Financial Statements of

OPPORTUNITY INTERNATIONAL CANADA/OPPORTUNITÉ INTERNATIONALE CANADA

Year ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Opportunity International Canada/Opportunité Internationale Canada, which comprise the statement of financial position as at June 30, 2014, 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 qualified audit opinion.

KPMG

Basis for Qualified Opinion

In common with many charitable organizations, Opportunity International Canada/Opportunité Internationale 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/Opportunité Internationale Canada. Therefore, we were not able to determine whether, as at and for the year ended June 30, 2014, any adjustments might be necessary to donations and excess (deficiency) of revenue over expenses reported in the statement of operations, excess (deficiency) of revenue over expenses reported in the statement of cash flows and current assets and fund balances reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended June 30, 2013.

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/Opportunité Internationale Canada as at June 30, 2014, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

September 4, 2014
Toronto, Canada

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Financial Position

June 30, 2014, with comparative information for 2013

	Unrestricted	Restricted	2014 Total	2013 Total
Assets				
Current assets:				
Cash	$ 920,202	$ 732,253	$ 1,652,455	$ 1,594,636
Accounts receivable	66,023	164,875	230,898	226,923
Due from Opportunity International Canada Foundation (note 8)	21,086	–	21,086	46,907
Prepaid expenses	17,223	–	17,223	33,342
	1,024,534	897,128	1,921,662	1,901,808
Long-term:				
Investment in implementing member (note 2)	–	1,065	1,065	1,065
Security and rent deposit - office lease	20,216	–	20,216	20,216
	20,216	1,065	21,281	21,281
	$ 1,044,750	$ 898,193	$ 1,942,943	$ 1,923,089
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$ 85,014	$ 307,984	$ 392,998	$ 192,160
Fund balances	959,736	590,209	1,549,945	1,730,929
Commitments (note 3)				
Subsequent event (note 10)				
	$ 1,044,750	$ 898,193	$ 1,942,943	$ 1,923,089

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Operations

Year ended June 30, 2014, with comparative information for 2013

	Unrestricted	Restricted	2014 Total	2013 Total
Revenue:				
Donations and event (note 8)	$ 1,525,121	$ 11,203,142	$ 12,728,263	$ 3,477,756
Department of Foreign Affairs, Trade and Development grant (note 4)	–	215,822	215,822	460,049
Other	3,800	–	3,800	7,618
	1,528,921	11,418,964	12,947,885	3,945,423
Expenses:				
Disbursement to international programs:				
Microfinance operations (note 6)	–	11,072,581	11,072,581	1,410,950
Microfinance expansion (notes 6 and 8)	–	127,525	127,525	109,860
	–	11,200,106	11,200,106	1,520,810
Canadian programs:				
Education and public awareness	223,800	12,750	236,550	271,018
Program research and development	–	92,461	92,461	259,688
Program monitoring and oversight	298,191	148,763	446,954	352,263
	521,991	253,974	775,965	882,969
Canadian management:				
Philanthropy	670,513	137,290	807,803	853,858
General and administrative	265,770	79,225	344,995	317,467
	936,283	216,515	1,152,798	1,171,325
	1,458,274	11,670,595	13,128,869	3,575,104
Excess (deficiency) of revenue over expenses	$ 70,647	$ (251,631)	$ (180,984)	$ 370,319

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Changes in Fund Balances

Year ended June 30, 2014, with comparative information for 2013

	Unrestricted	Restricted	2014 Total	2013 Total
Fund balances, beginning of year	$ 910,339	$ 820,590	$ 1,730,929	$ 1,360,610
Excess (deficiency) of revenue over expenses	70,647	(251,631)	(180,984)	370,319
Interfund transfer	(21,250)	21,250	–	–
Fund balances, end of year	$ 959,736	$ 590,209	$ 1,549,945	$ 1,730,929

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA/ OPPORTUNITÉ INTERNATIONALE CANADA

Statement of Cash Flows

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (180,984)	$ 370,319
Amortization which does not involve cash	–	25,625
Change in non-cash operating working capital:		
Accounts receivable	(3,975)	7,230
Due from Opportunity International Canada Foundation	25,821	(10,377)
Prepaid expenses	16,119	(5,848)
Accounts payable and accrued liabilities	200,838	(10,221)
	57,819	376,728
Financing activities:		
Security and rent deposit - office lease	–	9,768
Increase in cash	57,819	386,496
Cash, beginning of year	1,594,636	1,208,140
Cash, end of year	$ 1,652,455	$ 1,594,636

See accompanying notes to financial statements.

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 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.

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
- Honduras
- Dominican Republic

Asia:
- Philippines

1. Significant accounting policies (continued):

Africa:

- Democratic Republic of Congo
- Malawi
- Uganda
- Department of Foreign Affairs, Trade and Development ("DFATD") matching project in Africa (Ghana/Mozambique) (note 4)
- Africa Growth and Innovations Initiative (The MasterCard Foundation Project) (note 5)

(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 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.

DFATD grants are recognized as revenue in the year received or receivable.

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.

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 period, 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. The foreign exchange loss in the current year was $18,398 (2013 - gain of $29,276).

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. Compañia de Financiamiento, an Implementing Member. This investment is carried at cost as there is no active market for these shares.

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:

2015	$ 18,500
2016	18,800
2017	19,200
2018	19,600
2019	19,900
Thereafter	3,300
	$ 99,300

4. Partnership with DFATD (formerly Canadian International Development Agency):

In fiscal 2011, the Organization entered into a cost-sharing contribution agreement with DFATD for a program in the amount of $3,700,853 in Africa (Ghana and Mozambique). Under the agreement, DFATD 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 DFATD contributing $1,315,069 and the Organization undertaking to contribute $1,174,168. In the current year, DFATD contributed $215,822 (2013 - $460,049) of which $164,875 (2013 - nil) is included in restricted accounts receivable at year-end.

5. Partnership with The MasterCard Foundation:

During the year, 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. $8,831,051 (Cdn. $9,712,300) was received toward this project during the current year and has been included in restricted donations on the statement of operations.

5. 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 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 US $975,030 over the term of the agreement.

6. 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 micro-finance 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 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 statement of financial position of the Organization as at June 30, 2014. 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.

7. 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 2013.

8. 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.

During the year, the Foundation provided donations to the Organization in the amount of $110,960 (2013 - $518,620) derived from donations received and the interest income earned on its investments. This amount has been included in unrestricted donations on the statement of operations.

8. Opportunity International Canada Foundation (continued):

As at June 30, 2014, the Foundation has a balance payable to the Organization of $21,086 (2013 - $46,907), including $12,000 of general and administration costs charged to the Foundation during the 2013 and 2014 fiscal years.

In June 2014, the Organization made a donation to the Foundation in the total amount of $127,525 (2013 - $109,860). The current year donation was made for the purpose of investing in Opportunity's Implementing Members in Honduras. The fiscal 2013 donation was made for the purpose of investing in capital for the Rural Financing Program in Africa under the previous program funded by The MasterCard Foundation. These donations have been included as an expense in microfinance expansion on the statement of operations.

9. 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	
	2014	2013
Canadian programs:		
Education and public awareness	$ 199,326	$ 163,410
Program monitoring and oversight	168,385	46,315
Canadian management:		
Philanthropy	100,346	40,983
	$ 468,057	$ 250,708

10. Subsequent event:

Subsequent to year end, in July 2014, the Organization was continued under the Canada Not-for-profit Corporations Act.