

EDUDEO MINISTRIES
FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
EduDeo Ministries

Qualified Opinion

We have audited the financial statements of EduDeo Ministries, which comprise the balance sheet as at June 30, 2020, and the statements of changes in fund balances, revenues and expenses 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 effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of EduDeo Ministries as at June 30, 2020 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, the organization derives revenue from donations and 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 the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising or donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019, and fund balances as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 the organization 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 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.

INDEPENDENT AUDITOR'S REPORT

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 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 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 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.

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.



DBK Accounting Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Hamilton, Ontario
October 2, 2020

EDUDEO MINISTRIES

BALANCE SHEET AS AT JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 553,439	\$ 502,306
Short-term investments (Note 3)	487,399	251,215
Accounts receivable	1,800	-
Prepaid expenses	17,709	30,165
GST/HST recoverable	4,231	7,123
Government remittances receivable	<u>6,342</u>	<u>-</u>
	1,070,920	790,809
Capital assets (Note 4)	<u>643,647</u>	<u>664,057</u>
	<u>\$ 1,714,567</u>	<u>\$ 1,454,866</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,898	\$ 14,803
Deferred revenue	<u>198,271</u>	<u>176,873</u>
	215,169	191,676
Deferred contributions (Note 5)	<u>455,600</u>	<u>467,974</u>
	<u>670,769</u>	<u>659,650</u>
FUND BALANCES		
General - unrestricted	855,751	599,133
Invested in capital assets	<u>188,047</u>	<u>196,083</u>
	<u>1,043,798</u>	<u>795,216</u>
	<u>\$ 1,714,567</u>	<u>\$ 1,454,866</u>

Approved on behalf of the Directors:

Director
See accompanying notes to the financial statements

Director
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EDUDEO MINISTRIES

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2020

	<u>General - unrestricted</u>	<u>Invested in capital assets</u>	<u>Total 2020</u>	<u>Total 2019</u>
Balance, beginning of year	\$ 599,133	\$ 196,083	\$ 795,216	\$ 740,867
Excess (deficiency) of revenues over expenses	259,887	(11,305)	248,582	54,349
Capital asset additions	<u>(3,269)</u>	<u>3,269</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 855,751</u>	<u>\$ 188,047</u>	<u>\$ 1,043,798</u>	<u>\$ 795,216</u>

EDUDEO MINISTRIES

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
Revenues		
Donations	\$ 2,437,034	\$ 2,403,645
Grants from other charities	286,827	169,168
Special events	72,002	92,657
Rental income	39,900	37,783
Amortization of deferred contributions	12,374	12,374
Investment income and other	24,155	11,234
	<u>2,872,292</u>	<u>2,726,861</u>
Expenses		
Projects, Schedule 1	1,493,824	1,520,269
Program , Schedule 1	745,932	793,862
Administration, Schedule 1	161,989	136,178
Fundraising, Schedule 1	237,757	230,545
	<u>2,639,502</u>	<u>2,680,854</u>
Excess of revenues over expenses before other item	232,790	46,007
Other income		
Mortgage investment recovery	15,792	8,342
Excess of revenues over expenses for the year	<u>\$ 248,582</u>	<u>\$ 54,349</u>

EDUDEO MINISTRIES

**SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>
Projects		
Belize	\$ 84,516	\$ 282,787
Burkina Faso	45,589	30,176
Dominican Republic	344,242	485,862
Ethiopia	55,140	23,954
Ghana	8,633	-
Guatemala	13,393	5,545
Haiti	125,071	86,824
Nicaragua	449,794	313,216
Rwanda	1,703	20,592
Zambia	365,743	271,313
	<u>\$ 1,493,824</u>	<u>\$ 1,520,269</u>
Program		
Advertising and promotion	\$ 15,696	\$ 18,301
Amortization	11,839	11,695
Grants to other organizations	17,617	33,665
Insurance	2,831	2,647
Interest and bank charges	10,872	11,383
Materials and supplies	8,892	66,223
Memberships	1,488	1,150
Office and administration	4,231	3,687
Postage and courier	6,667	6,065
Professional fees	68	-
Property taxes	4,674	4,293
Repairs and maintenance	4,771	3,723
Salaries, benefits and subcontracting	583,763	557,260
Telephone and internet	45,277	21,386
Travel	24,495	49,326
Utilities	2,751	3,058
	<u>\$ 745,932</u>	<u>\$ 793,862</u>

EDUDEO MINISTRIES

SCHEDULE OF EXPENSES, continued
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
Administration		
Amortization	\$ 11,840	\$ 11,695
Insurance	2,830	2,648
Interest and bank charges	5,436	5,691
Memberships	461	384
Office	831	6,477
Postage and courier	5,048	2,806
Professional fees	18,123	10,209
Property taxes	4,673	4,292
Repairs and maintenance	4,823	3,723
Salaries and benefits	87,681	73,890
Telephone and internet	3,016	1,736
Travel and meetings	14,476	9,569
Utilities	2,751	3,058
	<u>\$ 161,989</u>	<u>\$ 136,178</u>
Fundraising		
Advertising and promotion	\$ 18,695	\$ 16,430
Bank charges	5,436	5,691
Partner fees	12,752	13,836
Postage and courier	5,048	2,806
Professional fees	24,746	37,293
Salaries, benefits and subcontracting	116,877	118,223
Special event expenses	7,226	12,064
Telephone and internet	41,606	19,650
Travel	5,371	4,552
	<u>\$ 237,757</u>	<u>\$ 230,545</u>

EDUDEO MINISTRIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
Operating activities		
Excess of revenues over expenses	\$ 248,582	\$ 54,349
Adjustments for		
Amortization	23,679	23,390
Amortization of deferred contributions	<u>(12,374)</u>	<u>(12,374)</u>
	259,887	65,365
Net change in non-cash working capital items		
Short-term investments	(236,184)	(50,473)
Accounts receivable	(1,800)	6,000
Prepaid expenses	12,456	6,063
GST/HST recoverable	2,892	(1,443)
Government remittances receivable	(6,342)	-
Accounts payable and accrued liabilities	2,095	1,521
Deferred revenue	<u>21,398</u>	<u>94,012</u>
	54,402	121,045
Investing activity		
Purchase of capital assets	<u>(3,269)</u>	<u>(6,259)</u>
Increase in cash	51,133	114,786
Cash, beginning of year	<u>502,306</u>	<u>387,520</u>
Cash, end of year	<u>\$ 553,439</u>	<u>\$ 502,306</u>

EDUDEO MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Nature of operations

The organization was incorporated as a corporation without share capital by letters patent under the Ontario Corporations Act on June 14, 1994. The Ministry of Government Services approved a name change on April 19, 2011. The name changed from Worldwide Christian Schools (Ontario) to EduDeo Ministries.

The corporation is a non-profit organization and has been approved as a registered charity under the Income Tax Act and therefore is exempt from payment of income taxes.

EduDeo Ministries advances quality education rooted in a Biblical worldview, so that children in the majority world learn to live as Christ. Desiring to see partners grow in their capacity, the organization partners long-term with school associations and ministries to deliver quality, Christ-centred education by strengthening their learning, leaders, and organizations.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(b) Revenue recognition

The organization follows the deferral method of accounting for donations. Restricted donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted donations and grants for the purchase of capital assets that will be amortized are recorded as deferred contributions and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Externally restricted donations and grants for the purchase of capital assets that will not be amortized are recognized as direct increases to the Investment in Capital Assets balance.

Fundraising and rental revenues are recognized as revenue in the year the corresponding services are provided or the year in which the event takes place.

Investment income is recorded as it is earned.

EDUDEO MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2. Significant accounting policies, continued

(c) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution. Amortization is provided on capital assets using the straight line method over the useful life of the assets at the following annual rates:

Building	2.5%
Furniture and equipment	20%
Computer equipment	30%

(d) Financial instruments

(i) Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at cost or 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 excess of revenues over expenses in the period incurred.

Financial assets measured at amortized cost on a straight line basis include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

(ii) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenses.

(e) Use of estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from management's best estimates, as additional information becomes available in the future. The significant areas requiring management's judgement relate to the rates of amortization used for capital assets and deferred contributions.

EDUDEO MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2. Significant accounting policies, continued

(f) Volunteer Services

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

(g) Foreign exchange

Monetary assets and liabilities of the organization which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenues and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in expenses.

(h) Allocated expenses

The major expenses have been allocated on the following basis:

Salaries, benefits and subcontracting based on the time spent by each employee and contract worker.

Building expenses based on floor area occupied by each function.

Administration expenses, including travel, office supplies, telephone, insurance, professional fees and postage based on usage or purpose.

3. Short-term investments

	2020	2019
Mutual funds - Scotia Innova Income Fund	\$ 317,034	\$ 251,215
Scotiabank cash and savings accelerator account, bearing interest at 2%	170,365	-
	\$ 487,399	\$ 251,215

4. Capital assets

	Cost	Accumulated amortization	2020 Net	2019 Net
Land	\$ 137,140	\$ -	\$ 137,140	\$ 137,140
Building	565,305	69,049	496,256	510,388
Furniture and equipment	40,941	37,621	3,320	9,246
Computer equipment	49,625	42,694	6,931	7,283
	\$ 793,011	\$ 149,364	\$ 643,647	\$ 664,057

EDUDEO MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5. Deferred contributions

Deferred contributions related to capital assets represent donated capital assets and restricted donations for capital assets. The changes in the deferred contributions balance for the year are as follows:

	<u>2020</u>	<u>2019</u>
Amounts amortized to revenue	\$ (12,374)	\$ (12,374)
Balance, beginning of year	<u>467,974</u>	<u>480,348</u>
Balance, end of year	<u>\$ 455,600</u>	<u>\$ 467,974</u>

6. Subsequent events

Subsequent to the year end, the global outbreak of COVID-19 continues, which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries to fight the virus.

The organization continues to assess the impact COVID-19 will have on its activities. The extent of the effect of the COVID-19 pandemic on the organization is uncertain, however, thus far operations have not been significantly impacted.

7. Commitments

Under the terms of various agreements and contracts, the organization will be required to make future annual payments as follows:

2021	<u>\$ 30,000</u>
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8. Financial instruments

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, foreign exchange or credit risks arising from their financial instruments.

(a) Foreign exchange risk

Management is aware that the organization is exposed to changes in the exchange rates as it pays for expenses and provides grants in various foreign currencies.

(b) Liquidity risk

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate cash reserve to repay trade creditors as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.