

Financial Statements of

**OPPORTUNITY INTERNATIONAL
CANADA FOUNDATION**

Year ended June 30, 2016



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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 statement of financial position as at June 30, 2016, 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 audit opinion.



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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, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "KPMG LLP" in a stylized, cursive font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

October 7, 2016
Toronto, Canada

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Financial Position

June 30, 2016, with comparative information for 2015

	Unrestricted	Restricted	Total	2016	2015
				Total	Total
Assets					
Current assets:					
Cash	\$ 103,890	\$ 614,092	\$ 717,982	\$ 369,246	
Accounts receivable	33,669	194,761	228,430	28,085	
Due from Opportunity International Canada (note 5)	—	—	—	10,334	
	137,559	808,853	946,412	407,665	
Loans receivable (note 2)	—	1,290,023	1,290,023	602,262	
Long-term term deposit (note 3)	—	—	—	571,091	
Long-term investments (note 4)	—	2,703,727	2,703,727	3,414,596	
	\$ 137,559	\$ 4,802,603	\$ 4,940,162	\$ 4,995,614	

Liabilities and Fund Balances

Current liabilities:

Accounts payable and accrued liabilities	\$ 10,000	\$ —	\$ 10,000	\$ 10,000
Due to Opportunity International Canada (note 5)	20,952	—	20,952	—
Loan payable (note 6)	—	—	—	100,000
	30,952	—	30,952	110,000
Fund balances	106,607	4,802,603	4,909,210	4,885,614
	\$ 137,559	\$ 4,802,603	\$ 4,940,162	\$ 4,995,614

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Operations

Year ended June 30, 2016, with comparative information for 2015

	Unrestricted	Restricted	Total	2016	2015
			Total		Total
Revenue:					
Donations (note 5)	\$ –	\$ 845,344	\$ 845,344	\$ 435,596	
Interest	60,502	–	60,502	43,917	
	60,502	845,344	905,846	479,513	
Expenses:					
Interest on loan payable	4,000	–	4,000	4,000	
Administrative activities	27,286	–	27,286	27,165	
Loss due to impairment of investment (note 4)	–	762,775	762,775	848,369	
Foreign currency exchange loss (gain)	(3,821)	92,010	88,189	315,210	
	27,465	854,785	882,250	1,194,744	
Excess (deficiency) of revenue over expenses	\$ 33,037	\$ (9,441)	\$ 23,596	\$ (715,231)	

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Changes in Fund Balances

Year ended June 30, 2016, with comparative information for 2015

	Unrestricted	Restricted	Total	2016	2015
			Total		
Balance, beginning of year	\$ 122,467	\$ 4,763,147	\$ 4,885,614	\$ 5,600,845	
Excess (deficiency) of revenue over expenses	33,037	(9,441)	23,596	(715,231)	
Interfund transfer	(48,897)	48,897	—	—	
Balance, end of year	\$ 106,607	\$ 4,802,603	\$ 4,909,210	\$ 4,885,614	

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Cash Flows

Year ended June 30, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 23,596	\$ (715,231)
Items not involving cash:		
Loss due to impairment of investment	762,775	848,369
Unrealized exchange loss on long-term investments and loans receivable	115,621	368,992
Change in non-cash operating working capital:		
Accounts receivable	(200,345)	6,946
Due from/to Opportunity International Canada	31,286	(31,420)
Accounts payable and accrued liabilities	—	(1,462)
	<u>732,933</u>	<u>476,194</u>
Financing activities:		
Repayment of loan payable	(100,000)	—
Investing activities:		
Advance of loans receivable	(750,699)	(435,557)
Redemption of long-term term deposit	561,311	—
Purchase of long-term investments	(94,809)	—
	<u>(284,197)</u>	<u>(435,557)</u>
Increase in cash	348,736	40,637
Cash, beginning of year	369,246	328,609
Cash, end of year	\$ 717,982	\$ 369,246
Supplemental non-cash information:		
Conversion of loans receivable to long-term investments	\$ 61,770	\$ 179,184

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements

Year ended June 30, 2016

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 is incorporated without share capital. The Foundation was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act effective June 30, 2014.

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 844310151 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.

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 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.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

1. Significant accounting policies (continued):

(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) 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.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

1. Significant accounting policies (continued):

(d) 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.

(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 gains and losses 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.

(f) 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. Significant items subject to such estimates and assumptions include the carrying amount of long-term investments, long-term term deposit and loans receivable. Actual results may vary from these estimates.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

2. Loans receivable:

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.

	2016	2015
Instituto Para El Desarrollo Hondureno ("IDH"): Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 3% and paid quarterly in U.S. dollars on the 1st day of January, April, July and October of each year. U.S. \$117,000 of the loan is due in January 2017 and the remaining U.S. \$70,500 is due in December 2017	\$ 244,941	\$ 231,639
Instituto Para El Desarrollo Hondureno ("IDH"): Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 3% 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 November 2017	326,588	308,853
Cooperativa de Ahorro, Credito y Servicios Multiples Aspire, Inc. ("Coop-Aspire"): Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 3% 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 June 2018; however, during 2016, the balance was converted to membership units of Coop-Aspire (note 4)	—	61,770
Instituto Para El Desarrollo Hondureno ("IDH"): Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 3% 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 December 2018	326,588	—

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

2. Loans receivable (continued):

	2016	2015
Asociación de Oportunidad y Desarrollo Económico de Nicaragua ("ASODENIC"):		
Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 3% 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 July 2018	130,635	—
Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 3% 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 November 2018	261,271	—
	<hr/> <u>\$ 1,290,023</u>	<hr/> <u>\$ 602,262</u>

3. Long-term term deposit:

	2016	2015
Urwego Opportunity Bank, S.A. ("UOB"):		
Term deposit denominated in Rwandan Francs, interest at a rate of 8% 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 was due in April 2016 and the Foundation redeemed the deposit. Included in accounts receivable is \$194,761 that was outstanding at year end pertaining to the redemption of this deposit	\$ —	\$ 571,091

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

4. Long-term investments:

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

During the year, the Foundation received an offer to purchase the shares held in Opportunity Bank Uganda Limited ("OBUL"), Banco Opportunidade Mocambique ("BOM"), Opportunity International Bank of Malawi Limited ("OIBM") and UOB. As at June 30, 2016, the transaction has not been completed; however, the shares in the respective banks have been written down to the net realizable value, as determined by the offer to purchase price.

	2016	2015
Opportunity Bank Uganda Limited ("OBUL"):		
In 2011, the Foundation purchased 937,683 shares in OBUL, an Implementing Member.		
In 2014, 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.		
As at June 30, 2016, this investment has been written down to its net realizable value	\$ 478,138	\$ 539,880
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 Colombian Pesos per share	1,522,151	1,663,747
Opportunity International Bank of Malawi ("OIBM"):		
In 2012, the Foundation converted a portion of the loan receivable and received 16,135 shares in OIBM, an Implementing Member. In 2014, the Foundation converted the remaining loans receivable and received 26,103 shares in OIBM.		
In 2015, the Foundation purchased an additional 48,335 shares in OIBM. At the time of the conversions and purchase, these shares were valued at 3,400 Malawi Kwachas per share.		
As at June 30, 2015, it is management's opinion that this investment has been impaired and that it has no realizable value. Therefore, the entire investment was written down to nil. As at June 30, 2016, this investment has been written down to its net realizable value.	—	—

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

4. Long-term investments (continued):

	2016	2015
Banco Opportunidade Mocambique ("BOM"): In 2013, the Foundation converted the loan receivable and received 234 shares in BOM, an Implementing Member. In 2013, 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. As at June 30, 2016, this investment has been written down to its net realizable value	161,234	691,923
Opportunity International Savings and Loans, Ltd. ("OISL"): In 2014, the Foundation converted the loan receivable and outstanding accrued interest on the loan receivable and received 11,791,997 shares in OISL, an Implementing Member. At the time of the conversion, these shares were valued at Ghana Cedis 0.10 per share. As at June 30, 2016, this investment has been written down to its net realizable value	271,313	327,146
Urwego Opportunity Bank, S.A. ("UOB"): In 2015, the Foundation converted the loan receivable (note 2) and received 1,156 shares in UOB, an Implementing Member. At the time of the conversion, these shares were valued at Rwandan Francs 100,000 per share. As at June 30, 2016, this investment has been written down to its net realizable value	117,685	191,900
Cooperativa de Ahorro, Credito y Servicios Multiples Aspire, Inc. ("Coop-Aspire"): In 2016, the Foundation converted the loan receivable (note 2) and received 22,960 membership units in Coop-Aspire, an Implementing Member. At the time of the conversion, these shares were valued at 100 Dominican Republic Pesos. In 2016, the Foundation also purchased an additional 31,829 membership units for a total holding of 54,789 membership units	153,206	—
	<hr/> \$ 2,703,727	<hr/> \$ 3,414,596

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

5. 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, 2016, the Foundation has a balance payable to Opportunity International Canada of \$20,952 (2015 - balance receivable from Opportunity International Canada of \$10,334).

During the year, Opportunity International Canada made donations to the Foundation in the amount of \$845,344 (2015 - \$435,596). These funds plus the funds received since 2011 were used to provide loans, term deposits or long-term investments to Implementing Members, as described in notes 2, 3 and 4 above.

6. Loan payable:

	2016	2015
DUCA Financial Services Credit Union Ltd.	\$ -	\$ 100,000

The loan payable bore interest of 4% paid annually at the anniversary date of the loan. The balance was due in April 2015, but was extended to April 2016. During the year, interest in the amount of \$4,000 (2015 - \$4,000) was paid on the loan. The loan was repaid in April 2016.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

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 2015.

(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 and long-term term deposit 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.

(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, loans receivable, long-term investments and long-term term deposit 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.

(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.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2016

7. Financial risks (continued):

(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 that the Foundation is exposed to 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.