

PARTNERS IN THE HORN OF AFRICA

FINANCIAL STATEMENTS

(Audited)

December 31, 2007

MURRAY ROSSWORN INC.
Chartered Accountants

PARTNERS IN THE HORN OF AFRICA

December 31, 2007

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AUDITORS' REPORT

To the Directors of
Partners in the Horn of Africa:

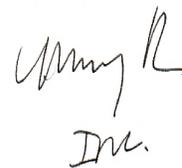
We have audited the statement of financial position of Partners in the Horn of Africa "the Corporation" as at December 31, 2007 and the statements of financial activity, net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many non-profit organizations, the Corporation derives revenue from various fund raising activities, the completeness of which is not susceptible to 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 fund raising revenues, assets and net assets.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

April 1, 2008



Mr.

Chartered Accountants

PARTNERS IN THE HORN OF AFRICA

(Incorporated under the laws of Canada)

Statement of Financial Position

(Audited)

As at December 31, 2007

	2007	2006
Assets		
Current		
Cash	\$ 59,298	\$ 228,767
Marketable securities (Note 2)	847,553	292,802
	<u>906,851</u>	<u>521,569</u>
Capital assets (Note 3)	29,494	
	<u>\$ 936,345</u>	<u>\$ 521,569</u>
Net assets		
Invested in capital assets	\$ 29,494	\$
Unrestricted net assets		
Cumulative excess of revenues over expenditures (excluding unrealized gains and losses)	899,332	519,369
Cumulative net unrealized gains and losses on available-for-sale financial assets	\$ 7,519	\$ 2,200
	<u>\$ 936,345</u>	<u>\$ 521,569</u>

Approved by the Directors:

Director

Director

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.

■ ■ Murray Rossworn Inc. ■ ■
□ ■ Chartered Accountants ■ □

PARTNERS IN THE HORN OF AFRICA

Statement of Net Assets

(Audited)

For the year ended December 31, 2007

	Unrestricted		Invested in Capital Assets		2007	2006
Net assets beginning of year	\$	521,569	\$		\$ 521,569	\$ 350,517
Excess of revenue over expenditures		379,963		29,494	409,457	168,852
Unrealized gain/loss on marketable securities		5,319			5,319	2,200
Net assets end of year	\$	906,851	\$	29,494	\$ 936,345	\$ 521,569

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.

■ ■ Murray Rossworn Inc. ■ ■
□ ■ Chartered Accountants ■ □

PARTNERS IN THE HORN OF AFRICA

Statement of Financial Activity

(Audited)

For the year ended December 31, 2007

	2007	2006
Donations received	\$ 924,880	\$ 593,435
Interest income	18,687	7,838
	<u>943,567</u>	601,273
Expenses		
Donations to projects	527,276	432,421
Income before the following:	<u>416,291</u>	168,852
Amortization	5,205	
Loss on disposal of marketable securities	1,629	
	<u>6,834</u>	
Excess of revenue over expenditures	<u>\$ 409,457</u>	<u>\$ 168,852</u>

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.

■ ■ Murray Rossworn Inc. ■ ■
□ ■ Chartered Accountants ■ □

PARTNERS IN THE HORN OF AFRICA

Statement of Changes in Financial Position

(Audited)

For the year ended December 31, 2007

	2007	2006
Cash provided by (used for)		
Donations received for the year	\$ 893,906	\$ 593,435
Contributions to projects	(527,276)	(432,421)
Interest received	11,538	8,544
	<u>378,168</u>	169,558
Investments		
Purchase of marketable securities	(545,437)	(86,730)
Increase (decrease) in cash	(167,269)	82,828
Cash beginning of year	228,767	145,939
Cash end of year	<u>\$ 61,498</u>	<u>\$ 228,767</u>

Supplemental information:

During the year a vehicle, a non-cash item, in the amount of \$34,699 was donated to Partners in the Horn of Africa. The vehicle has been treated as a donation.

The accompanying summary of significant policies, notes to financial statements and schedule are an integral part of these statements.

■ ■ Murray Rossworn Inc. ■ ■
□ ■ Chartered Accountants ■ □

PARTNERS IN THE HORN OF AFRICA

Notes to Financial Statements

(Audited)

For the year ended December 31, 2007

The Corporation is a registered charity that solicits donations to be applied towards joint projects in Ethiopia.

1. Significant accounting policies

a) Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis at the following rates:

Automotive	30%
Assets purchased during the year are amortized at one-half of the above rates.	

b) Revenue recognition

The Corporation follows the deferral method of accounting for revenue.

Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred.

Investment income includes dividend and interest income, and realized and unrealized investments gains and losses. Unrealized gains and losses on available for sale assets are included directly in net assets until the asset is removed from the Statement of Financial Position.

In kind contributions are recognized at the fair market value of the contribution at the date of donation. The cost of donated volunteer time is not reflected in the statements.

c) Marketable securities

Investments in temporary marketable securities are classified as available for sale investments.

d) Use of estimates

The financial statements of Partners in the Horn of Africa have been prepared by management in accordance with Canadian generally accepted accounting principles. As such, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in the opinion of management been prepared using careful judgement within the reasonable limits of materiality and within the framework of the accounting policies identified.

PARTNERS IN THE HORN OF AFRICA

Notes to Financial Statements

(Audited)

For the year ended December 31, 2007

2. Marketable securities

Marketable securities consist of the following:

	2007	2006
Portfolio investments	\$ 173,029	\$ 32,915
Term deposit	655,943	255,939
Accrued interest	11,062	1,748
Unrealized gains	7,519	2,200
	<u>\$ 847,553</u>	<u>\$ 292,802</u>

3. Capital assets

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
Automotive	34,699	5,205	29,494	

4. Contractual obligations and contingencies

Partners has entered into a number of partnerships with various organizations within Africa to do various projects. As of December 31, 2007, there were eighteen unfinished projects. US bank drafts are acquired to pay the obligations. Upon completion of these contracts, the organization will pay Ethiopian Birr 4,744,483, approximately \$498,206 Canadian (2006 - 1,552,615, approximately \$193,300 Canadian.)

5. Subsequent events

Subsequent to year end, Partners entered into 1 contract to complete a project in Ethiopia. Upon completion of the contract, the organization will pay Ethiopian Birr 20,525 (approximately \$2,125 Canadian.)

6. Related parties

A charitable foundation, "Friends of the Horn of Africa"(Friends) has been established to support Partners' mandate, and to pay for costs to manage and administer the Corporation. Funding for this organization is derived from contributions from directors of Partners in the Horn of Africa and other parties. During the year, Friends purchased a vehicle for Partners' to be used on projects in Ethiopia.

PARTNERS IN THE HORN OF AFRICA

Notes to Financial Statements

(Audited)

For the year ended December 31, 2007

7. Change in accounting policy

The Corporation adopted the provisions of CICA Sections 3855, Financial Instruments - Recognition and Measurement, 3865, Hedges and 1530, Comprehensive Income, on February 4, 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and the inclusion of other comprehensive income. 2006 comparative figures have been restated as a result of this implementation. As a result of adopting these new standards, the corporation recorded a non-cash credit of \$2,200 for the change in accounting for financial assets classified as held for trading and measured at fair value instead of cost. This charge is reported as a one-time cumulative effect of a change in accounting policy in opening accumulated other comprehensive income on December 31, 2006.

8. Financial instruments

Partners' financial instruments consist of cash and marketable securities. The fair value of cash approximate the carrying values.

The fair value of marketable securities are disclosed in the financial statements.

It is management's opinion that Partners' is not exposed to significant interest or credit risks arising from these financial instruments.

Partners is subject to foreign currency exchange risk due to contracts payable in Ethiopian Birr.
