

**HORIZONS OF FRIENDSHIP**  
**Financial Statements**  
**March 31, 2023**

**HORIZONS OF FRIENDSHIP**  
**Index to Financial Statements**  
**Year Ended March 31, 2023**

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LYNCH  
RUTHERFORD  
TOZER

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Horizons of Friendship

### *Qualified Opinion*

We have audited the financial statements of Horizons of Friendship, which comprise the statement of financial position as at March 31, 2023, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Horizons of Friendship as at March 31, 2023 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.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, Horizons of Friendship derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Horizons of Friendship. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2023 and March 31, 2022, current assets and net assets as at April 1, 2022 and March 31, 2023, because of the possible effects of these scope limitations.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Horizons of Friendship 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Horizons of Friendship's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Horizons of Friendship or to cease operations, or has no realistic alternative but to do so.



Independent Auditor's Report to the Members of Horizons of Friendship *(continued)*

Those charged with governance are responsible for overseeing Horizons of Friendship's financial reporting process.

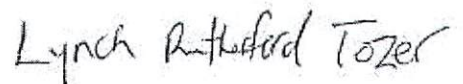
*Auditor's Responsibilities for the Audit of the Financial Statements*

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 auditor's 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 these 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 Horizons of Friendship'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 Horizons of Friendship's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Horizons of Friendship 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.

We 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.

Port Hope, Ontario  
September 21, 2023

  
Chartered Professional Accountants  
Licensed Public Accountants

**HORIZONS OF FRIENDSHIP**  
**Statement of Financial Position**  
**As at March 31, 2023**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 211,536	\$ 414,831
Investments (Note 7)	337,438	295,493
Accounts receivable (Note 4)	13,342	5,904
Project advances (Note 5)	3,969	74,674
Prepaid expenditures and craft inventories	8,786	33,720
	<u>575,071</u>	<u>824,622</u>
CAPITAL ASSETS (Note 6)	100,863	112,764
LONG TERM INVESTMENTS (Note 7)	<u>996,327</u>	<u>1,055,276</u>
	<u>1,097,190</u>	<u>1,168,040</u>
	<u><b>\$ 1,672,261</b></u>	<u><b>\$ 1,992,662</b></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable (Note 8)	\$ 81,828	\$ 56,264
Deferred revenue (Note 9)	<u>258,815</u>	<u>317,287</u>
	340,643	373,551
GOVERNMENT LOAN (Note 10)	<u>38,633</u>	<u>36,810</u>
	<u>379,276</u>	<u>410,361</u>
<b>NET ASSETS</b>		
UNRESTRICTED	303,684	381,099
RESTRICTED (Note 11)	888,438	1,088,438
INVESTED IN CAPITAL ASSETS (Note 6)	<u>100,863</u>	<u>112,764</u>
	<u>1,292,985</u>	<u>1,582,301</u>
	<u><b>\$ 1,672,261</b></u>	<u><b>\$ 1,992,662</b></u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes form an integral part of these financial statements

**HORIZONS OF FRIENDSHIP**  
**Statement of Revenues and Expenditures**  
**Year Ended March 31, 2023**

	2023	2022
<b>REVENUES</b>		
NGO collaborations	\$ -	\$ 8,068
Monthly donations	91,091	101,062
General donations	103,179	134,393
Foundations	452,228	356,079
Bequests	2,684	2,066
Thrift shop	69,204	46,708
Fundraising events	-	1,013
Major gifts	29,843	3,851
Rose and Zal Fund	6,619	129
Endowment capital funds <i>(Note 11)</i>	200,000	130,000
	<u>954,848</u>	<u>783,369</u>
<b>GOVERNMENT GRANTS (Note 3)</b>		
Global Affairs Canada/DFATD - Projects	-	99,458
Global Affairs Canada - Administration	-	2,086
	<u>-</u>	<u>101,544</u>
<b>OTHER REVENUE</b>		
Investment income	29,476	31,599
Miscellaneous	-	3,600
Covid-19 government grants <i>(Note 12.)</i>	-	111,540
	<u>29,476</u>	<u>146,739</u>
	<u>984,324</u>	<u>1,031,652</u>
<b>EXPENDITURES</b>		
Administration - schedule 1	311,679	311,153
Operating - schedule 1	81,302	168,213
Program expenditures - schedule 2	604,716	773,491
Thrift shop	27,554	20,148
	<u>1,025,251</u>	<u>1,273,005</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>		
	(40,927)	(241,353)
Unrealized gain/(loss) on investments <i>(Note 7)</i>	(48,389)	30,028
	<u>(89,316)</u>	<u>30,028</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>\$ (89,316)</u>	<u>\$ (211,325)</u>

The accompanying notes form an integral part of these financial statements



**HORIZONS OF FRIENDSHIP**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2023**

	Unrestricted	Restricted (Note 11)	Invested in Capital Assets (Note 6)	<b>2023</b>	2022
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 381,099	\$ 1,088,438	\$ 112,764	<b>\$ 1,582,301</b>	\$ 1,923,626
Excess (Deficiency) of revenues over expenditures	(89,316)	-	-	<b>(89,316)</b>	(211,325)
Endowment Fund contributions (Note 11)	-	(200,000)	-	<b>(200,000)</b>	(130,000)
Investment in capital assets - net (Note 6)	11,901	-	(11,901)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 303,684</b>	<b>\$ 888,438</b>	<b>\$ 100,863</b>	<b>\$ 1,292,985</b>	<b>\$ 1,582,301</b>

The accompanying notes form an integral part of these financial statements

**HORIZONS OF FRIENDSHIP**  
**Statement of Cash Flows**  
**Year Ended March 31, 2023**

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenditures	\$ (89,316)	\$ (211,325)
Items not affecting cash:		
Amortization	12,837	18,040
Transfer of endowment funds to operations <i>(Note 11)</i>	(200,000)	(130,000)
CEBA loan forgiveness income and writedown <i>(Note 10.)</i>	-	(3,091)
CEBA loan interest <i>(Note 10.)</i>	1,823	1,880
Unrealized (gain)/loss on investments <i>(Note 7)</i>	48,389	(30,028)
	<u>(226,267)</u>	<u>(354,524)</u>
Changes in non-cash working capital:		
Accounts receivable	(7,438)	592,552
Project advances	70,705	69,551
Prepaid expenditures and craft inventories	24,934	(2,199)
Accounts payable	25,564	39,283
Deferred revenue	(58,472)	52,980
	<u>55,293</u>	<u>752,167</u>
Cash flow from (used by) operating activities	<u>(170,974)</u>	397,643
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(935)	(14,292)
Proceeds on disposal of property, plant and equipment	-	349
Net disposition/ (purchase) of investments <i>(Note 7)</i>	(31,386)	(71,976)
Cash flow used by investing activities	<u>(32,321)</u>	<u>(85,919)</u>
<b>FINANCING ACTIVITY</b>		
Proceeds from long term financing	-	500
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(203,295)</b>	<b>312,224</b>
CASH - BEGINNING OF YEAR	<u>414,831</u>	<u>102,607</u>
CASH - END OF YEAR	<u>\$ 211,536</u>	<u>\$ 414,831</u>

The accompanying notes form an integral part of these financial statements



**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

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1. DESCRIPTION OF BUSINESS

Horizons of Friendship (Organization) is a registered Canadian Charity, with charitable registration number 11896 3461 RR0001, and was incorporated under the laws of Canada in 1973. The head office for the organization is located in Cobourg, Ontario, Canada.

The charitable organization is committed to promoting social justice and people-centred development primarily in Central America and Mexico. The organization focuses on long-term change by confronting the root causes of poverty and injustice in Central America and Mexico. The organization partners with civil society organizations and addresses priority themes defined by their communities. Program themes have emerged from partners' concerns and extensive work in the region. Themes are based on extensive research, consultation, and experience in the field. Maternal, newborn and child health, gender equality, violence against women, bilingual education, HIV/AIDS, ancestral medicine, and food security are among the themes of Horizons diverse projects. Please refer to Schedule 2 for a detailed list of program expenditures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and are in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in bank accounts.

Investments

Investments for which there are quoted prices in an active market are carried at fair value. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported on the statement of revenues and expenditures.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	5%	straight-line method to a residual net book value of \$40,000
Audio/Visual equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Computer software	10 years	straight-line method
Furniture and fixtures	20%	declining balance method

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting

Horizons of Friendship follows the deferral method of accounting for contributions.

Revenues and expenditures related to program delivery and administrative activities are reported in the Unrestricted Operating Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenditures related to Horizons of Friendship's capital assets and building improvements campaign.

Endowment and restricted contributions are reported in the Restricted Fund. Please refer to Note 10 for more details related to the restricted fund. Investment income earned on resources of the Endowment Fund is reported in the Restricted Fund or Unrestricted Operating Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Revenue Recognition

The organization follows the deferral method of accounting for contributions which include donations (NGO collaborations and Foundations), gifts (Major Gifts, Rose and Zal, and Oneness), and government grants (Global Affairs Canada). NGO collaborations donation revenues relate to funds received from non-government organizations. Foundation donation revenues relate to funds received from foundations. Rose and Zal and Oneness revenues relate to major gifts separately disclosed. Investment income includes dividends, interest, realized gains/losses, and other income. Unrealized investment gains/losses are reported as a separate line item on the statement of revenues and expenditures.

Restricted operating grants and donation contributions are recognized as revenue in the year in which the related expenditures are incurred. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Any revenue held in trust is reflected on the statement of financial position as deferred revenue.

Unrestricted operating grants and donation contributions are recognized as revenue when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Thrift shop sales are recognized as revenue when amounts are collected for items sold. Delegations proceeds (funds received for organization events and trips) are recognized as revenue once funds have been received from participants and the event has been completed. Income from fundraising events are recognized as revenues when funds have been received or collection is reasonably assured and the event has taken place. Endowment capital funds (previously restricted) are recognized as revenue when the board has approved the funds to be spent on operating activities. Investment income is recognized as revenue when income proceeds are received or when income has been earned and collection is reasonably assured (investments reconciled to fair market value).

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

*(continues)*



**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant items subject to such estimates and assumptions include the useful lives of capital assets, accrued liabilities and the amount of deferred liabilities brought into income. Actual results could differ from these estimates.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenditures have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Financial instruments policy

Financial instruments are recorded at its fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to the instrument. These costs on the acquisition, sale or issue of financial instruments are expensed when incurred if the financial instrument will be subsequently measured at fair market value. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date when there are indications of impairment.

When the organization issues financial instruments that include both a debt and equity component, the entire proceeds are allocated to the debt component, and the equity component is assigned a measurement amount of \$nil.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

3. GOVERNMENT GRANTS

Horizons of Friendship entered into an agreement during 2016 (scheduled to expire on or before September 30, 2020) with Global Affairs Canada to strengthen maternal, newborn and infant health in Guatemala. The agreement term was extended to March 31, 2022 during a prior year. As at the end of the prior year, the organization has now completed their obligations associated with the agreement.

Global Affairs Canada has committed to a maximum contribution over the contract term in the amount of \$11,435,399 for specific projects as outlined in the agreement. \$10,210,178 is allocated to cover 85% of the eligible direct expenditures and \$1,225,221 is allocated to help fund Horizons of Friendship indirect overhead expenditures related to the project. The funding is dependent upon a contribution agreement whereby Horizons of Friendship must contribute a minimum of \$1,801,796 in the form of cash toward the cost-shared projects.

The contract also stipulates that Global Affairs Canada will hold-back final funding on the contract in the amount of \$571,770 until the organization has met all obligations. In anticipation of the impact of this hold-back, the organization has established an internally restricted fund to help ensure all project costs can be paid during the last year of the contract while the final Global Affairs Canada payment is held back. In 2023, \$0 (2022 \$0) was transferred from the Unrestricted Operating Fund; \$522,191 has been transferred on a cumulative basis (please refer to Note 11 for more details).

Global Affairs Canada advanced total funds in the amount of \$571,770 during the prior year; \$11,435,399 on a cumulative basis. The remaining commitment for Global Affairs Canada as at the end of the year under the contract is \$0 (2022 \$0).

The organization contributed \$0 in the year (2022 \$15,192); cumulative \$1,824,379. The organization has contributed \$22,583 more to the project compared to the agreement.

Global Affairs Canada contract activity has been reported as follows during the year:

1. \$0 (2022 - \$0) related to funds recorded as receivable since owed but not yet funded by Global Affairs Canada.
2. \$0 (2022 - \$101,544) was spent on intended Global Affairs Canada projects and therefore has been reported as revenue.
3. \$0 (2022 - \$0) related to funds received from Global Affairs Canada has been reported as deferred revenue since the related project expenditures have not been incurred.

	2023	2022
<b>Revenue reported under government grants can be summarized as follows :</b>		
Deferred at the beginning of the year	\$ -	\$ 96,155
Funds received in the year	-	571,770
Accounts receivable beginning of year	-	(566,381)
	\$ -	\$ 101,544
Government grant revenue	\$ -	\$ 101,544



**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

4. ACCOUNTS RECEIVABLE

	<b>2023</b>	2022
Government remittances receivable	\$ 274	\$ -
Harmonized sales tax public service body rebate receivable	13,068	5,904
	<b>\$ 13,342</b>	<b>\$ 5,904</b>

5. PROJECT ADVANCES

As at year end, the organization had advanced \$3,969 (2022 - \$74,674) to project organizations related to funds not yet spent by the project organizations. These funds have been reported as a project advance and an offsetting deferred revenue. The corresponding project expenditure and associated revenue will be recorded on the statement of revenues and expenditures once the funds are disbursed in accordance with the funding agreement.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	<b>2023 Net book value</b>	2022 Net book value
Land	\$ 38,000	\$ -	\$ 38,000	\$ 38,000
Buildings	258,193	207,007	51,186	53,852
Audio/Visual equipment	10,814	9,509	1,305	3,468
Computer equipment	38,566	37,549	1,017	2,773
Computer software	45,022	38,922	6,100	10,602
Furniture and fixtures	111,156	107,901	3,255	4,069
	\$ 501,751	\$ 400,888	<b>\$ 100,863</b>	<b>\$ 112,764</b>

**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

7. INVESTMENTS

	2023	2022
Guaranteed investment certificates <i>(market value \$337,438)</i>	<b>\$ 337,438</b>	\$ 295,493
Other portfolio investments <i>(market value \$996,327)</i>	<b>1,060,260</b>	1,070,819
Investments at cost	<b>1,397,698</b>	1,366,312
Allowance for excess(deficiency) of market value over cost	<b>(63,932)</b>	(15,543)
Investments at market value	<b>\$ 1,333,766</b>	\$ 1,350,769

Allocation for FS presentation

1. \$337,438 Current (2022 - \$295,493)
2. \$996,327 Long term (2022 - \$1,055,276)

The guaranteed investment certificates include; a compounding \$0 (2022 - \$96,000) investment with an effective interest rate of 1.49% that matured on January 11, 2023, a compounding \$0 (2022 - \$96,000) investment with an effective interest rate of 1.46% that matured on January 11, 2023, a compounding \$0 (2022 - \$96,000) investment with an effective interest rate of 1.38% that matured on January 12, 2023, a compounding \$97,850 (2022 - \$0) investment with an effective interest rate of 5.00% that matures on January 11, 2024, a compounding \$100,000 (2022 - \$0) investment with an effective interest rate of 5.03% that matures on January 11, 2024, a \$137,441 (2022 - \$6,597) RBC investment series A savings account and interest accrual of \$2,148 (2022 - \$896).

The share equities are invested in domestic securities; consisting of mutual funds, common and preferred shares and are subject to stock market fluctuations and amounts invested are not guaranteed.

The market-indexed equities are invested in international equity securities, are subject to stock market fluctuations, and amounts invested are not guaranteed.

Investments included above are stated at fair values. Fair values of these investments are determined by reference to published price quotations provided by the organization's investment broker.

There was no unrealized gain or loss determined to be permanent at year end (zero in 2022). Therefore, no gain or loss was recognized on the statement of revenues and expenditures.

The cumulative unrealized loss related to all investments is equal to \$63,932 (\$15,543 loss in 2022). Therefore, there was a combined unrealized loss of \$48,389 during the year (\$30,028 gain in 2022); \$48,389 loss is reported on the statement of revenues and expenditures during the year (\$30,028 gain in 2022).

**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

8. ACCOUNTS PAYABLE

	<b>2023</b>	<b>2022</b>
Accounts payable and accrued liabilities	\$ 81,828	\$ 55,999
Government remittances	-	265
	<b>\$ 81,828</b>	<b>\$ 56,264</b>

9. DEFERRED REVENUE

Deferred revenue represents contributions received by and/or owed to Horizons of Friendship for community development and/or specific projects, which, at year end, the related expenditures had not yet been incurred. Interest earned from restricted contributions may be used for ongoing operations. Deferred revenue consists of the following:

	<b>2023</b>	<b>2022</b>
Foundations	\$ 255,998	\$ 306,791
NGO collaborations	-	3,810
Rose & Zal El Salvador fund	2,817	6,686
	<b>\$ 258,815</b>	<b>\$ 317,287</b>

\$3,969 (2022 - \$74,674) of the deferred revenue amount relates to project advances as outlined in Note 5.

**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

10. GOVERNMENT LOAN

	2023	2022
CEBA loan	\$ 60,000	\$ 60,000
Loan forgiveness	<u>(20,000)</u>	<u>(20,000)</u>
CEBA loan at face value	40,000	40,000
Writedown	(5,164)	(5,164)
Interest	<u>3,797</u>	<u>1,974</u>
CEBA loan at amortized cost	<u>\$ 38,633</u>	<u>\$ 36,810</u>

The organization received a Canada Emergency Business Account (CEBA) Interest-free loan for \$0 (\$500 in 2022) during the year. \$20,000 will be forgiven if the \$40,000 is repaid in full on or before December 31, 2023. If the loan is not repaid on time the full \$60,000 loan will be payable. The balance outstanding may be extended to December 31, 2025 but interest will be charged at a rate of 5%.

The organization expects to repay the loan in full prior to December 31, 2023. Therefore, \$20,000 has been reported in the prior year as Government grant income on the statement of revenues and expenditures.

The CEBA loan is non-interest bearing, however, due to the application of accounting for financial instruments, interest expense on the CEBA loan is recognized over the life of the CEBA loan at the prevailing interest rate at the time of inception of the CEBA loan. The CEBA loan is measured at amortized cost based on an estimated 5% interest rate; the applicable rate if the loan is not repaid by December 31, 2023. Based on these assumptions, the initial CEBA loan writedown of \$0 (2022 - \$3,091) is reported as Covid-19 government grant income on the statement of revenues and expenditures. Interest expense of \$1,823 (2022 - \$1,880) is reported within interest and bank charges within the administration expenditures on the on schedule 1 at year end. This interest expense was reported as Covid-19 government grant income on the statement of revenues and expenditures in the prior year.



**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

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11. RESTRICTIONS ON NET ASSETS

Internally restricted stabilization and endowment capital funds were established to provide financial stability and help ensure the long-term survival of the organization. The restricted net assets are managed by the Board of Directors, through its Executive Committee. This internally restricted amount is not available for expenditure without approval by the Board of Directors. Investment income earned on the assets is not restricted.

The Board made a decision to launch a major capital campaign to establish an internal endowment fund. The objective of the endowment fund is to manage investments and to generate investment income in order to reduce the organization's dependency on government funding.

On an annual basis as part of the budgeting process, the board reviews the capital required to fund the organization's operations and approves a yearly endowment fund withdrawal where needed. The approved funds are only drawn as needed to the general chequing account. For the 2023 fiscal year, a \$200,000 Endowment Capital Fund draw was approved of which \$200,000 (2022 - \$130,000) was drawn and included as revenue.

In 2017, the Global Affairs Canada fund was established to accommodate the holdback stipulated in the Global Affairs Canada's Maternal, Newborn and Child Health (MNCH) program contract. The contract was completed during the prior year. Therefore, the \$522,191 closing 2021 holdback for this fund was allocated to the Endowment Capital Fund in the prior year by the Board.

Restricted funds in the total amount of \$888,438 (2021 \$1,088,438) consist of the following:

1. Internally Restricted Fund for Stabilization \$212,002 (2022 \$212,002)
2. Internally Restricted Endowment Capital Fund \$676,436 (2022 \$876,436)
3. Internally Restricted Global Affairs Canada Holdback Fund \$0 (2022 \$0) (Note 3)

**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

12. COVID-19 GOVERNMENT GRANTS

	2023	2022
	\$ -	\$ -
Canada Emergency Wage Subsidy Program	-	105,932
Canada Emergency Business Account (Note 10)	-	1,211
Canada Summer Jobs Program	-	4,397
	\$ -	\$ 111,540

Canada Emergency Wage Subsidy Program:

In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS) program. The program provided employers that were impacted by COVID-19 with a wage subsidy to cover a portion of employee wages. The organization assessed its eligibility and determined that it qualified for this subsidy from the March 15, 2020 effective date through March 2022. During the year ended March 31, 2023, the organization was entitled to receive \$0 (\$105,932 in 2022) in government assistance from the CEWS program of which \$0 (\$0 in 2022) has yet to be received and is set up within accounts receivable see Note 4.

Canada Summer Job Grant:

In response to COVID-19, the Government of Canada announced the Canada Summer Jobs program. The program provides wage subsidies to employers with 50 or fewer full-time employees, to create quality summer work experiences for young people aged 15 to 30 years. The organization has assessed its eligibility and determined that it has qualified for this subsidy from the May 11, 2020 effective date through March 2023. The organization also intends on applying for the program in subsequent periods, subject to meeting the specific criteria. During the year ended March 31, 2023, the organization was entitled and received \$0 (\$4,397 in 2022) in government assistance from the program.

13. CONTINGENT MATTER

During the prior year the organization and a former employee entered into wrongful dismissal litigation. During the year, the litigation was settled and the parties agreed to compensation in the amount of \$35,246 be paid to the former employee. Total legal fees incurred on this matter were \$14,286. Therefore, a total of \$49,532 was accrued in the prior year accounts payable and reported as an outside service expense within the prior year administration expenditures on schedule 1 at year end.

14. OTHER ISSUES

The organization paid \$72,398 (\$134,351 in 2022) for retiring allowances during the year. This amount was recorded in administration salaries and benefits on schedule 1.

During the year, the global COVID-19 pandemic has severely impacted economic activities around the world and it continues to evolve. The duration and impact of the pandemic remains uncertain at this time. The organization has determined that these events are non-adjusting events. Hence, the financial position and results of operations as of and for the year ended March 31, 2023 have not been adjusted to reflect their impact, if any. As well, the organization is not able to reliably estimate the effects of the pandemic on the results of its future operations and financial position



**HORIZONS OF FRIENDSHIP**  
**Notes to Financial Statements**  
**March 31, 2023**

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15. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2023.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from its major funding organizations. The organization has a significant number of contributors which minimizes concentration of credit risk. The organization carefully reviews all project organizations prior to signing an agreement and advancing funds.

**(b) Currency risk**

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

**(c) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investments. The organization has attempted to diversify the investment portfolio in order to minimize the risk.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

16. REMUNERATION OF DIRECTORS AND OFFICERS

No remuneration was paid to directors and officers during the year.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**HORIZONS OF FRIENDSHIP**  
**Schedules of Administration and Operating Expenditures**      *(Schedule 1)*  
**Year Ended March 31, 2023**

	2023	2022
<b>ADMINISTRATION EXPENDITURES</b>		
Salaries and benefits	\$ 89,914	\$ 149,149
Outside services	158,406	86,706
Promotion and travel	4,652	578
Telephone	959	1,200
Postage and courier	684	878
Memberships, publications, subscription	3,411	4,776
Office supplies	1,361	7,591
Computing services	1,866	1,620
Meetings	291	514
Utilities	3,701	3,473
Insurance	17,506	14,532
Repairs and maintenance	1,925	5,785
Lease of office equipment	519	623
Amortization	12,837	18,040
Professional services	6,456	10,534
Interest and bank charges	6,425	4,727
Miscellaneous	766	427
	<u>\$ 311,679</u>	<u>\$ 311,153</u>
 <b>OPERATING EXPENDITURES</b>		
Salaries and wages	\$ 60,668	\$ 147,798
Outside services	2,644	2,735
Telephone	722	1,270
Postage and courier	2,783	2,581
Memberships, publications, subscription	13,639	12,936
Printing and advertising	846	893
	<u>\$ 81,302</u>	<u>\$ 168,213</u>

The accompanying notes form an integral part of these financial statements



**HORIZONS OF FRIENDSHIP**  
**Schedule of Program Expenditures (Mesoamerica and Canada)**      *(Schedule 2)*  
**Year Ended March 31, 2023**

	<b>2023</b>	<b>2022</b>
DESMI-Guardians of the mother earth seeds	\$ 22,435	\$ 16,615
AFEDES-Learning the skills to become independent artisans	-	9,070
Pies de Occidente-MNCH Project	173,492	116,736
ACUDESBAL-Promoting and strengthening organizations	54,310	37,905
MANGLE-Bajo Lempa	-	625
ADI Punta Mala Scholarship Project	6,480	-
MEC-Promoting women's defence	-	35,489
AMICA-Strengthening capacities for women	-	32,869
ACUN-Revitalization of the Ngabe-Bugle cultures	11,594	23,039
ASADA Coronado	49,926	98,074
Pies de Occidente-Stoves project	-	11,891
ASADA Roncalli	50,000	-
Migrant workers program	81,015	87,122
	<u>449,252</u>	<u>469,435</u>
Mesoamerica-program salaries	145,680	291,986
Monitoring and evaluation	990	476
Community Outreach Program	-	2,757
Other program expenditures	8,794	8,837
	<u>155,464</u>	<u>304,056</u>
<b>TOTAL PROGRAM EXPENDITURES</b>	<u><b>\$ 604,716</b></u>	<u><b>\$ 773,491</b></u>

The accompanying notes form an integral part of these financial statements