

Financial Statements of

HUMANITARIAN COALITION

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of the Humanitarian Coalition

Opinion

We have audited the financial statements of the Humanitarian Coalition (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of Humanitarian Coalition in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Humanitarian Coalition's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Humanitarian Coalition or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Humanitarian Coalition's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Humanitarian Coalition's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Humanitarian Coalition's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 5, 2019

HUMANITARIAN COALITION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 710,112	\$ 1,990,496
Harmonized sale tax receivable	22,230	14,918
Prepaid expenses	1,468	1,201
	<u>\$ 733,810</u>	<u>\$ 2,006,615</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 53,772	\$ 81,194
Deferred revenue (note 4)	82,212	1,629,520
	<u>135,984</u>	<u>1,710,714</u>
Net assets (note 5):		
Unrestricted	469,710	167,785
Internally restricted	128,116	128,116
	<u>597,826</u>	<u>295,901</u>
	<u>\$ 733,810</u>	<u>\$ 2,006,615</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HUMANITARIAN COALITION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Global Affairs Canada	\$ 1,866,727	\$ 2,686,878
Emergency Response Fund	555,393	583,930
Coalition members contributions	282,663	251,218
Appeals	185,974	1,462,391
Other	-	79,618
	<u>2,890,757</u>	<u>5,064,035</u>
Expenses:		
Programs	1,942,174	4,193,996
Wages and benefits	420,588	431,817
Operations	160,456	185,867
Communication and fundraising	65,614	181,287
	<u>2,588,832</u>	<u>4,992,967</u>
Excess of revenue over expenses	<u>\$ 301,925</u>	<u>\$ 71,068</u>

See accompanying notes to financial statements.

HUMANITARIAN COALITION

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Unrestricted (note 5(a))	Internally restricted (note 5(b))	2018 Total	2017 Total
Net assets, beginning of year	\$ 167,785	\$ 128,116	\$ 295,901	\$ 224,833
Excess of revenue over expenses (note 5(b))	301,925	-	301,925	71,068
Net assets, end of year	\$ 469,710	\$ 128,116	\$ 597,826	\$ 295,901

See accompanying notes to financial statements.

HUMANITARIAN COALITION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 301,925	\$ 71,068
Change in non-cash operating working capital:		
Increase in harmonized sale tax receivable	(7,312)	(40)
Decrease (increase) in prepaid expenses	(267)	240
Decrease in accounts payable and accrued liabilities	(27,422)	(115,524)
Increase (decrease) in deferred revenue	(1,547,308)	885,458
Increase (decrease) in cash	(1,280,384)	841,202
Cash, beginning of year	1,990,496	1,149,294
Cash, end of year	\$ 710,112	\$ 1,990,496

See accompanying notes to financial statements.

HUMANITARIAN COALITION

Notes to Financial Statements

Year ended December 31, 2018

Humanitarian Coalition (the "Coalition") was incorporated without share capital on October 2, 2009 under the Canada Corporations Act. Effective November 21, 2013, the Coalition continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act. The Coalition is a registered charity and as such is not subject to income tax under Paragraph 149(l)(f) of the Income Tax Act (Canada).

The Coalition is designated as a Public Foundation with the objective of receiving or maintaining a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to charitable organizations that are also registered charities under the Income Tax Act (Canada).

The Coalition is a network of Canadian non-government organizations (NGOs) determined to unite in cases of humanitarian crises. Five of Canada's leading aid organizations founded the Humanitarian Coalition.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

(a) Revenue recognition:

The Coalition follows the deferral method of accounting for contributions for not-for-profit organizations. 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.

(b) Capital assets:

Capital asset purchases under \$5,000 are expensed in the year of purchase. During the year, a total of \$Nil (2017 - \$Nil) in capital asset purchases were included in expenses.

(c) Expenses:

In the statement of operations, the Coalition presents its expenses by function.

Expenses are recognized in the year incurred and are recorded in the function to which they are directly related. The Coalition does not allocate expenses between functions after initial recognition.

HUMANITARIAN COALITION

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Coalition has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Coalition determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Coalition expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) 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. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period they have become known.

HUMANITARIAN COALITION

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Funding policy:

The Coalition has adopted a funding model whereby a minimum of 85% of appeal funds will be allocated to programs, with this percentage to be applied to the combination of Humanitarian Coalition and member agency funds and costs. The balance may be applied towards core operating costs of the Coalition and as such is included in unrestricted net assets.

3. Accounts payable and accrued liabilities:

At year-end, the Coalition had no amounts payable for government remittances, such as harmonized sales tax or payroll-related taxes.

4. Deferred revenue:

Deferred revenue consists of appeal funds that have been allocated to humanitarian projects supported by the member organizations of the Coalition for programs that will be undertaken or continued in the next fiscal year. These amounts include allocations for joint monitoring and evaluation of the member's programs funded by the related appeals.

	2018	2017
Monitoring and evaluation	\$ 63,680	\$ 60,750
Canadian Humanitarian Assistance Fund	-	1,568,769
Indonesia Tsunami	18,532	-
	\$ 82,212	\$ 1,629,519

5. Net assets:

(a) Capital management:

The Coalition considers its capital to consist of its net assets. The objective of the Coalition with respect to its capital is to generally match the structure of its capital to the underlying nature and term of the assets being financed, and to hold sufficient funds to enable it to withstand negative unexpected financial events in order to ensure the ability to continue as a going concern and to maintain sufficient liquidity to meet its obligations as they become due.

The Coalition is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended December 31, 2017.

HUMANITARIAN COALITION

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. Net assets (continued):

(b) Internally restricted net assets:

	Balance, beginning of year	Transferred out to unrestricted net assets	Used in year	Balance, end of year
Emergency Response Fund	\$ 128,116	\$ -	\$ -	\$ 128,116

The Emergency Response Fund was established by the Board of Directors and is made up of donations which are programmatic, but not appeal-specific. For that reason, these donations are considered revenue when they are received and are internally restricted to be used for future emergencies.

6. Financial risk management:

Management believes that the Coalition is not exposed to significant credit, interest rate, foreign currency, liquidity, or other price risks arising from its financial instruments.

There have been no changes to the Coalition's risk exposures from 2017.