The Canadian Institute of Chartered Accountants' Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is July 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There were no adjustments to fund balances as at July 1, 2011 or excess (deficiency) of revenue over expenses for the year ended June 30, 2012 as a result of the transition to Not-for-Profit Standards.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Not-For-Profit Standards.

(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;
- Honduras;
- Dominican Republic;
- Philippines;
- Uganda;
- Canadian International Development Agency ("CIDA") matching project in Africa (Ghana/Mozambique) (note 6); and
- Rural Finance (The MasterCard Foundation Project) (note 7).

(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 fund accounts for the assets, fund balance, revenue 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.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

1. Significant accounting policies (continued):

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.

(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 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) 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.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

1. Significant accounting policies (continued):

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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Foreign currency:

Financial instruments held in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the statements of financial position dates. Exchange differences are recorded in the statements of operations as they arise. Revenue and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date. The foreign exchange gain (loss) in the current year was \$29,276 (2012 - (\$532)).

(g) Allocation of expenses:

Expenditures 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.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

1. Significant accounting policies (continued):

(h) 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 dates of the financial statements and the reported amounts of revenue and expenses during the years. 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.

3. Capital assets:

June 30, 2013	Cost	Accumulated amortization	Net book value
Office furniture and phone system	\$ 19,558	\$ 19,558	\$ –
Computer hardware	3,500	3,500	–
Computer software	196,112	196,112	–
	<u>\$ 219,170</u>	<u>\$ 219,170</u>	<u>\$ –</u>

June 30, 2012	Cost	Accumulated amortization	Net book value
Office furniture and phone system	\$ 19,558	\$ 19,558	\$ –
Computer hardware	3,500	3,500	–
Computer software	196,112	170,487	25,625
	<u>\$ 219,170</u>	<u>\$ 193,545</u>	<u>\$ 25,625</u>

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

3. Capital assets (continued):

July 1, 2011	Cost	Accumulated amortization	Net book value
Office furniture and phone system	\$ 30,479	\$ 24,038	\$ 6,441
Computer hardware	3,500	2,917	583
Computer software	196,112	117,058	79,054
	<u>\$ 230,091</u>	<u>\$ 144,013</u>	<u>\$ 86,078</u>

Amortization expense for the current year is \$25,625 (2012 - \$60,453). During fiscal 2012, office furniture with a total cost of \$10,921 was disposed of for nominal or no value.

4. Related party transactions and balances:

The promissory note payable of \$60,000 as at July 1, 2011 was due to a Board Member of the Organization. In 2012, this non-interest bearing note was forgiven and recorded as a donation.

5. 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:

2014	\$ 18,100
2015	18,500
2016	18,800
2017	19,200
2018	19,500
Thereafter	23,200
	<u>\$ 117,300</u>

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

6. Partnership between Canadian International Development Agency and Opportunity International Canada:

In fiscal 2011, the Organization entered into a cost-sharing contribution agreement with 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. In fiscal 2012, 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 \$460,049 (2012 - \$514,823). It is anticipated that CIDA will contribute the remaining \$238,007 of funding between July 1, 2013 and March 31, 2014.

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

7. Partnership between The MasterCard Foundation and Opportunity International Canada:

The Organization entered into an agreement with The MasterCard Foundation for a project in the amount of U.S. \$8,000,000 in Africa (Malawi, Ghana, Uganda, Rwanda and Mozambique). Through this project, the Organization 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 remaining funding of U.S. \$324,824 (Cdn. \$322,940) (2012 - U.S. \$3,104,407 (Cdn. \$3,176,407)) was received toward this project during the current year and has been included in restricted donations and other revenue on the statements of operations.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

8. Microfinance operations and microfinance expansion:

The Organization enters into 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 Implementing Member Organizations 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 remain 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 Members are included in the statements of financial position of the Organization as at June 30, 2013. The contract payments are included as expenditures in microfinance operations and microfinance expansion in the statements 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 Member Organizations, no future commitments for contract service payments are included in the financial statements.

9. 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 2012.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

10. 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 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.

During the year, the Foundation provided donations to the Organization in the amount of \$518,620 (2012 - \$408,420) derived from donations received and the interest income earned on its investments. This amount has been included in unrestricted donations on the statements of operations.

As at June 30, 2013, the Foundation has a balance payable to the Organization of \$46,907 (June 30, 2012 - \$36,530; July 1, 2011 - \$22,455), including \$3,600 of general and administration costs charged to the Foundation during the 2012 and 2013 fiscal years.

In June 2013, the Organization made a donation to the Foundation in the total amount of \$109,860 (2012 - \$2,248,313) for the purpose of investing in capital for the Rural Financing Program in Africa under The MasterCard Foundation Program. This donation has been included as an expense in microfinance expansion on the statements of operations.

OPPORTUNITY INTERNATIONAL CANADA

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

11. 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:

	Unrestricted	
	2013	2012
Canadian programs:		
Education and public awareness	\$ 163,410	\$ 162,300
Program monitoring and oversight	46,315	97,043
	<u>\$ 209,725</u>	<u>\$ 259,343</u>
Canadian management:		
Philanthropy	\$ (163,410)	\$ (162,300)
General and administrative	(46,315)	(97,043)
	<u>\$ (209,725)</u>	<u>\$ (259,343)</u>