

PARTNERS IN THE HORN OF AFRICA

FINANCIAL STATEMENTS

December 31, 2013

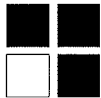
Rossworn Henderson LLP
Chartered Accountants

PARTNERS IN THE HORN OF AFRICA

December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Directors of
Partners in the Horn of Africa

We have audited the accompanying financial statements of Partners in the Horn of Africa, which comprise the statement of financial position as at December 31, 2013, 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.

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 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 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 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.

INDEPENDENT AUDITORS' REPORT, continued

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, 2013, 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 10, 2014



Chartered Accountants

PARTNERS IN THE HORN OF AFRICA

Statement of Financial Position

As at December 31, 2013

	2013	2012
Assets		
Current		
Cash	\$ 146,538	\$ 223,786
Marketable securities	1,525,938	1,695,268
	<u>\$ 1,672,476</u>	<u>\$ 1,919,054</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 191	\$ 2,226
Funds held in trust	62,188	141,641
	<u>62,379</u>	<u>143,867</u>
Net assets	<u>1,610,097</u>	<u>1,775,187</u>
	<u>\$ 1,672,476</u>	<u>\$ 1,919,054</u>

Approved by the Board

Directors

Directors

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, 2013

	2013	2012
Balance, beginning of year	\$ 1,775,187	\$ 1,908,409
Deficiency of revenues over expenditures for the year	<u>(165,090)</u>	<u>(133,222)</u>
Balance, end of year	<u>\$ 1,610,097</u>	<u>\$ 1,775,187</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, 2013

	2013	2012
Revenues		
Donations received	\$ 738,081	\$ 645,275
Interest income	37,516	43,464
	<u>775,597</u>	<u>688,739</u>
Expenditures		
Contributions to projects	938,941	816,262
Interest and bank charges	7,042	5,646
	<u>945,983</u>	<u>821,908</u>
Deficiency of revenues over expenditures before the following items	<u>(170,386)</u>	<u>(133,169)</u>
Other income (expense)		
Gain (loss) on foreign exchange	4,217	(53)
Gain on disposal of marketable securities	1,079	-
	<u>5,296</u>	<u>(53)</u>
Deficiency of revenues over expenditures for the year	<u>\$ (165,090)</u>	<u>\$ (133,222)</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, 2013

	2013	2012
Operating		
Donations received for the year	\$ 738,081	\$ 645,275
Collection costs	(7,042)	(5,645)
Contributions to projects	(938,941)	(817,549)
Interest received	37,516	43,464
Foreign exchange gain or (loss)	4,217	(53)
Amounts payable on projects at end of year	(2,035)	(12,067)
	<u>(168,204)</u>	<u>(146,575)</u>
Investing		
Purchase (disposal) of marketable securities	-	35,746
Gain on sale of investments	1,079	-
Funds received (paid) in trust	(79,453)	82,783
Proceeds received on sale of investments	169,330	-
	<u>90,956</u>	<u>118,529</u>
Decrease in cash	(77,248)	(28,046)
Cash, beginning of year	<u>223,786</u>	<u>251,832</u>
Cash, end of year	<u>\$ 146,538</u>	<u>\$ 223,786</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, 2013

Nature of operations

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

1. Significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit enterprises.

(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) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Forward exchange contracts and interest rate swaps that are not hedging items are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ◆ the present value of the cash flows expected to be generated by the asset or group of assets;
- ◆ the amount that could be realized by selling the assets or group of assets;
- ◆ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

PARTNERS IN THE HORN OF AFRICA

Notes to the Financial Statements

December 31, 2013

1. Significant accounting policies, continued

(b) Financial instruments, continued

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

(c) Marketable securities

Investments consist of GIC's. 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.

(d) 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.

2. Contractual obligation

The organization has entered into a number of partnerships with various organizations within Africa to do various projects. As at December 31, 2013, there were 80 unfinished projects (2012 - 81). Financial obligations upon completion of all these contracts amount to Ethiopian Birr 12,739,462 or approximately \$710,495 Canadian (2012 - 16,590,145 Birr or approximately \$917,089 Canadian).

3. Related party transactions

A charitable public 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 a wide variety of donors, including contributions by the directors and staff of Partners in the Horn of Africa.

4. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Organization is a going concern and thus expects to fully repay the outstanding amounts.

PARTNERS IN THE HORN OF AFRICA

Notes to the Financial Statements

December 31, 2013

4. Financial instruments, continued

(b) Foreign exchange risk

The Organization is exposed to foreign exchange risk in United States dollars and Ethiopian BIRR. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Organization by a customer, or that an obligation in a foreign currency was made to the Organization to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The Organization reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Organization and engaging in hedges when there is a significant risk of exchange rate movement. The Organization did not have any hedges at the time that the financial statements were issued. The Organization does not utilize financial instruments to manage its foreign exchange risk. The Organization maintains adequate foreign currency balances in its bank provided by its customers that discharged their obligations to the Organization in the related currency, to discharge its related foreign currency obligations. In the opinion of management the foreign exchange risk exposure to the company low and is not material.

(c) Currency risk

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. The Organization is exposed to this risk as a result of transferring Canadian funds quarterly into Ethiopian BIRR in order to fund projects in Ethiopia.

(d) Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities of \$191 (2012 - \$2,226). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Organization is low and is not material.

(e) Price risk

The Organization is exposed to price risk. Price risk is the risk that the commodity prices that the Organization charges are significantly influenced by its competitors and the commodity prices that the Organization must charge to meet its competitors may not be sufficient to meet its expenses. The Organization reduces its exposure to price risk by ensuring that it obtains information regarding the commodity prices that are set by the competitors in the region to ensure that its prices are appropriate. In addition, management closely monitors expenses and matches capital outlays to its revenue stream. In the opinion of management the price risk exposure to the Organization is low and is not material.
