

**PARTNERS IN THE HORN OF AFRICA**

**FINANCIAL STATEMENTS**

December 31, 2011

**Rossworn Henderson LLP**  
Chartered Accountants

# PARTNERS IN THE HORN OF AFRICA

December 31, 2011

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
 Partners in the Horn of Africa

We have audited the accompanying financial statements of Partners in the Horn of Afri, which comprise the statement of financial position as at December 31, 2011, and the statements of changes in net assets, operations 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, 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.

*Auditor's 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 auditor's 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 auditor considers internal control relevant to the Organization'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 Organization'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 audit is sufficient and appropriate to provide a basis for our audit opinion.

*Basis for Qualified Opinion*

Partners in the Horn of Africa derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Partners in the Horn of Africa as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Enderby, BC  
 April 17, 2012

Chartered Accountants

**PARTNERS IN THE HORN OF AFRICA**  
 Statement of Financial Position

As at December 31, 2011

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| <b>Assets</b>                            |                     |                     |
| Current                                  |                     |                     |
| Cash                                     | \$ 251,832          | \$ 506,952          |
| Marketable securities (Note 2)           | <u>1,731,014</u>    | <u>1,475,583</u>    |
|  | <u>\$ 1,982,846</u> | <u>\$ 1,982,535</u> |
| <b>Liabilities</b>                       |                     |                     |
| Current                                  |                     |                     |
| Accounts payable and accrued liabilities | \$ 14,292           | \$ 8,935            |
| Unearned revenue                         | <u>60,145</u>       | <u>22,024</u>       |
|  | 74,437              | 30,959              |
| Net assets                               | <u>1,908,409</u>    | <u>1,951,576</u>    |
|  | <u>\$ 1,982,846</u> | <u>\$ 1,982,535</u> |

Approved by the Board

Members \_\_\_\_\_

Members \_\_\_\_\_

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

# PARTNERS IN THE HORN OF AFRICA

## Statement of Changes in Net Assets

Year ended December 31, 2011

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| Balance, beginning of year                                     | \$ 1,951,576        | \$ 1,505,834        |
| Excess (deficiency) of revenues over expenditures for the year | <u>(43,167)</u>     | 445,742             |
| Balance, end of year   | <u>\$ 1,908,409</u> | <u>\$ 1,951,576</u> |

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

# PARTNERS IN THE HORN OF AFRICA

## Statement of Operations

Year ended December 31, 2011

|  | 2011               | 2010              |
|--|--------------------|-------------------|
| <b>Revenues</b>  |                    |                   |
| Donations received   | \$ 955,138         | \$ 1,045,619      |
| Investment income  | 41,594             | 22,767            |
|  | <u>996,732</u>     | <u>1,068,386</u>  |
| <b>Expenditures</b>  |                    |                   |
| Contributions to projects  | 824,726            | 585,907           |
| Donations  | 200,000            | -                 |
| Interest and bank charges  | 5,015              | 4,062             |
|  | <u>1,029,741</u>   | <u>589,969</u>    |
| Excess (deficiency) of revenues over expenditures before the following items | <u>(33,009)</u>    | <u>478,417</u>    |
| <b>Other income (expense)</b>  |                    |                   |
| Loss on foreign exchange   | (12,806)           | (34,006)          |
| Gain on disposal of marketable securities                                    | 2,648              | 1,331             |
|  | <u>(10,158)</u>    | <u>(32,675)</u>   |
| Excess (deficiency) of revenues over expenditures for the year               | <u>\$ (43,167)</u> | <u>\$ 445,742</u> |

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

# PARTNERS IN THE HORN OF AFRICA

## Statement of Cash Flows

Year ended December 31, 2011

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| Operating                                    |                   |                   |
| Donations received for the year              | \$ 955,138        | \$ 1,045,619      |
| Collection costs                             | (5,015)           | (4,062)           |
| Contributions to projects                    | (824,726)         | (585,907)         |
| Interest received                            | 41,594            | 22,767            |
| Foreign exchange gain or (loss)              | (12,806)          | (34,005)          |
| Amounts payable on projects at end of year   | 5,358             | 8,934             |
| Donation to Medecins Sans Frontieres         | (200,000)         | -                 |
|  | <u>(40,457)</u>   | <u>453,346</u>    |
| Investing                                    |                   |                   |
| Purchase (disposal) of marketable securities | (255,431)         | (314,648)         |
| Gain on sale of investments                  | 2,648             | 1,331             |
| Funds received in trust                      | 38,120            | 9,538             |
|  | <u>(214,663)</u>  | <u>(303,779)</u>  |
| Increase (decrease) in cash                  | (255,120)         | 149,567           |
| Cash, beginning of year                      | <u>506,952</u>    | <u>357,385</u>    |
| Cash, end of year                            | <u>\$ 251,832</u> | <u>\$ 506,952</u> |

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

# PARTNERS IN THE HORN OF AFRICA

Notes to the Financial Statements

December 31, 2011

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## Nature of operations

Partners in the Horn of Africa is a registered charity that solicits donations to be applied towards joint projects in Ethiopia.

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### 1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

#### (a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

#### (b) Marketable securities

Investments in temporary marketable securities are classified as available for sale, and as such, unrealized gains and losses are recorded as an adjustment to net assets.

#### (c) Use of estimates

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. This requires management to make estimates and assumptions concerning assets, liabilities, revenues and expenses reported upon in the fiscal period. For instance, management may have to assess the value of receivables in advance of their collection. Similarly, management may have to estimate amounts payable in advance of receipt of suppliers' invoices. These procedures are necessary in order to prepare financial statements within an appropriate time period. Consequently, actual amounts could differ from these estimates.

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### 2. Marketable securities

|                       | <u>2011</u>         | <u>2010</u>         |
|-----------------------|---------------------|---------------------|
| Portfolio investments | \$ -                | \$ 25,000           |
| GIC's                 | <u>1,731,014</u>    | <u>1,450,583</u>    |
|                       | <u>\$ 1,731,014</u> | <u>\$ 1,475,583</u> |

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# **PARTNERS IN THE HORN OF AFRICA**

## Notes to the Financial Statements

December 31, 2011

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### **3. Contractual obligation**

The organization has entered into a number of partnerships with various organizations within Africa to do various projects. As at December 31, 2011, there were 59 unfinished projects (2010 - 62). Financial obligations upon completion of all these contracts amount to Ethiopian Birr 7,383,229 or approximately \$441,581 Canadian (2010 - 7,804,260 Birr or approximately \$475,290 Canadian).

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### **4. Related party transactions**

A charitable foundation, "Friends of the Horn of Africa" (Friends) has been established to support the organization's mandate, and to pay for costs to manage and administer the organization. Funding for this organization is derived from contributions by the directors of Partners in the Horn of Africa and other parties.

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### **5. Financial instruments**

The organization's 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, based on quoted market rate as at the year end date. 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 exchanged risk due to contracts payable in Ethiopian Birr.

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### **6. Subsequent events**

Subsequent to the year end, the organization entered into ladditional contract in Ethiopia. The organization's share of the contract project costs will be 220,155 Ethiopian Birr (approximately \$13,165 Canadian).

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