

Financial Statements of

**OPPORTUNITY INTERNATIONAL
CANADA FOUNDATION**

Years ended June 30, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Opportunity International Canada Foundation

We have audited the accompanying financial statements of Opportunity International Canada Foundation, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Opportunity International Canada Foundation 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.

Chartered Accountants, Licensed Public Accountants

October 28, 2013
Toronto, Canada

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statements of Financial Position

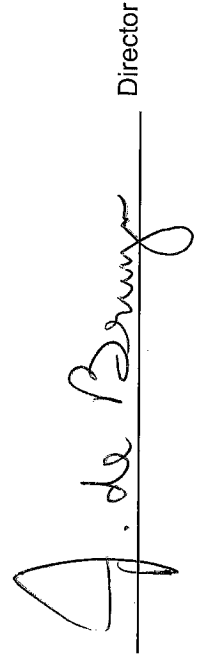
June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013			June 30, 2012			July 1, 2011	
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted
Assets								
Current assets:								
Cash and short-term investments	\$ 84,143	\$ 1,500,751	\$ 1,584,894	\$ 614,067	\$ 2,293,690	\$ 2,907,757	\$ -	\$ 2,731,021
Accounts receivable	156,710	-	156,710	98,257	-	98,257	24,017	-
Loans receivable (note 2(a))	-	-	-	-	851,335	851,335	-	915,454
	240,853	1,500,751	1,741,604	712,324	3,145,025	3,857,349	24,017	3,646,475
Loans receivable (note 2(b))	-	1,008,548	1,008,548	-	892,961	892,961	-	753,332
Long-term investments (note 3)	-	3,419,512	3,419,512	-	2,266,913	2,266,913	-	188,346
	\$ 240,853	\$ 5,928,811	\$ 6,169,664	\$ 712,324	\$ 6,304,899	\$ 7,017,223	\$ 24,017	\$ 4,588,153
								\$ 4,612,170
Liabilities and Fund Balances								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 10,000	\$ -	\$ 10,000	\$ 5,000	\$ -	\$ 5,000	\$ 2,500	\$ -
Interfund payable (receivable)	-	-	-	-	-	-	40,505	(40,505)
Due to Opportunity International Canada (note 4)	46,907	-	46,907	36,530	-	36,530	22,455	-
Current loan payable (note 5)	-	100,000	100,000	-	-	-	-	-
	56,907	100,000	156,907	41,530	-	41,530	65,460	(40,505)
Loan payable (note 5)	-	-	-	-	100,000	100,000	-	100,000
Fund balances	183,946	5,828,811	6,012,757	670,794	6,204,899	6,875,693	(41,443)	4,528,658
Subsequent event (note 2(a))								
	\$ 240,853	\$ 5,928,811	\$ 6,169,664	\$ 712,324	\$ 6,304,899	\$ 7,017,223	\$ 24,017	\$ 4,588,153
								\$ 4,612,170

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statements of Operations

Years ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenue:						
Donations (note 4)	\$ —	\$ 109,860	\$ 109,860	\$ 1,052,277	\$ 2,248,313	\$ 3,300,590
Interest income	69,326	—	69,326	129,206	—	129,206
	69,326	109,860	179,186	1,181,483	2,248,313	3,429,796
Expenses:						
Interest on loan payable	4,000	—	4,000	4,000	—	4,000
Administrative activities	31,377	—	31,377	22,042	—	22,042
Microfinance operations (note 4)	518,620	—	518,620	408,420	—	408,420
Forgiveness of loan receivable (note 2(a))	—	180,458	180,458	—	—	—
Foreign currency exchange loss	2,177	305,490	307,667	34,784	572,072	606,856
	556,174	485,948	1,042,122	469,246	572,072	1,041,318
Excess of revenue over expenses (expenses over revenue)	\$ (486,848)	\$ (376,088)	\$ (862,936)	\$ 712,237	\$ 1,676,241	\$ 2,388,478

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statements of Changes in Fund Balances

Years ended June 30, 2013 and 2012

	Unrestricted	Restricted	Total
Balance June 30, 2011	\$ (41,443)	\$ 4,528,658	\$ 4,487,215
Excess of revenue over expenses	712,237	1,676,241	2,388,478
Balance, June 30, 2012	670,794	6,204,899	6,875,693
Excess of expenses over revenue	(486,848)	(376,088)	(862,936)
Balance, June 30, 2013	\$ 183,946	\$ 5,828,811	\$ 6,012,757

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

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 (expenses over revenue)	\$ (862,936)	\$ 2,388,478
Items not involving cash:		
Forgiveness of loan receivable	180,458	–
Exchange loss on long-term investments and loans receivable	308,217	629,991
Change in non-cash operating working capital:		
Increase in accounts receivable	(58,453)	(74,240)
Increase in due to Opportunity International Canada	10,377	14,075
Increase in accounts payable and accrued liabilities	5,000	2,500
	(417,337)	2,960,804
Financing activities:		
Advance of loans receivable	–	(995,668)
Repayment of loans receivable	–	200,000
	–	(795,668)
Investing activities:		
Purchase of long-term investments	(905,526)	(1,988,400)
Increase (decrease) in cash and short-term investments	(1,322,863)	176,736
Cash and short-term investments, beginning of year	2,907,757	2,731,021
Cash and short-term investments, end of year	\$ 1,584,894	\$ 2,907,757
Supplemental non-cash information:		
Conversion of loans receivable to long-term investments	\$ 277,959	\$ 60,668

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements

Years ended June 30, 2013 and 2012

Opportunity International Canada Foundation (the "Foundation") 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 Foundation, 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 organization partners (the Opportunity "Implementing Members").

The Foundation was incorporated under the Canada Corporations Act by letters patent on August 8, 2007 as a corporation without share capital. By Supplementary Letters Patent dated November 3, 2010, the Foundation officially changed its name to Opportunity International Canada Foundation.

The Foundation is registered as a Public Foundation under Section 149.1 (1) of the Income Tax Act (Canada) (the "Act") effective January 4, 2008, and as such, is exempt from Canadian income taxes and is able to issue donation receipts for income tax purposes under registration number 84431 0151 RR0001. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

On July 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of The Canadian Institute of Chartered Accountants' Handbook ("Not-For-Profit Standards"). 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 Foundation 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 as a result of the transition to Not-For-Profit Standards. A summary of the transitional adjustment recorded to excess of revenue over expenses is provided in note 8.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

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 Foundation follows the restricted fund method of accounting for contributions. All financial statement transactions have been recorded in two funds: Restricted and Unrestricted. The Foundation 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.

The Unrestricted Fund accounts for the Foundation's general fundraising, granting and administrative activities. This fund reports unrestricted resources available for immediate purposes.

The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor. Donors may specify the identity of the particular geographical area of interest and or the particular bank to be supported or invested in.

(b) Revenue recognition:

Restricted contributions are recognized as revenue of the appropriate restricted fund in the year received.

Unrestricted contributions are recognized as revenue of the unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue of the unrestricted fund when earned.

(c) Cash and short-term investments:

Cash and short-term investments consist of cash on deposit and term investments with maturities of less than one year at the date of purchase.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

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 Foundation 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 Foundation 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 Foundation 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) 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 number of volunteers have donated significant amounts of their time to the Foundation.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

1. Significant accounting policies (continued):

(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 gains and losses 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 dates.

(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 dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of long-term investments and loans receivable. Actual results may vary from these estimates.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

2. Loans receivable:

(a) Current:

For all loans receivable, the balance is due on the stated date, repayable in U.S. dollars with an option to convert the loan into common equity of the Implementing Member at any time upon written notification to the board of the Implementing Member by the Foundation. If shares of the Implementing Member are issued to the Foundation, the loan shall be deemed to be fully paid and the Implementing Member shall have no further obligation to repay the principal of the loan.

	June 30, 2013	June 30, 2012	July 1, 2011
Opportunity International Bank of Malawi ("OIBM"):			
Unsecured loan receivable denominated in Malawi Kwachas, 2-year term with no principal payments, interest at a rate of 7% calculated in Malawi Kwachas, and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. The balance was due in March 2012. In 2012, the Foundation converted a portion of this loan into shares of OIBM (note 3). \$180,458 of the loan was forgiven and subsequent to year-end the remaining balance (note 2(b)) was converted to equity.	\$ —	\$ 480,544	\$ 915,454
Unsecured loan receivable denominated in Malawi Kwachas, 2-year term with no principal payments, interest at a rate of 7% calculated in Malawi Kwachas, and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. The balance was due in March 2013 and the loan was extended with no set repayment term (note 2(b)) and subsequent to year-end was converted to equity.	—	222,601	—
Opportunity International Savings and Loans, Inc. ("OISL"):			
Unsecured loan receivable denominated in Ghana Cedis, 2-year term with no principal payments, interest at a rate of 5% calculated in Ghana Cedis and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. The balance was due in February 2013 (note 2(b)) and OISL has indicated that they will be submitting a request for the Board of Directors of the Foundation to consider converting the loan to equity	—	148,190	—
	\$ —	\$ 851,335	\$ 915,454

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

2. Loans receivable (continued):

(b) Long-term:

	June 30, 2013	June 30, 2012	July 1, 2011
Opportunity International Latin America ("OILA"):			
Unsecured loan receivable denominated in U.S. dollars and due March 2011, interest at a rate of 5% calculated in U.S. dollars, and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. The loan was repaid in 2012	\$ —	\$ —	\$ 195,296
Opportunity International Bank of Malawi ("OIBM"):			
Unsecured loans receivable (note 2(a))	93,380	—	—
Unsecured loans receivable (note 2(a))	188,844	—	376,527
Opportunity International Savings and Loans, Inc. ("OISL"):			
Unsecured loans receivable (note 2(a))	144,303	—	181,509
Unsecured loan receivable denominated in Ghana Cedis, 2-year term with no principal payments, interest at a rate of 5% calculated in Ghana Cedis and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. The balance is due in September 2013. OISL has indicated that they will be submitting a request for the Board of Directors of the Foundation to consider converting this loan to equity	401,680	423,101	—
Banco Oportunidade Mocambique ("BOM"):			
Unsecured loan receivable denominated in Mozambique Meticals, 3-year term with no principal payments, interest at a rate of 5% calculated in Mozambique Meticals, and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. During the year, the Foundation converted this loan into shares of BOM (note 3)	—	277,959	—
Urwego Opportunity International Bank, S.A. ("UOB"):			
Unsecured loan receivable denominated in Rwandan Francs, 5-year term with no principal payments, interest at a rate of 5% calculated in Rwandan Francs, and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. The balance is due in October 2016	180,341	191,901	—
	\$ 1,008,548	\$ 892,961	\$ 753,332

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

3. Long-term investments:

All long-term investments are carried at cost as there is no active market for these shares.

	June 30, 2013	June 30, 2012	July 1, 2011
Opportunity Bank Uganda Limited ("OBUL"): In 2011, the Foundation purchased 937,683 shares in OBUL, an Implementing Member. During the year, the Foundation purchased 2,067,673 shares in OBUL, for a total shareholding of 3,005,356 shares. At the time of purchases, these shares were valued at 200 Ugandan Shillings per share	\$ 583,654	\$ 197,668	\$ 188,346
Opportunity International Colombia S.A. Compania de Financiamiento ("OICCF"): In 2012, the Foundation purchased 354,040,000 shares in OICCF, an Implementing Member. At the time of purchase, these shares were valued at 10 Colombia Pesos per share	1,902,864	2,008,577	—
Opportunity International Bank of Malawi ("OIBM"): In 2012, the Foundation converted a portion of the loan receivable (note 2) and received 16,135 shares in OIBM, an Implementing Member. At the time of purchase, these shares were valued at 3,400 Malawi Kwachas per share	176,197	60,668	—
Banco Oportunidade Mocambique ("BOM"): During the year, the Foundation converted the loan receivable (note 2) and received 234 shares in BOM, an Implementing Member. The Foundation also purchased an additional 427 shares in BOM for a total shareholding of 661 shares. At the time of the conversion and purchase, these shares were valued at 32,500 Mozambique Meticals per share	756,797	—	—
	\$ 3,419,512	\$ 2,266,913	\$ 188,346

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

4. Due to Opportunity International Canada:

Opportunity International Canada, a Canadian not-for-profit organization designated as a registered charity under the Act, which has its own Board of Directors, exercises significant influence over the Foundation by virtue of its ability to appoint a minority of the Foundation's Board of Directors and through other member voting rights.

Opportunity International Canada has a similar charitable purpose to the Foundation. Opportunity International Canada provides certain services to the Foundation 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. As at June 30, 2013, the Foundation has a balance payable to Opportunity International Canada of \$46,907 (June 30, 2012 - \$36,530; July 1, 2011 - \$22,455).

During 2013, Opportunity International Canada made a donation to the Foundation in the amount of \$109,860 (2012 - \$2,248,313) for the purpose of investing in capital for the Rural Financing Program in Africa. The Rural Financing Program is being undertaken by the Foundation and Opportunity International Canada in association with Opportunity International US and Opportunity Transformation Investments. 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. These funds plus the funds received in 2010, 2011 and 2012 were used to provide loans and/or long-term investments to Implementing Members, as described in notes 2 and 3 above.

During the year, the Foundation provided a donation to Opportunity International Canada to fund microfinance operations in the amount of \$518,620 (2012 - \$408,420) derived from donations received and the interest income earned on its loans receivable.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

5. Loan payable:

	June 30, 2013	June 30, 2012	July 1, 2011
DUCA Financial Services Credit Union Ltd.	\$ 100,000	\$ 100,000	\$ 100,000

The loan payable has a five-year term with no principal payments and interest of 4% paid annually at the anniversary date of the loan. The balance is due in April 2014, with an option to extend the loan at DUCA Financial Services Credit Union Ltd's discretion. During the year, interest in the amount of \$4,000 (2012 - \$4,000) was paid on the loan.

6. Related party transactions:

During 2012, a donation in the amount of \$1,025,115 was received from a private foundation controlled by the Chief Executive Officer of the Foundation.

7. Financial risks:

It is management's opinion that the Foundation is exposed to the following risks in respect of certain financial instruments held. The risk exposure has not changed since 2012.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The loans receivable from Implementing Members are subject to interest rate risk as the interest rate associated with this loan is fixed while market interest rates can fluctuate. The Foundation does not manage its exposure to this interest rate risk due to the short-term nature of the loan receivable.

(b) Currency risk:

The Foundation is exposed to foreign exchange risks arising from foreign currency denominated financial instruments due to normal fluctuations in the prevailing exchange rate. These financial instruments include cash and short-term investments, loans receivable and long-term investments calculated in foreign currency and payable in U.S. dollars. The Foundation does not engage in hedging activities or use financial instruments to reduce its risk exposure.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

7. Financial risks (continued):

(c) Credit risk:

The Foundation is exposed to credit risk arising from the loans to Implementing Members, due to the inherent higher degree of risk prevalent in lending to a foreign bank in a third world country whose business consists primarily in providing micro loans and savings products to the economic poor.

(d) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. It is management's opinion the Foundation is exposed market risk with respect to its long-term investments and the loans receivable. There is uncertainty associated with the valuation of the shares due to the lack of a commercial market for these shares. Management believes the cost amounts of the loans receivable approximate their fair market value and the interest rate on the loans is the market interest rate. The Foundation does not manage the market risk as it has invested in these shares and loans for the purpose of furthering the Opportunity International mission of providing micro loans and savings products to the economic poor.

(e) Liquidity risk:

The Foundation is exposed to liquidity risk with respect to its long-term investments and the loans receivable. There is uncertainty associated with the commercial market for these shares and loans which may restrict the ability of the Foundation to sell the shares and/or loans. The Foundation does not manage the market risk as it has invested in these shares and loans for the purpose of furthering the Opportunity International mission of providing micro loans and savings products to the economic poor.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Years ended June 30, 2013 and 2012

8. Transitional adjustments:

The Foundation recorded the following adjustment to excess of revenue over expenses for the year ended June 30, 2012:

As previously reported under Canadian generally accepted accounting principles for the year ended June 30, 2012	\$ 2,358,979
Decrease to expenses as unrealized gain on long-term investments recorded on the statement of operations	29,499
<u>Restated for the year ended June 30, 2012</u>	<u>\$ 2,388,478</u>