

LIFECORPS INTERNATIONAL
FINANCIAL STATEMENTS
DECEMBER 31, 2016

SMITH, SYKES, LEEPER & TUNSTALL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

LIFECORPS INTERNATIONAL
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of,
Lifecorps International.

We have audited the accompanying financial statements of **Lifecorps International**, which comprise the statement of financial position as at **December 31, 2016** and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 (ASNPO) 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 the auditors' 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, the auditors 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph these financial statements present fairly, in all material respects, the financial position of Lifecorps International as at **December 31, 2016** and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Barrie, Ontario.
June 29, 2017

Smith, Sykes, Leeper & Tunstall LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

LIFECORPS INTERNATIONAL
(Incorporated Under the Laws of Canada Without Share Capital)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 46,527	\$ 21,754
Restricted cash (Note 3)	25,000	0
Accounts receivable	18,153	13,017
Inventory	78,992	26,886
Prepaid expenses	<u>11,476</u>	<u>6,286</u>
	180,148	67,943
Capital assets (Note 4)	<u>23,892</u>	<u>36,013</u>
	\$ 204,040	\$ 103,956
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,549	\$ 13,772
Designated funds (Note 7)	400	0
Deferred grants and donations (Note 7)	103,992	26,886
Loan payable (Note 6)	<u>4,398</u>	<u>4,398</u>
	117,339	45,056
Deferred capital grants (Note 5)	<u>23,892</u>	<u>36,013</u>
	141,231	81,069
<u>NET ASSETS</u>		
Unrestricted	<u>62,809</u>	<u>22,887</u>
	62,809	22,887
	\$ 204,040	\$ 103,956

Approved on Behalf of the Institute,
_____, Director.
_____, Director.

The accompanying notes are an integral part of these financial statements.

**LIFECORPS INTERNATIONAL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016			2015
	Invested in Capital Assets	Unrestricted	Total	Total
NET ASSETS, BEGINNING OF THE YEAR	\$ 0	\$ 22,887	\$ 22,887	\$ 2,295
Excess of revenues over expenditures for the year	0	39,922	39,922	20,592
NET ASSETS, END OF THE YEAR	\$ 0	\$ 62,809	\$ 62,809	\$ 22,887

The accompanying notes are an integral part of these financial statements.

**LIFECORPS INTERNATIONAL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
REVENUES		
Food program	\$ 1,445,397	\$ 974,421
Grants	108,650	114,674
Donations	97,716	38,886
Designated fund receipts (Note 8)	33,298	7,219
Amortization of deferred capital grants	12,121	14,287
	1,697,182	1,149,487
EXPENDITURES		
Food program costs	1,444,361	975,458
Salaries and benefits	74,284	60,620
Designated fund disbursements (Note 8)	31,492	7,721
Office and general	20,870	12,998
Rent	20,025	23,244
Vehicle and travel	18,952	15,946
Supplies and warehousing costs	14,925	5,485
Amortization of capital assets	12,121	14,287
Professional fees	9,961	5,865
Insurance	5,659	4,136
Advertising	3,297	2,111
Bank charges and interest	1,313	1,024
	1,657,260	1,128,895
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ 39,922	\$ 20,592

The accompanying notes are an integral part of these financial statements.

**LIFECORPS INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
CASH PROVIDED BY (USED FOR) OPERATIONS		
Excess of revenues over expenditures for the year	\$ 39,922	\$ 20,592
Items not requiring an outlay of cash:		
Amortization	12,121	14,287
Amortization of deferred capital grants	(12,121)	(14,287)
Food program and other donations-in-kind	(1,446,271)	(975,996)
Food program and other in-kind expenses recognized	<u>1,446,271</u>	<u>975,996</u>
	39,922	20,592
Changes in operating working capital		
Restricted cash	(25,000)	0
Accounts receivable	(5,136)	(7,761)
Inventory	(52,106)	(8,886)
Prepaid expenses	(5,191)	(1,705)
Accounts payable and accrued expenses	(5,223)	4,712
Designated funds	400	0
Deferred grants and donations	<u>77,106</u>	<u>8,886</u>
	<u>(15,150)</u>	<u>(4,754)</u>
CASH PROVIDED BY OPERATIONS	24,772	15,838
FINANCING		
Capital grant funding	<u>0</u>	<u>2,098</u>
CASH PROVIDED BY FINANCING	0	2,098
INVESTING		
Additions to capital assets	<u>0</u>	<u>(2,098)</u>
	0	(2,098)
NET CHANGE IN CASH POSITION	24,772	15,838
Cash position, beginning of the year	21,754	5,916
CASH POSITION, END OF THE YEAR	\$ 46,526	\$ 21,754

The accompanying notes are an integral part of these financial statements.

LIFECORPS INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NATURE OF OPERATIONS

LifeCorps International is incorporated under the Canada Business Corporations Act. LifeCorps is a Canadian Registered Charity dedicated to the eradication of Poverty in all its forms through the promotion of sustainable development including health care, education, provision of basic human needs to all people – irrespective of their race, politics or religion. The mission is accomplished by working hand in hand with existing "on the ground" organizations, including Non-Governmental Organizations (NGOs) other groups and individuals in order to provide the following; 1. Health Care Facilities for Primary Health Care and treatment of diseases such as Malaria, Dengue Fever and other Tropical Diseases; 2. Education Facilities and Resources to break the "Poverty Cycle"; 3. Expertise and Funding that begins with construction and empowers Locals to assume responsibility; 4. Further Primary Needs, such as: Potable Water, Sanitation Facilities, Food, Clothing and Shelter.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) and include the following significant accounting policies:

Donated Materials and Supplies

Donated materials and supplies are recorded at their fair market value at the time of the donation. During the year \$1,446,271 (2015 - \$975,996) was recorded as donations for the Lifebread program for donated materials and supplies. If the donating organization discloses the value of the goods then that is used as the fair market value. If the value is not disclosed then the organization uses \$2.50 per pound as the fair market value.

Use of estimates -

The preparation of the financial statements in conformity with Canadian Accounting Standards for Not-For-Profit Organizations requires management to make estimates and assumptions that affect the 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 estimated useful lives of property, plant and equipment (including deferred capital contributions); the valuation of inventory and contributed materials and supplies. Actual results could differ from those estimates.

Cash -

Cash includes the bank balance at a regulated financial institution.

Revenue recognition

The Organization follows the deferral method of accounting for donations.

- Unrestricted donations are recognized as revenue when received .
- Externally restricted donations are deferred and taken into revenue when the the funds are spent.
- Donations restricted for the purchase of capital assets are deferred and amortized into revenue at an amount equal to the amortization of that group of capital assets.
- Externally restricted donations used to purchase land are recorded as a direct increase in net assets invested in capital assets.
- Donated materials and supplies are only recorded as revenue when the estimated fair market value of the items donated can be supported within the policy set out by the Charities Directorate of the Canada Revenue Agency.

LIFECORPS INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
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Short term investments

Short-term investments are valued at the lower of cost and quoted market value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

Inventory consists of donated materials and supplies and is recorded within the policies set out above. Otherwise, inventory is stated at the lower of cost and market value. Market value is considered as replacement value or estimated realizable value, whichever is lower.

Contributed services -

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. Because of the difficulty of determining its fair value, contributed services are not recognized in the financial statements.

2. FINANCIAL RISK MANAGEMENT

The Organization is exposed to the following risks related to its financial assets and liabilities:

Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Unfavourable changes in the applicable exchange rate may result in a decrease in any foreign exchange gain or an increase in any foreign exchange loss. The Organization is exposed to foreign currency risk as the Organization does donate funds to other countries which use their own foreign currency. As the donations are made in Canadian dollars and then converted to the particular foreign currency, the level of service provided from the donated funds are exposed to currency risk. There has been no change to the risk exposures from 2015.

The Organization does not use derivative instruments to reduce its exposure to foreign currency risk.

Liquidity risk -

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued expenses. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations. Management is of the opinion that liquidity risk is not a significant risk and there has been no change in the risk exposure from 2015.

LIFECORPS INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
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3. RESTRICTED CASH

The Organization received donations which are externally restricted for the purchase of a delivery vehicle.

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2016</u>	<u>Net 2015</u>
Leasehold improvements	29,473	23,577	5,896	11,790
Furniture and equipment	17,045	8,722	8,323	10,404
Vehicles	<u>38,900</u>	<u>29,227</u>	<u>9,673</u>	<u>13,819</u>
	<u>\$ 85,418</u>	<u>\$ 61,526</u>	<u>\$ 23,892</u>	<u>\$ 36,013</u>

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a declining-balance basis at the following annual rates:

Leasehold improvements	- 3 year straight line
Furniture and equipment	- 20% declining balance
Vehicles	- 30% declining balance

5. NET ASSETS INVESTED IN CAPITAL ASSETS

The net assets invested in capital assets consists of the following:

	<u>2016</u>	<u>2015</u>
Net book value of capital assets	\$ 23,892	\$ 36,013
Amounts financed by deferred capital grants	<u>(23,892)</u>	<u>(36,013)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

The changes in net assets invested in capital assets is calculated as follows:

Purchase of capital assets	\$ 0	\$ 2,098
Amortization	(12,121)	(14,287)
Amortization of deferred capital grants	12,121	14,287
Grant funds received	<u>0</u>	<u>(2,098)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

6. RELATED PARTY TRANSACTIONS

DUE TO RELATED PARTY

The funds advanced from a former director of the Organization are non-interest bearing and due on demand.

LIFECORPS INTERNATIONAL
NOTES TO THE FINANCIAL STATEMENTS
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7. DESIGNATED FUNDS AND DEFERRED GRANTS

	<u>2016</u>	<u>2015</u>
Designated funds consists of the following:		
Faith, Hope & Love Family Service Association	400	0
Deferred grants and donations consists of the following:		
Walmart Foundation	25,000	0
Undistributed food donations	<u>78,992</u>	<u>26,886</u>
Balance, end of the year	<u>\$ 103,992</u>	<u>\$ 26,886</u>
Deferred capital grants related to capital assets:		
Balance, beginning of the year	\$ 36,013	\$ 48,202
Additional restricted transfers received	0	2,098
Current year's amortization	<u>(12,121)</u>	<u>(14,287)</u>
Balance, end of the year	<u>\$ 23,892</u>	<u>\$ 36,013</u>

The deferred contributions represent unspent resources externally restricted for the identified projects. The deferred contributions related to the Faith, Hope & Love Family Service Association Project will be forwarded when certain criteria are met. The Walmart Foundation contributions will be used to purchase a delivery vehicle in the following fiscal year.

8. DESIGNATED FUNDS

Designated fund receipts consists of the following:

	<u>2016</u>	<u>2015</u>
Faith, Hope & Love Family Service Association	\$ 4,040	\$ 4,999
Region of York Transit	2,120	2,220
Region of York Refugee Resettlement	<u>27,138</u>	<u>0</u>
	<u>\$ 33,298</u>	<u>\$ 7,219</u>

Designated fund disbursements consists of the following:

	<u>2016</u>	<u>2015</u>
Swaziland Project	\$ 0	\$ 630
Faith, Hope & Love Family Service Association	3,591	4,871
Region of York Transit	2,120	2,220
Region of York Refugee Resettlement	<u>25,781</u>	<u>0</u>
	<u>\$ 31,492</u>	<u>\$ 7,721</u>

LIFECORPS INTERNATIONAL
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9. LEASE COMMITMENTS

The Organization has entered into a lease with minimum aggregate annual payments for the next four years as follows:

2017	\$ 27,792
2018	\$ 27,792
2019	\$ 27,792
2020	\$ 2,316

10. SUBSEQUENT EVENT

Subsequent to the year end, the Organization entered into a capital lease obligation for a delivery vehicle. The lease bears interest at 6.02% per annum, is repayable in 60 monthly principal and interest payments of \$1,491, the term ends April 2022 and includes a guaranteed buy-out of \$30,256.
