Consolidated Financial Statements of

LIGHT UP THE WORLD

Year ended December 31, 2015

KPMG LLP
205-5th Avenue SW
Suite 3100, Bow Valley Square 2
Calgary AB
T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Light Up The World

We have audited the accompanying consolidated financial statements of Light Up The World, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, changes in deficiency and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, Light Up The World derives revenue from contributions, 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 Light Up The World. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2015 and 2014, any adjustments might be necessary to contributions and excess (deficiency) of revenues over expenses reported in the consolidated statements of operations, excess (deficiency) of revenues over expenses reported in the consolidated statements of cash flows and current assets and deficiency reported in the consolidated statements of financial position. This caused us to qualify our audit opinion on the consolidated financial statements as at and for the year ended December 31, 2014.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Light Up The World as at December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

May 25, 2016
Calgary, Canada

LIGHT UP THE WORLD

Consolidated Statements of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 122,528	$ 149,256
Accounts receivable	26,604	8,004
Goods and services tax recoverable	1,808	1,790
Prepaid expenses	4,704	3,216
	155,644	162,266
Equipment (note 3)	883	1,266
	$ 156,527	$ 163,532
Liabilities and Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 50,229	$ 50,148
	50,229	50,148
Deferred contributions (note 5)	135,162	181,776
	185,391	231,924
Deficiency	(28,864)	(68,392)
Commitments (note 6)		
	$ 156,527	$ 163,532

See accompanying notes to consolidated financial statements.

On behalf of the Board:

____________________________ Director

____________________________ Director

LIGHT UP THE WORLD

Consolidated Statements of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenues:		
Contributions	$ 732,432	$ 522,074
Sales of lighting systems	-	396
Other income	265	63
	732,697	522,533
Expenses:		
Programs	537,421	394,371
Administration	86,939	89,719
Fundraising	37,922	28,107
Development education	30,887	29,324
	693,169	541,521
Excess (deficiency) of revenues over expenses	$ 39,528	$ (18,988)

See accompanying notes to consolidated financial statements.

LIGHT UP THE WORLD

Consolidated Statements of Changes in Deficiency

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Deficiency, beginning of year	$ (68,392)	$ (49,404)
Excess (deficiency) of revenue over expenses	39,528	(18,988)
Deficiency, end of year	$ (28,864)	$ (68,392)

See accompanying notes to consolidated financial statements.

LIGHT UP THE WORLD

Consolidated Statements of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 39,528	$ (18,988)
Items not involving cash:		
Amortization of equipment	383	553
Deferred contributions included in revenue (note 5)	(507,480)	(361,262)
	(467,569)	(379,697)
Change in non-cash operating working capital:		
Accounts receivable	(18,600)	(952)
Prepaid expenses	(1,488)	11,246
Good and services tax recoverable	(18)	331
Accounts payable and accrued liabilities	81	26,253
	(20,025)	36,878
	(487,594)	(342,819)
Financing:		
Deferred contributions received (note 5)	460,866	430,268
(Decrease) increase in cash	(26,728)	87,449
Cash, beginning of year	149,256	61,807
Cash, end of year	$ 122,528	$ 149,256

See accompanying notes to consolidated financial statements.

1. **Purpose of the organization:**

Light Up The World ("LUTW") was incorporated under the Alberta Companies Act with the objective of fostering the development of renewable and alternative energy through projects that have positive social and environmental impact. LUTW has focused on providing solar-powered lighting solutions considered to be affordable, safe, healthy, efficient and environmentally responsible to people and organizations that do not have access to power for adequate lighting. In pursuit of the fulfillment of this mission, LUTW has continued developing, selling, installing and providing training on the installation of these low-cost, low-energy solar-powered lighting solutions to government and other agencies and interested organizations.

LUTW is registered as a charitable organization for income tax purposes; consequently LUTW is not taxable and is authorized to issue charitable donation receipts for income tax purposes.

The ongoing operations of LUTW are dependent on its success at raising funds from those interested in supporting its objectives.

2. **Significant accounting policies:**

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit standards in Part III of the CPA Handbook, the more significant of which, are as follows:

(a) Consolidation:

These consolidated financial statements include the accounts of LUTW and its wholly owned subsidiary Light Up The World Group Peru. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the LUTW.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued):

(b) Foreign currency translation:

Monetary items denominated in a foreign currency and non-monetary items carried at market are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of net income for the period.

Financial statements of integrated foreign operations are translated as follows: monetary items at the exchange rate at the balance sheet date; non-monetary items, including amortization thereon, at historical exchange rates and; revenue and expense at the average rates of exchange in effect for the period. Exchange gains and losses are included in the determination of excess/deficiency of revenues over expenses for the period.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of LUTW and its subsidiary.

(d) Equipment:

Equipment is stated at cost less accumulated amortization. Equipment is amortized using the declining balance method over their estimated useful lives at the following rates:

Assets	Rate
Furniture and equipment	25%
Computer equipment	33%

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. LUTW 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 straight-line method.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

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, LUTW 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 LUTW 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.

(f) Revenue recognition:

LUTW follows the deferral method of accounting for contributions.

Contributions subject to externally imposed restrictions are recognized as revenue in the year in which the related expenses are incurred. Contributions received which do not have any externally imposed restrictions as to use, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Board of Directors may from time to time set aside portions of these unrestricted contributions for specified purposes. Contributions to which these internally imposed restrictions apply are included in revenue and subsequently set aside as internally restricted net assets.

Contributed materials and supplies that would otherwise be paid for by LUTW and fair value can be determined are recorded at fair value when provided.

Revenue from product sales is recorded when the goods have been shipped. Payments are required to be received prior to shipment of the products. Payments received in respect of sales awaiting shipment, are recorded as unearned revenue and are reclassified to the statement of operations when the goods have been shipped.

(g) Contributed services:

Individuals have donated amounts of time in furthering the LUTW's objectives. Due to the difficulty of determining the fair value of these contributions, the value of these volunteer services has not been recorded in the financial statements.

2. Significant accounting policies (continued):

(h) Allocation of expenses:

Certain officers and employees perform a combination of program, fundraising, development education and administrative functions. As a result, salaries are allocated based on functional activity. Allocations are reviewed on a periodic basis to ensure the distribution of costs reasonably approximates the time incurred on the various functions.

(i) Measurement uncertainty:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

3. Equipment:

2015	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 2,197	$ 1,865	$ 332
Computer equipment	6,008	5,457	551
	$ 8,205	$ 7,322	$ 883

2014	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 2,197	$ 1,754	$ 443
Computer equipment	6,008	5,185	823
	$ 8,205	$ 6,939	$ 1,266

Amortization of capital assets for the year was $382 (2014 - $553) and is included in administration expenses.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $2,175 (2014 - $1,985), which includes amounts payable for payroll related taxes.

5. Deferred contributions:

Deferred contributions represent unspent resources subject to externally imposed restrictions requiring that funds be used for specific projects. Changes in deferred contributions during the year are as follows:

2015	Deferred, beginning of year	Contributions received in year	Included in revenue	Deferred, end of year
Costa Rica	$ 58,692	$ 2,995	$ 35,744	$ 25,943
Papua New Guinea	58,344	100	599	57,845
Peru regional office	58,258	394,032	428,381	23,909
Guatemala	6,482	51,539	39,006	19,015
Government funded projects	-	12,200	3,750	8,450
	$ 181,776	$ 460,866	$ 507,480	$ 135,162

2014	Deferred, beginning of year	Contributions received in year	Included in revenue	Deferred, end of year
Costa Rica	$ 12,924	$ 52,400	$ 6,632	$ 58,692
Papua New Guinea	30,753	66,044	38,453	58,344
Peru regional office	66,403	278,587	286,732	58,258
Guatemala	2,690	32,841	29,049	6,482
Third party projects	-	396	396	-
	$ 112,770	$ 430,268	$ 361,262	$ 181,776

6. Commitments:

LUTW is committed under operating lease agreements for minimum annual rental payments approximately as follows:

2016	$ 25,892

7. Allocation of salaries and benefits:

Salaries and benefits have been allocated to the functions as follows:

	2015	2014
Programs	$ 228,690	$ 156,434
Administration	48,340	43,744
Fundraising	9,737	16,072
Development education	18,368	20,252
	$ 305,135	$ 236,502

8. Financial risks:

(a) Currency risk:

LUTW is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, LUTW renders certain services denominated in U.S. dollars. LUTW does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2014.

(b) Liquidity risk:

Liquidity risk is the risk that LUTW will be unable to fulfill its obligations on a timely basis or at a reasonable cost. LUTW manages its liquidity risk by monitoring its operating requirements. LUTW prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2014.

(c) Credit risk:

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. LUTW is exposed to credit risk with respect to the accounts receivable and cash. LUTW assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. LUTW manages credit risk on cash by depositing funds with reputable financial institutions.

LIGHT UP THE WORLD

Schedule of Expenses

Schedule 1
(unaudited)

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Programs:		
Project expense:		
Salaries and benefits	$ 156,896	$ 109,564
Cost of product installed and shipped	145,982	120,440
Travel and accommodation	109,835	71,998
Field personnel and expense	84,577	54,094
Allocation of office rent	35,961	20,980
Miscellaneous expenses	–	6,752
Foreign exchange (gain) loss	(3,651)	4,901
	529,600	388,729
Training seminars	7,821	5,642
	$ 537,421	$ 394,371

Schedule 2
(unaudited)

	2015	2014
Administration:		
Salaries and benefits	$ 48,340	$ 43,744
Professional fees	14,745	14,561
Foreign exchange losses	7,026	2,281
Office expense	5,879	17,904
Allocation of office rent	5,575	2,967
Insurance	3,220	5,941
GST expense	1,771	1,768
Amortization	383	553
	$ 86,939	$ 89,719

Schedule 3
(unaudited)

	2015	2014
Fundraising:		
Event promotion and staging	$ 19,959	$ 2,780
Salaries and benefits	9,737	16,072
Donation processing fees	3,461	2,915
Allocation of office rent	3,233	3,680
Printing and communication	1,532	2,660
	$ 37,922	$ 28,107

Schedule 4
(unaudited)

	2015	2014
Development education:		
Salaries and benefits	$ 18,368	$ 20,252
Events	7,680	3,014
Allocation of office rent	4,839	5,073
Travel and accommodation	-	985
	$ 30,887	$ 29,324