

Financial Statements of

**OPPORTUNITY INTERNATIONAL
CANADA FOUNDATION**

Year ended June 30, 2017



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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, 2017, 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, 2017, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

December 5, 2017
Vaughan, Canada

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Financial Position

June 30, 2017, with comparative information for 2016

			2017	2016
	Unrestricted	Restricted	Total	Total
Assets				
Current assets:				
Cash	\$ 135,228	\$ —	\$ 135,228	\$ 717,982
Short-term investment	911,631	—	911,631	—
Accounts receivable	—	—	—	228,430
Due from Opportunity International Canada (note 4)	3,684	—	3,684	—
	1,050,543	—	1,050,543	946,412
Loans receivable (note 2)	—	2,011,894	2,011,894	1,290,023
Long-term investments (note 3)	—	1,803,788	1,803,788	2,703,727
	\$ 1,050,543	\$ 3,815,682	\$ 4,866,225	\$ 4,940,162

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 10,000	\$ —	\$ 10,000	\$ 10,000
Due to Opportunity International Canada (note 4)	—	—	—	20,952
	10,000	—	10,000	30,952
Fund balances	1,040,543	3,815,682	4,856,225	4,909,210
	\$ 1,050,543	\$ 3,815,682	\$ 4,866,225	\$ 4,940,162

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Operations

Year ended June 30, 2017, with comparative information for 2016

			2017	2016
	Unrestricted	Restricted	Total	Total
Revenue:				
Donations (note 4)	\$ —	\$ 1,070,845	\$ 1,070,845	\$ 845,344
Interest	36,407	—	36,407	60,502
	36,407	1,070,845	1,107,252	905,846
Expenses:				
Interest on loan payable	—	—	—	4,000
Administrative activities	31,438	—	31,438	27,286
Loss due to impairment of investment (note 3)	—	1,063,564	1,063,564	762,775
Foreign currency exchange loss (gain)	(2,427)	67,662	65,235	88,189
	29,011	1,131,226	1,160,237	882,250
Excess of revenue over expenses (expenses over revenue)	\$ 7,396	\$ (60,381)	\$ (52,985)	\$ 23,596

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Changes in Fund Balances

Year ended June 30, 2017, with comparative information for 2016

			2017	2016
	Unrestricted	Restricted	Total	Total
Balance, beginning of year	\$ 106,607	\$ 4,802,603	\$ 4,909,210	\$ 4,885,614
Excess of revenue over expenses (expenses over revenue)	7,396	(60,381)	(52,985)	23,596
Interfund transfer	926,540	(926,540)	—	—
Balance, end of year	\$ 1,040,543	\$ 3,815,682	\$ 4,856,225	\$ 4,909,210

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ (52,985)	\$ 23,596
Items not involving cash:		
Loss due to impairment of investment	1,063,564	762,775
Unrealized exchange loss on long-term investments and loans receivable	41,024	115,621
Change in non-cash operating working capital:		
Accounts receivable	228,430	(200,345)
Due from/to Opportunity International Canada	(24,636)	31,286
	<u>1,255,397</u>	<u>732,933</u>
Financing activities:		
Repayment of loan payable	–	(100,000)
Investing activities:		
Advance of loans receivable	(747,714)	(750,699)
Redemption of long-term term deposit	–	561,311
Purchase of long-term investments	(301,865)	(94,809)
Proceeds on sale of long-term investments	123,059	–
	<u>(926,520)</u>	<u>(284,197)</u>
Increase in cash and short-term investment	328,877	348,736
Cash and short-term investment, beginning of year	717,982	369,246
Cash and short-term investment, end of year	<u>\$ 1,046,859</u>	<u>\$ 717,982</u>
Supplemental non-cash information:		
Conversion of loans receivable to long-term investments	\$ –	\$ 61,770

See accompanying notes to financial statements.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements

Year ended June 30, 2017

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, 2017

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, 2017

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 and loans receivable. Actual results may vary from these estimates.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

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.

	2017	2016
Instituto Para El Desarrollo Hondureno ("IDH"):		
Unsecured loans 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 was due in January 2017, but has been extended to December 2017. The remaining U.S. \$70,500 is due in December 2017. It is management's intention to renew these loans.	\$ 244,186	\$ 244,941
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. It is management's intention to renew this loan.	325,583	326,588
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.	325,583	326,588
Unsecured loan receivable denominated in U.S. dollars, 3-year term with no principal payments, interest at a rate of 1% 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 2019.	331,888	—
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 2019.	231,164	—

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

2. Loans receivable (continued):

	2017	2016
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.	130,233	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.	260,466	261,271
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 February 2020.	162,791	—
	<u>\$ 2,011,894</u>	<u>\$ 1,290,023</u>

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

3. Long-term investments:

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

During 2016, the Foundation received offers to purchase the shares held in Opportunity Bank Uganda Limited ("OBUL"), Banco Oportunidade Mocambique ("BOM"), Opportunity International Bank of Malawi Limited ("OIBM"), Opportunity Savings and Loans, Ltd. ("OISL") and Urwego Opportunity Bank, S.A. ("UOB"). The shares in the respective banks were written down to the net realizable value, as determined by the offers to purchase price. As at June 30, 2017, the sale of the shares held in OIBM and UOB were completed; and the sale of the shares held in OBUL, BOM and OISL have not been completed:

	2017	2016
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 was written down to its net realizable value.	\$ 444,751	\$ 478,138
Opportunity International Colombia S.A. Compania de Financiamiento ("OICCF"):		
In 2012, the Foundation purchased 353,988,630 shares in OICCF, an Implementing Member. At the time of purchase, these shares were valued at 10 Colombian Pesos per share. In 2017, the Foundation also purchased an additional 29,642,154 shares in OICCF for a total shareholding of 383,630,784 shares. At the time of the purchase, these shares were valued at 10 Colombian Pesos per share. As at June 30, 2017, it is management's opinion that this investment has been impaired and that it has a net realizable value of U.S. dollars \$450,000.	586,049	1,522,151

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

3. Long-term investments (continued):

	2017	2016
Opportunity International Bank of Malawi Limited ("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. In 2017, the shares were sold.	—	—
Banco Oportunidade 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 was written down to its net realizable value.	158,989	161,234
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 was written down to its net realizable value.	304,140	271,313
Urwego Opportunity Bank, S.A. ("UOB"): In 2015, the Foundation converted the loan receivable 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. In 2017, the shares were sold.	—	117,685

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

3. Long-term investments (continued):

	2017	2016
Cooperativa de Ahorro, Credito y Servicios Múltiples Aspire, Inc. ("Coop-Aspire"):		
In 2016, the Foundation converted the loan receivable 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. In 2017, the Foundation purchased an additional 58,500 membership units for a total holding of 113,289 membership units.	309,859	153,206
	\$ 1,803,788	\$ 2,703,727

4. Due from/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, 2017, the Foundation has a balance receivable from Opportunity International Canada of \$3,684 (2016 - balance payable to Opportunity International Canada of \$20,952).

During the year, Opportunity International Canada made donations to the Foundation in the amount of \$1,070,845 (2016 - \$845,344). These funds plus the funds received since 2011 were used to provide loans or long-term investments to Implementing Members, as described in notes 2 and 3 above.

OPPORTUNITY INTERNATIONAL CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended June 30, 2017

5. 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 2016.

(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.

(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 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.

(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, 2017

5. 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.