

Inspiration in Action

Financial Statements For the year ended December 31, 2018

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V A N D E R L U I T + A S S O C I A T E S I N C

chartered professional accountants

Independent Auditors' Report

To the Members of Inspiration in Action:

We have audited the accompanying financial statements of Inspiration in Action ("the Charity"), which comprise of the statement of financial position as at December 31, 2018 and the statements of changes in net assets, operations and cash flows for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities

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 error or fraud.

Auditors' Responsibilities

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making those risks assessments, we consider internal control relevant to the Charity's preparation 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 Charity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

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



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Independent Auditors' Report

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Charity as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Without modifying our opinion, we draw attention to Note 3(a) to the financial statements which describes that the Charity adopted Canadian Accounting Standards for Not-for-Profit Organizations on January 1, 2018 with a transition date of January 1, 2017. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2017 and January 1, 2017, and the statement of changes in net assets, operations, and cash flows for the period ended December 31, 2017 and related disclosures. We were not engaged to report on the restated comparative information and, as such, it is unaudited.

Vancouver, British Columbia
October 7, 2019

Vanderluit + Associates Inc
Chartered Professional Accountants

Inspiration in Action
Statement of Financial Position

	December 31 2018	December 31 2017	January 1 2017
Assets			
Current			
Cash	\$ 67,476	\$ 29,794	\$ 100,552
Amounts receivable	125,496	199	181
	\$ 192,972	\$ 29,993	\$ 100,733
Liabilities and Net Assets			
Current			
Accounts payable and accrued liabilities	\$ 138,000	\$ 26,829	\$ 9,518
Net assets			
Unrestricted	54,972	3,164	91,215
	\$ 192,972	\$ 29,993	\$ 100,733

Commitments (Note 7)

Approved on behalf of the Board of Directors:


 _____ Director


 _____ Director

Inspiration in Action
Statement of Changes in Net Assets

For the year ended December 31, 2018

	<u>Unrestricted</u>
Net Assets, January 1, 2017	\$ 91,215
Deficiency of revenue over expenditures	<u>(88,051)</u>
Net Assets, December 31, 2017	\$ 3,164
Excess of revenue over expenditures	<u>51,808</u>
Net Assets, December 31, 2018	\$ 54,972

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

**Inspiration in Action
Statement of Operations**

For the year ended December 31	2018	2017
Revenues		
Donations (Note 5)	\$ 363,455	\$ 319,722
In-kind contributions (Note 6)	11,067	6,000
	<u>374,522</u>	<u>325,722</u>
Program expenditures		
CEF program (Note 4)	79,350	181,065
LTE program (Note 4)	24,030	43,206
Outreach	50,689	22,760
Program management	130,100	140,109
	<u>284,169</u>	<u>387,140</u>
General and administrative expenditures		
Office and miscellaneous (Note 6)	26,897	15,570
Professional fees	6,555	5,993
Salaries and benefits	5,093	5,070
	<u>38,545</u>	<u>26,633</u>
	<u>322,714</u>	<u>413,773</u>
Excess (deficiency) of revenue over expenditures	\$ 51,808	\$ (88,051)

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

Inspiration in Action
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from operating activities		
Cash received from:		
Donations	\$ 363,455	\$ 319,722
Cash used for:		
Charitable program	(284,169)	(388,858)
Administrative purposes	(41,604)	(1,622)
	37,682	(70,758)
Increase (decrease) in cash during the year	37,682	(70,758)
Cash, beginning of year	29,794	100,552
Cash, end of year	\$ 67,476	\$ 29,794

(See Note 6 for non-cash transactions)

Inspiration in Action Notes to Financial Statements

December 31, 2018

1. Nature of the Charity

Inspiration in Action (the "Charity") is incorporated under Part II of the Canada Corporations Act as a not-for-profit organization and is continued under the Canada Not-for-profit Corporations Act as at August 1, 2013. The Charity is a registered charitable organization, and is exempt from income taxes provided certain requirements of the Federal Income Tax Act are met.

2. Purpose of the Charity

The Charity was founded for the following purposes:

- a) to advance education by developing curriculum and providing courses in leadership, life skills, professional development and responsible and effective community involvement;
 - b) to promote volunteerism in the community at large by increasing awareness and support of volunteers for the benefit of the community;
 - c) to relieve poverty by establishing, operating and providing micro-finance programs and related services to the needy;
 - d) to solicit and receive gifts, bequests, trusts, funds and property and beneficially, or as a trustee or agent, to hold, invest, develop, manage, administer and distribute funds and property for the objects of the Charity, or for and to such other organizations as are registered charities or "qualified donees" under the provisions of the *Income Tax Act*; and
 - e) to undertake activities ancillary and incidental to the attainment of the aforementioned charitable purposes.
-

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are the Charity's first financial statements prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO) with a transition date of January 1, 2017. The Charity did not elect any exemptions under the transition provisions set out in *First-time Adoption by Not-for-Profit Organizations*, Section 1501, of the Chartered Professional Accountants of Canada Handbook – Accounting.

The Charity retrospectively applied ASNFPO to the opening balances as of January 1, 2017, and the financial statements for the year ended December 31, 2017. Adopting these standards had no impact on the Charity's deficiency of revenues over expenses for the year ended December 31, 2017, or on net assets as at January 1, 2017.

December 31, 2018

3. Summary of Significant Accounting Policies (continued)

(b) Use of Estimates

The preparation of these 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results may differ from these estimates. Estimates and assumptions are reviewed periodically based on historical experience and other relevant considerations. Revisions to estimates and assumptions are accounted for prospectively.

(c) Revenue Recognition

The Charity uses the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions are deferred and recognized as revenue when the related expenditures designated by the contributor are incurred. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income is recognized as revenue in the year earned.

(d) Contributed Materials and Services

The Charity received various contributions in the form of materials or services that it uses to carry out its objectives. Contributed materials and services are recorded only when the fair value can reasonably be estimated, and where the materials and services are normally purchased and would be paid for if not donated (see Note 6).

Volunteers contribute a considerable amount of time to assist the Charity in carrying out its charitable activities. Due to the difficulty in determining the fair value of such services, they are not recognized in the financial statements.

(e) Financial Instruments

Measurement of financial instruments

The Charity initially measures its financial instruments at fair value.

The Charity subsequently measures all its financial instruments at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial instruments measured at amortized cost consist of amounts receivable and accounts payable and accrued liabilities.

The Charity had no investments in equity instruments which were quoted in an active market.

December 31, 2018

3. Summary of Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. If an impairment exists, the amount of the write-down is recognized in the statement of operations the period impairment was determined. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of reversal is recognized in net income.

Risks

It is management's opinion that the Charity is not exposed to significant interest, market, or credit risks on its financial instruments.

4. Charity Programs

The Charity's activities include the following programs:

Community Evolution Foundation (CEF) Program enables local communities to develop, own and grow sustainable co-operative and community-based enterprises by offering facilitated community development support combined with seed capital / project funding. The CEF program supports community enterprise projects in Bolivia, Ecuador and Canada (British Columbia).

Learn to Earn (LTE) Program provides educational scholarships - including English language lessons & life skills training - to underprivileged Indian young women and girls with an aim to increase their economic opportunities. Although administered locally in New Delhi, the LTE program is a team effort across all of ILSC Education Group with every campus taking part in fundraising support and cooperative projects.

5. Related Party Transactions and Economic Dependence

During the year, the Charity received donations totalling \$363,455 (2017 - \$319,722) from a registered Canadian public Foundation, related by virtue of two common directors, which represented 100% (2017 - 100%) of the Charity's total donations.

Inspiration in Action
Notes to Financial Statements

December 31, 2018

6. In-kind Contributions & Office and Miscellaneous

During the year, ILSC Education Group ("ILSC") provided office desk space and payroll administrative services to the Charity at no consideration.

	2018	2017
Rent of desk space	\$ 2,667	\$ -
Payroll services received	8,400	6,000
Total in-kind contributions	\$ 11,067	\$ 6,000

In addition, the board members contributed approximately 250 hours (2017 - 200 hours) to assist the Charity in carrying out its charitable activities. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

7. Commitments

The Charity has commitments for its sponsored projects. The annual commitment for the next year is \$23,500.

8. Revision of Prior Years' Results

It was determined that accounts payable and accrued liabilities were overstated as at December 31, 2017. In addition, certain expenses relating to the 2017 fiscal year were not accrued and in-kind contributions of payroll services were not recorded. The financial statements have been adjusted retrospectively to record the adjustments. The net effects of these transactions for the financial statements as at December 31, 2017 are summarized below:

	As previously reported	Effect of revision	Revised amount
Statement of Financial Position:			
Travel advance	\$ 595	\$ (595)	\$ -
Accounts payable and accrued liabilities	22,956	3,873	26,829
Net assets	7,632	(4,468)	3,164
Statement of Operations:			
In-kind contributions	-	6,000	6,000
CEF program	178,815	2,250	181,065
Program management	140,091	18	140,109
Office and miscellaneous	7,370	8,200	15,570

In addition, certain prior year amounts have been reclassified to conform to the current year presentation.