

Financial statements of

**Foundation for International  
Community Assistance - FINCA  
Canada**

December 31, 2015

# Foundation for International Community Assistance - FINCA Canada

December 31, 2015

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## **Independent Auditor's Report**

To the Board of Directors of  
Foundation for International  
Community Assistance - FINCA Canada

We have audited the accompanying financial statements of the Foundation for International Community Assistance - FINCA Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2015, the statements of revenue and expenses and changes in net assets and of 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 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 opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2015 and the results of its operations and its cash flows for year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*

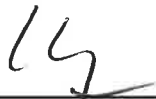
Chartered Professional Accountants  
Licensed Public Accountants  
June 16, 2016

# Foundation for International Community Assistance - FINCA Canada

Statement of financial position  
as at December 31, 2015

	2015	2014 (Note 10)
	\$	\$
<b>Assets</b>		
Current assets		
Cash	1,388,687	781,355
Restricted cash	5,085,401	5,200,116
Pledges receivable	32,623	100,803
Prepaid expenses and other assets	95,021	70,021
	<b>6,601,732</b>	<b>6,152,295</b>
Long-term assets		
Investment in life insurance (Note 3)	30,940	30,940
	<b>6,632,672</b>	<b>6,183,235</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses (Note 4)	126,791	69,227
Due to related parties (Note 5)	949,330	1,171,538
	<b>1,076,121</b>	<b>1,240,765</b>
Long-term liabilities		
Deferred revenue (Note 6)	3,076,474	3,811,064
	<b>4,152,595</b>	<b>5,051,829</b>
<b>Net assets</b>		
General	2,411,741	1,038,070
Externally restricted (Note 7)	68,336	93,336
	<b>2,480,077</b>	<b>1,131,406</b>
	<b>6,632,672</b>	<b>6,183,235</b>

Approved by the Board

 \_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

# Foundation for International Community Assistance - FINCA Canada

Statement of revenue and expenses and changes in net assets  
year ended December 31, 2015

			2015	2014
	General	Externally restricted (Note 7)	Total	Total (Note 10)
	\$	\$	\$	\$
<b>Revenue</b>				
Grants - MasterCard Foundation	5,036,270	-	5,036,270	2,455,402
Donations	1,026,593	-	1,026,593	1,001,754
Donations-in-kind (Note 2)	3,990	-	3,990	52,022
	<b>6,066,853</b>	<b>-</b>	<b>6,066,853</b>	<b>3,509,178</b>
<b>Expenses (Note 9)</b>				
Program services	4,812,214	25,000	4,837,214	2,662,286
General and administrative (Note 2)	232,065	-	232,065	258,608
Fundraising	341,396	-	341,396	388,250
	<b>5,385,675</b>	<b>25,000</b>	<b>5,410,675</b>	<b>3,309,144</b>
<b>Gain on investment and foreign currency transactions (Note 8c)</b>	<b>692,493</b>	<b>-</b>	<b>692,493</b>	<b>353,110</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>1,373,671</b>	<b>(25,000)</b>	<b>1,348,671</b>	<b>553,144</b>
<b>Net assets, beginning of year</b>	<b>1,038,070</b>	<b>93,336</b>	<b>1,131,406</b>	<b>578,262</b>
<b>Net assets, end of year</b>	<b>2,411,741</b>	<b>68,336</b>	<b>2,480,077</b>	<b>1,131,406</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Foundation for International Community Assistance - FINCA Canada

Statement of cash flows  
year ended December 31, 2015

	2015	2014 (Note 10)
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	1,348,671	553,144
Adjustments for:		
Non-cash loss on donated life insurance policy	-	6,567
	<b>1,348,671</b>	<b>559,711</b>
Changes in non-cash working capital items:		
Pledges receivable	68,180	22,467
Prepaid expenses and other assets	(25,000)	(70,021)
Accounts payable and accrued expenses	57,564	(21,830)
Due to related parties	(222,208)	726,899
Deferred revenue	(734,590)	933,528
	<b>492,617</b>	<b>2,150,754</b>
<b>Investing activity</b>		
Purchase of additional investment in life insurance	-	(4,174)
<b>Net increase in cash during the year</b>	<b>492,617</b>	<b>2,146,580</b>
Cash, beginning of year	5,981,471	3,834,891
<b>Cash, end of year</b>	<b>6,474,088</b>	<b>5,981,471</b>
<b>Comprised of:</b>		
Cash	1,388,687	781,355
Restricted cash	5,085,401	5,200,116
<b>Cash, end of year</b>	<b>6,474,088</b>	<b>5,981,471</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Foundation for International Community Assistance - FINCA Canada

Notes to the financial statements

December 31, 2015

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## 1. Nature of activities

The Foundation for International Community Assistance - FINCA Canada ("FINCA Canada") was incorporated under the Canada Corporation Act on January 9, 2006 and continued under the Canada Not-for-Profit Corporations Act on March 4, 2014. Registered as a not-for-profit charity under paragraph 149(1) (f) of the Income Tax Act on December 5, 2007, FINCA Canada is a non-taxable charitable organization under the Federal Income Tax Act.

FINCA Canada supports the mission and vision of FINCA International, Inc. ("FINCA") a not-for-profit corporation organized under the laws of the State of New York with a designation as a public charity under section 501(c) (3) of the United States Internal Revenue Code. FINCA Canada is an operating charity that receives grants, donations and public support from individuals, foundations, and corporations. Through its agency agreement with FINCA, FINCA Canada utilizes the powerful network and outreach of FINCA to operate and spend these funds in direct program services in 23 developing countries in Latin America (Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico and Nicaragua), Africa (Democratic Republic of Congo, Malawi, Nigeria, Tanzania, Uganda and Zambia), Eurasia (Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan, Russia and Tajikistan), and the Middle East (Afghanistan, Jordan and Pakistan), serving over 1,800,000 clients worldwide.

FINCA Canada's mission is to alleviate poverty through lasting solutions that help people build assets, create jobs and raise their standard of living. To better support its mission FINCA Canada provides a growing range of services, financial and non-financial, and gives its clients the means to improve their lives. FINCA Canada principally provides small loans to individuals and to groups of individuals that lack access to traditional financial institutions. FINCA's loans are a renewable resource that can improve the economy of an entire community. A loan is borrowed, invested, and repaid, after which it can be used to stimulate yet another fledgling business. FINCA Canada loans circulate throughout low-income communities until their effect is multiplied many times. FINCA Canada operates on a twin bottom line approach of sustainability and social outreach.

In addition, FINCA Canada through research and development is constantly improving its services and devising new ways to fulfill its mission. Some solutions make it easier for customers to do business, such as mobile phone banking, while others, such as insurance, strengthen the safety net that help keep families out of poverty.

## 2. Significant accounting policies

### *Basis of presentation*

The financial statements of FINCA Canada are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies:

### *Restricted cash*

Restricted cash represents amounts reserved for programs.

### *Revenue recognition*

FINCA Canada follows the restricted fund method of accounting for contributions. Revenue is recognized when received or receivable in the respective fund if the amount to be received can be reasonably estimated and collection is reasonably assured. All other restricted contributions for which no restricted fund has been established are deferred and recognized as revenue of the General Fund in the year in which the related expenses are incurred.



# Foundation for International Community Assistance - FINCA Canada

Notes to the financial statements  
December 31, 2015

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## 2. Significant accounting policies (continued)

### *Contributions*

FINCA Canada receives funding through grants and donations from individuals, foundations, and corporations for direct and indirect program costs. Contributions received and unconditional promises to give are recorded as revenue at fair value, as determined by management or by qualified third parties, and are recorded as unrestricted, or externally restricted, depending on the existence and/or nature of any donor restrictions.

### *Contributed services and gifts*

FINCA Canada records contributed services at fair value when those services require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

Donated gifts and materials are recorded at their fair value at the date of the gift.

At December 31, 2015, donations-in-kind of \$3,990 (2014 - \$52,022) consist of donated professional services included in the General and administrative expenses.

### *Pledges receivable*

Unconditional promises to give are recorded as receivable and contribution revenue when the promise is made and ultimate collection is reasonably assured. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Pledges receivable are initially recorded at their net realizable value based on amounts to be collected from donors. This valuation reflects net pledge balances at a level which, in the judgment of management, is adequate to meet the present and potential risks of uncollectibility of the pledges receivable. Management's judgment is based on a variety of factors, which include experience related to expenses and recoveries, previous collection history and scrutiny of individual accounts. Specific accounts are written off upon notification from the donors that the pledges are no longer collectible. Management deems all pledges receivable to be fully collectible.

### *Fund accounting*

#### General Fund

The General Fund records earned revenue, awards, and donations used to support FINCA Canada's program services and operations. In addition, this Fund holds restricted amounts for which there is no applicable restricted fund. The deferral method of matching revenue with expenses in the period in which these expenses are incurred (with unused contributions shown as deferred revenue on the Statement of financial position) is used to record restricted contributions for which there is no applicable restricted fund.

#### Externally Restricted Fund

This fund records any awards and donations that are restricted for a specific purpose by donor-imposed stipulations. Investment income, if any, earned on resources of the Externally restricted fund is reported in the Externally restricted fund, or the Unrestricted fund, depending on any restrictions imposed by the donor.

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when FINCA Canada becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

# Foundation for International Community Assistance - FINCA Canada

Notes to the financial statements

December 31, 2015

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## 2. Significant accounting policies (continued)

### *Expenses*

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

### *Allocation of expenses*

The costs of providing program services and other activities have been reported on a functional basis. FINCA Canada follows a direct expense classification to each function based on the nature of the expense.

### *Foreign exchange*

FINCA Canada transacts business with FINCA as well as in various foreign countries where its programs are located, using the local currencies of these countries. Management of FINCA Canada has determined that the functional currency, as well as the reporting currency of FINCA Canada is the Canadian dollar. Accordingly, gains and losses from changes in exchange rates between the functional currency, and the currency in which the transaction is denominated, are recorded as foreign currency transaction gains or losses, as appropriate, within the Statement of revenue and expenses.

### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. Investment in life insurance

FINCA Canada has received a donation of a life insurance policy in which FINCA Canada is the owner and at the same time, the beneficiary. The policy requires that FINCA Canada pay the annual premiums of the policy; however, donations from the donor of the policy are received to cover the premiums of the policy. The donor has committed to make an annual donation equivalent to the annual premium cost; however, FINCA Canada intends to continue to cover the premium costs even if the annual donation to cover the cost of premiums is not received. The premiums paid on the policy are recorded as a non-current asset in the Statement of financial position. In the event FINCA Canada ceases to make premium payments on the policy, the investment less the cash surrender value received will be expensed. Changes in the cash surrender value of the investment are recorded as other gains (losses) within the Statement of revenue and expenses. At December 31, 2015, FINCA Canada recorded losses of \$Nil (2014 - \$6,567).

## 4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil (2014 - \$1,357) with respect to outstanding government remittances.

## 5. Due to related parties

	2015	2014
	\$	\$
FINCA International, Inc.	924,330	1,171,538
FINCA Guatemala Limited	4,000	-
FINCA Zambia Limited	21,000	-
	<b>949,330</b>	<b>1,171,538</b>

# Foundation for International Community Assistance - FINCA Canada

Notes to the financial statements

December 31, 2015

## 5. Due to related parties (continued)

The amount owed to FINCA is for expenses related to grants, donations or vendor payments made by FINCA on behalf of FINCA Canada. The denominated currency of the amounts owing is the US dollar; therefore at the end of each reporting year they are translated to reflect the settlement amount in Canadian dollars using the spot exchange rate on the last day of the reporting period. The balances have no terms of repayment and are non-interest bearing. Administrative services are provided at no cost to FINCA Canada by FINCA.

The amounts owed to FINCA Zambia Limited and FINCA Guatemala Limited at December 31, 2015, represent qualified program expenses of FINCA Canada.

## 6. Deferred revenue

In 2013, FINCA Canada signed a \$12.7 million US dollar multiyear contract with The MasterCard Foundation to support Microfinance Development through innovative product delivery channels, primarily in three regions in Africa; Malawi, Tanzania, and Zambia. In addition, the contribution will support the establishment and strengthening of operational infrastructure of FINCA Canada. The activity and the balance of unearned revenue at December 31, 2015 are summarized below:

	2015	2014
	\$	\$
Beginning balance - January 1,	3,811,064	2,877,536
Contribution received	4,301,680	3,388,930
Revenue recognized	(5,036,270)	(2,455,402)
Closing balance - December 31,	3,076,474	3,811,064

## 7. Externally restricted net assets

Externally restricted net assets include donor-restricted and other funds, which are only available for program activities and are recorded in the appropriate fund.

Externally restricted net assets at December 31, 2015, are available for the following programs:

	Opening balance	Additions	Released	2015 Closing balance
	\$	\$	\$	\$
FINCA Zambia Limited	44,336	-	(21,000)	23,336
FINCA Malawi Limited	21,000	-	-	21,000
FINCA Guatemala Limited	4,000	-	(4,000)	-
FINCA El Salvador Limited	4,000	-	-	4,000
FINCA Uganda Limited	20,000	-	-	20,000
	93,336	-	(25,000)	68,336

# Foundation for International Community Assistance - FINCA Canada

Notes to the financial statements

December 31, 2015

## 8. Financial instrument risks

FINCA Canada has policies relating to the identification, measurement, monitoring, mitigating and controlling risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and currency risk. The following sections describe how FINCA Canada manages each of these risks:

### a) Credit and counterparty risk

Financial instruments exposed to credit risk include cash and cash equivalents and pledges receivable. FINCA Canada places its cash and cash equivalents with high credit quality financial institutions that are insured up to \$100,000 per account under the Canada Deposit Insurance Corporation Act ("CDICA"). Amounts held in excess of the CDICA limits for interest bearing accounts were \$6,274,088 (2014 - \$5,781,471). FINCA Canada has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. FINCA Canada has not experienced any losses on pledges receivables. Such pledges are written off if they are determined to be uncollectible.

### b) Liquidity risk

Liquidity risk is the risk that FINCA Canada will not be able to meet its financial obligations as they fall due. FINCA Canada's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to FINCA Canada's reputation.

### c) Currency risk

Foreign exchange risk is the risk that the value of financial instruments and the associated revenue will fluctuate due to changes in currency exchange rates. FINCA Canada is exposed to foreign exchange risk related to transactions that are dominated in US dollars. FINCA Canada had foreign currency positions of \$5,085,401 in financial assets and \$949,330 in financial liabilities (2014 - \$5,200,115 in financial assets and \$1,171,538 in financial liabilities) which respectively consist of the Canadian dollar equivalent of cash balances in US dollars and the amount due to related parties in US dollars (Note 5). FINCA Canada had a foreign exchange gain of \$692,493 for the year ended December 31, 2015 (2014 - \$353,100).

## 9. Allocation of expenses

Expenses have been allocated to financial line items as follows:

	2015			
	Program services	General and administrative	Fundraising	Total
	\$	\$	\$	\$
Labor and benefits				
International programs	2,354,743	17,565	22,048	2,394,356
Professional and contractual services	1,217,766	193,642	122,316	1,533,724
Hiring and training	265,046	173	-	265,219
Loan capital	25,000	-	-	25,000
Rent expense	-	9,451	-	9,451
Supplies, materials and maintenance	744,904	8,004	188,829	941,737
Travel and entertainment	229,755	3,230	8,203	241,188
	<b>4,837,214</b>	<b>232,065</b>	<b>341,396</b>	<b>5,410,675</b>

# Foundation for International Community Assistance - FINCA Canada

Notes to the financial statements

December 31, 2015

## 9. Allocation of expenses (continued)

	2014			
	Program services	General and administrative	Fundraising	Total
	\$	\$	\$	\$
Labor and benefits				
International programs	1,157,084	1,616	14,540	1,173,240
Professional and contractual services	539,931	198,190	91,535	829,656
Hiring and training	139,764	-	-	139,764
Loan capital	345,548	-	-	345,548
Rent expense	-	6,213	-	6,213
Supplies, materials and maintenance	306,861	41,263	274,174	622,298
Travel and entertainment	173,098	11,326	8,001	192,425
	<u>2,662,286</u>	<u>258,608</u>	<u>388,250</u>	<u>3,309,144</u>

## 10. Comparative amounts

The following prior year comparative amounts have been reclassified to conform to the current year's presentation:

	2014	
	As amended	As previously stated
	\$	\$
Statement of financial position		
Cash	781,355	5,981,471
Restricted cash	5,200,116	-
Statement of revenue and expenses		
Grants - MasterCard Foundation	2,455,402	-
Donations	1,001,754	-
Contributions	-	3,457,156
Statement of cash flows		
Cash	781,355	5,981,471
Restricted cash	5,200,116	-
Note 9 - Allocation of expenses		
Professional and contractual services	829,656	781,782
Audit fees	-	47,874
	<u>16,249,754</u>	<u>16,249,754</u>