
ETHNOS CANADA
DURHAM, ONTARIO
FINANCIAL STATEMENTS
DECEMBER 31, 2018

Contents

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Revenue, Expenditure and Surplus	3
Statement of Changes in Net Assets	4
Notes To Financial Statements	5

ETHNOS CANADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	2018	2017
Assets		
Current		
Cash and bank (Note 3)	\$ 1,096,740	\$ 798,839
Marketable securities, at market value (Note 3)	909,576	849,910
Receivables	40,801	26,230
Inventory	<u>17,182</u>	<u>15,880</u>
	2,064,299	1,690,859
Investment in restricted assets (Note 4)	30,644	32,831
Capital assets (Note 5)	<u>1,258,236</u>	<u>1,267,372</u>
	<u>\$3,353,179</u>	<u>\$2,991,062</u>
 Liabilities		
Current		
Payables and accruals	\$ 14,260	\$ 57,259
Source deductions payable	117,095	115,093
Due to ministry/projects	<u>1,458,436</u>	<u>1,124,627</u>
	<u>1,589,791</u>	<u>1,296,979</u>
 Net assets		
Invested in capital assets	1,258,236	1,267,372
Invested in restricted assets	30,644	32,831
Unrestricted net assets	<u>474,508</u>	<u>393,880</u>
	<u>1,763,388</u>	<u>1,694,083</u>
	<u>\$3,353,179</u>	<u>\$2,991,062</u>

ON BEHALF OF THE BOARD:

_____ Director _____ Director

ETHNOS CANADA
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDING DECEMBER 31, 2018

	2018	2017
Revenue:		
Public Contributions:		
Donations for ministry/projects	\$ 8,887,059	\$ 7,979,383
Bequests	<u>10,000</u>	<u>54,332</u>
	<u>8,897,059</u>	<u>8,038,715</u>
Other Revenues:		
Campus apartment rentals	208,716	206,128
Student fees	109,035	76,373
Investment income	16,785	13,282
Bookstore	10,574	9,415
Other income	78,057	61,235
Foreign exchange gain/<loss>	(13,942)	10,358
Gain on sale of capital assets	<u>0</u>	<u>5,031</u>
	<u>409,225</u>	<u>381,822</u>
	<u>9,306,284</u>	<u>8,420,537</u>
Expenses		
Missionary field programs	6,606,306	5,805,727
Candidate training programs	513,368	482,700
Recruiting programs	402,148	375,186
Retirement programs	110,029	86,719
Communications	188,926	155,931
Member care	<u>272,302</u>	<u>256,347</u>
	8,093,079	7,162,610
Administration and management	<u>1,141,712</u>	<u>1,174,911</u>
	<u>9,234,791</u>	<u>8,337,521</u>
Excess of revenue over expenses	71,493	83,016
Net change in restricted assets	(2,187)	(2,235)
Surplus , beginning of year	<u>1,694,083</u>	<u>1,613,302</u>
Surplus, end of year	<u>\$ 1,763,389</u>	<u>\$ 1,694,083</u>

ETHNOS CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING DECEMBER 31, 2018

	2018	2017
Operating activities		
Excess of revenue over expenses	\$ 71,493	\$ 83,016
Loss/<gain> on disposal of capital assets	0	(5,013)
Items not requiring a current outlay of cash:		
Depreciation and amortization	144,844	118,664
Change in non-cash working capital items:		
Marketable securities	(59,666)	(24,043)
Receivables	(14,571)	10,766
Inventory	(1,302)	(8,692)
Payables and accruals	(42,999)	(24,329)
Source deductions payable	2,002	7,200
Due to ministry/projects	<u>333,809</u>	<u>65,948</u>
	<u>433,610</u>	<u>223,517</u>
Investing activities		
Proceeds from the sale of capital assets	0	5,013
Purchase of capital assets	<u>(135,709)</u>	<u>(79,296)</u>
	<u>(135,709)</u>	<u>(74,283)</u>
Financing activities		
Change in investment in restricted assets	2,187	2,235
Change in restricted net assets	<u>(2,187)</u>	<u>(2,235)</u>
	<u>0</u>	<u>0</u>
Increase in cash for year	297,901	149,234
Cash and bank, beginning of year	<u>798,839</u>	<u>649,605</u>
Cash and bank, end of year	<u>\$1,096,740</u>	<u>\$ 798,839</u>

ETHNOS CANADA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Nature of operations

The organization is an international faith mission, whose purpose is to take the Gospel of the Lord Jesus Christ to all areas of the world; to publish and distribute Christian literature; and to train Christian workers for service. The organization is incorporated under the laws of the Province of Ontario as a non-profit corporation, is a registered charity under the Income Tax Act, and is exempt from income tax.

2. Accounting policies

The financial statements of the organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) **Marketable securities**

Marketable securities and restricted net assets consist of cash and guaranteed investment certificates, and are recorded at fair market value. Interest income is recorded when earned.

b) **Inventory**

The inventory represents books, videos, clothing and presentation materials for the organization's bookstore. Inventory is recorded at the lower of cost and net realizable value.

c) **Capital assets**

Capital assets are recorded at cost. Depreciation is recorded using the declining balance method at the rates indicated in Note 5.

d) **Revenue and revenue recognition**

Revenue from public contributions is recorded when received using the restricted fund method. Other revenue is recorded using the accrual method. Donations that are either post-marked or generated electronically by December 31 are accrued as revenue. Accounts in foreign currencies have been translated into Canadian dollars at the year-end exchange rate and any resulting foreign exchange gains and losses are included in the determination of earnings.

ETHNOS CANADA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Accounting policies (continued)

e) Use of estimates

Certain amounts recognized in the financial statements, in conformity with Canadian generally accepted accounting principles for non-profit organizations, require management to make estimates and assumptions that affect the amounts reported in the financial statements. By nature, these estimates are subject to measurement uncertainty and as a result, actual results could differ. Significant estimates and assumptions include the estimated useful lives of capital assets and accrued liabilities.

f) Endowment/Legacy donations and restricted assets

Endowment/Legacy donations are recognized as revenue when received and the corresponding future payroll expense is also accrued at this time. Investment income on these funds is handled in the same manner. Endowment/Legacy funds are classified as restricted assets.

e) Contributed goods and services

Contributed goods are recorded at their estimated fair market value. Volunteers contribute significant time each year to assist the organization. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

3. Cash and marketable securities

Cash and marketable securities are held for general operating purposes, and for the future use in missions' projects, including the future salaries of missionaries. Cash and marketable securities for general operating purposes are as follows:

	<u>2018</u>	<u>2017</u>
Cash and bank	\$ 1,096,740	\$ 798,839
Marketable securities, at market value	<u>909,576</u>	<u>849,910</u>
	2,006,316	1,648,749
Less: Due to ministry/projects	<u>1,458,436</u>	<u>1,124,627</u>
	<u>\$ 547,880</u>	<u>\$ 524,122</u>

ETHNOS CANADA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. Investments in restricted assets

Investments in restricted assets consist of donated funds received by the organization. These funds are invested, with annual payments of investment income and a portion of capital, to missionaries designated by the donor. The payments will continue until the funds are depleted or until the missionaries retire. Any funds remaining at that time, will cede to the organization, or be returned to the donor in accordance with the terms of the donor agreement.

5. Capital assets

	Rate	Cost	2018	2017	
			Accumulated Depreciation	Net Book Value	Net Book Value
Land	-	65,449	0	65,449	65,449
Buildings	4%	2,226,800	1,172,988	1,053,812	1,134,249
Portable buildings	10%	23,555	23,555	0	0
Computer equipment	25%	83,465	69,192	14,273	21,082
Vehicles	10%	226,833	173,208	53,625	15,303
Other equipment	10-30%	251,350	180,273	71,077	31,289
		<u>\$2,877,452</u>	<u>\$1,619,216</u>	<u>\$1,258,236</u>	<u>\$1,267,372</u>

Depreciation expense for the year totalled \$144,844, and was applicable to the following departments: Administration - \$135,021, Communications - \$7,283, Training - \$1,108, Church Engagement Team - \$1,258, Guest Facilities - \$174.

6. Financial instruments

Financial instruments of the organization consist mainly of cash, receivables, marketable securities, inventory, payables and accruals and due to ministry/projects. The carrying values of these financial assets and financial liabilities approximate their fair values.

The organization is exposed to interest rate risk and market risk arising from fluctuations in both interest rates and market conditions on its marketable securities and is exposed to foreign currency risk on its foreign currency holdings.

Scott D. Campbell Incorporated

Chartered Professional Accountant

147 QUEEN STREET
TRURO, NOVA SCOTIA
B2N 2B4

TELEPHONE: (902) 895-7427
FAX: (902) 893-4587

Independent Auditor's Report

To the Directors of the Ethnos Canada:

Qualified Opinion

I have audited the accompanying financial statements of Ethnos Canada, which comprise the statement of financial position as at December 31, 2018, and the statements of revenue, expenditure and surplus, and statement of changes in net assets, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of my report, these financial statements present fairly, in all material respects, the financial position of Ethnos Canada as at December 31, 2018, and the results of its operations and changes in net assets for the year then ended in accordance with Canadian accounting standards for non-profit organizations.

Basis for Qualified Opinion

In common with many non-profit organizations, Ethnos Canada derives revenue from the general public in the form of gifts, donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenue, excess of expenditure over revenue, assets and surplus. My audit opinion on the financial statements for the year ended December 31, 2017 were also modified accordingly.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 the organization'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 the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 the organization'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 the organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the organization 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.
- I 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 I identify during my audit.

Truro, Nova Scotia
June 26, 2019



Chartered Professional Accountant