

TEARFUND CANADA (Formerly World Relief Canada)

2019 FINANCIAL STATEMENTS

(Post audit committee meeting September 16, 2019)

NETHERCOTT & COMPANY

Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To The Members
TEARFUND CANADA (Formerly World Relief Canada)

Opinion

We have audited the financial statements of TEARFUND CANADA (Formerly World Relief Canada) (the Organization), which comprise the statement of financial position as at June 30, 2019, and the statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TEARFUND CANADA (Formerly World Relief Canada) as at June 30, 2019, 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 Opinion

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 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 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

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.


Chartered Professional Accountants
Licensed Public Accountants

North York, Ontario
November 7, 2019

TEARFUND CANADA (Formerly World Relief Canada)
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash	\$ 580,644	\$ 1,386,319
Short-term investments	5,996	5,205
Accounts receivable	45,193	59,155
Prepaid expense	<u>27,006</u>	<u>27,181</u>
	658,839	1,477,860
BALANCE WITH CANADIAN FOODGRAINS BANK ASSOCIATION, INC. (CFGB) (Note 3)	536,179	568,225
CAPITAL (Note 4)	<u>17,098</u>	<u>21,214</u>
	<u><u>\$ 1,212,116</u></u>	<u><u>\$ 2,067,299</u></u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued	\$ 172,169	\$ 19,096
Deferred contributions (Note 5)	<u>219,955</u>	<u>883,530</u>
	.. 392,124	.. 902,626
NET ASSETS		
Invested in capital assets	17,098	21,214
CFGB	536,179	568,225
Board designated (Note 6)	200,000	200,000
Unrestricted	<u>66,715</u>	<u>375,234</u>
	<u>819,992</u>	<u>1,164,673</u>
	<u><u>\$ 1,212,116</u></u>	<u><u>\$ 2,067,299</u></u>

Approved on behalf of the Board of Directors


 Director


 Director

TEARFUND CANADA (Formerly World Relief Canada)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2019

REVENUE	2019	2018
Contributions	\$ 1,708,428	\$ 1,524,551
Grants		
Global Affairs Canada (GAC)		
International Humanitarian Assistance	2,141,205	2,368,620
Other	<u>52,000</u>	<u>-</u>
	<u>2,193,205</u>	<u>2,368,620</u>
CFGB (Note 3)		
Contributions	477,064	382,446
Grants: GAC and other	<u>2,182,594</u>	<u>2,093,113</u>
	<u>2,659,658</u>	<u>2,475,559</u>
Investment and other income	<u>54,425</u>	<u>66,383</u>
Total revenue	<u>6,615,716</u>	<u>6,435,113</u>
EXPENDITURE		
Program ministries		
Relief and rehabilitation		
CFGB projects (Note 3)	1,355,450	1,393,583
International Humanitarian Assistance	2,075,542	2,299,996
Other	414,009	333,337
Development		
CFGB projects (Note 3)	1,336,254	1,294,612
Other	517,244	424,036
Education	<u>8,747</u>	<u>8,539</u>
	<u>5,707,246</u>	<u>5,754,103</u>
Supporting ministries		
Fund promotion	649,377	678,218
General and administrative	<u>603,774</u>	<u>519,665</u>
	<u>1,253,151</u>	<u>1,197,883</u>
Total expenditure	<u>6,960,397</u>	<u>6,951,986</u>
EXCESS EXPENDITURE OVER INCOME FOR YEAR	<u>\$ (344,681)</u>	<u>\$ (516,873)</u>

TEARFUND CANADA (Formerly World Relief Canada)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	INVESTED IN CAPITAL ASSETS	CFGB	BOARD DESIGNATED	UNRESTRICTED NET ASSETS	2019 TOTAL	2018 TOTAL
Balance, beginning of year	\$ 21,214	\$ 568,225	\$ 200,000	\$ 375,234	\$ 1,164,673	\$ 1,681,546
Excess expenditure over income for year	(10,780)	(32,046)	-	(301,855)	(344,681)	(516,873)
Investment in capital assets	6,664	-	-	(6,664)	-	-
BALANCE, END OF YEAR	<u>\$ 17,098</u>	<u>\$ 536,179</u>	<u>\$ 200,000</u>	<u>\$ 66,715</u>	<u>\$ 819,992</u>	<u>\$ 1,164,673</u>

TEARFUND CANADA (Formerly World Relief Canada)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH PROVIDED BY (USED FOR)	2019	2018
Operating activities		
Excess income (expenditure) for year	\$ (344,681)	\$ (516,873)
Amortization	<u>10,780</u>	<u>11,973</u>
	(333,901)	(504,900)
Decrease (increase) in non-cash working capital from the following:		
Short-term investments	(791)	121
Accounts receivable	13,962	47,552
Prepaid expense	175	(5,082)
Accounts payable and accrued	153,073	6,700
Deferred contributions	<u>(663,575)</u>	<u>(880,500)</u>
Cash provided by (used for) operating activities	..(831,057)	(1,336,109)
Investing activities		
Decrease in Balance with CFGB	32,046	212,634
Capital asset additions (net)	<u>(6,664)</u>	<u>(4,118)</u>
Cash provided by investing activities	<u>25,382</u>	<u>208,516</u>
INCREASE (DECREASE) IN CASH DURING YEAR	(805,675)	(1,127,593)
Cash, beginning of year	<u>1,386,319</u>	<u>2,513,912</u>
CASH, END OF YEAR	<u>\$ 580,644</u>	<u>\$ 1,386,319</u>

TEARFUND CANADA (Formerly World Relief Canada)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. PURPOSE OF ORGANIZATION

World Relief Canada was incorporated under the Canada Corporations Act as a not-for-profit organization and as of 2013 has been continued under the Canada Not-for-Profit Corporations Act. The organization changed its name to TEARFUND CANADA during the previous fiscal year. Further, it is classified as a registered charity under the Income Tax Act (Canada) and, therefore, is exempt from income taxes and able to issue official donation receipts to donors. TEARFUND CANADA (the Organization) exists to provide relief and development assistance to the world's most oppressed, poor and suffering people in developing countries by working with churches, other relief and development organizations and Global Affairs Canada (GAC).

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a). Revenue Recognition

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

(b). Foreign Currency

Foreign currencies have been translated into Canadian dollars on the following basis:

- i) Current assets and current liabilities - at the rate of exchange prevailing at the year end
- ii) Revenue and expenditure - at the rate of exchange prevailing on the dates of transactions
- iii) Gains and losses on the translation of foreign currencies are included in Income

(c). Capital Assets

Capital asset acquisitions are recorded at cost.

Amortization is recorded in the accounts on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Computer software	3 years

(d). Financial Instruments

Financial instruments including cash, accounts receivable, and accounts payable are recorded at market value at time of acquisition, and subsequently at amortized cost. Short-term investments are recorded at market value which due to their nature approximates cost.

TEARFUND CANADA (Formerly World Relief Canada)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e). Contributed Services

Volunteers contribute substantial time to enable the Organization to carry out its charitable activities. Due to the difficulty in determining their fair value, they are not recognized in the financial statements.

(f). Allocation of Costs

Certain employees perform a combination of education, programming, fundraising and administrative functions. As a result, salaries are allocated based on functional activity. Other costs have been allocated between the program and support expenditures benefited. Such allocations are reviewed annually, updated and changes applied on a prospective basis. Details of allocated expenditures are included in Note 9.

3. BALANCE WITH CFGB

The Organization is a member of Canadian Foodgrains Bank Association Inc. (CFGB). The balance as at March 31, 2019 includes the residual funds held by that organization for TEARFUND CANADA.

The revenue includes TEARFUND CANADA's donations, grants, interest and other income totalling \$2,659,658 received through CFGB for the year ended March 31, 2019. Historically, funds received have been leveraged by GAC (formerly DFATD) on a 1:3 or 1:4 basis or leveraged through other CFGB sources on a 1:1 basis.

The expenditure totalling \$2,691,704 includes TEARFUND CANADA's food programming made through CFGB for that same period.

The revenue, expenditure and balance with CFGB were recorded from the audited March 31, 2019 financial statements of CFGB reported upon by Deloitte & Touche LLP under their auditor's report dated June 12, 2019.

4. CAPITAL ASSETS

Capital assets are comprised as follows:

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 78,667	\$ 71,783	\$ 6,884	\$ 7,571
Computer equipment	62,886	53,105	9,781	12,343
Computer software	71,151	70,718	433	1,300
	<u>\$ 212,704</u>	<u>\$ 195,606</u>	<u>\$ 17,098</u>	<u>\$ 21,214</u>

Amortization expense in the amount of \$10,780 (\$11,973 in 2018) is included in general and administrative expenditure.

TEARFUND CANADA (Formerly World Relief Canada)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5. DEFERRED CONTRIBUTIONS

Separate accounts are maintained for each project undertaken by the Organization. Projects may extend over a number of years. Funds committed to these projects not disbursed in the year of receipt are reflected as deferred contributions on the balance sheet.

Deferred contributions are comprised as follows:

	<u>2018</u>	<u>Change</u>	<u>2019</u>
Relief and rehabilitation	\$ 38,120	\$ (38,120)	\$ -
Development	-	15,750	15,750
GAC - International			
Humanitarian Assistance	<u>845,410</u>	<u>(641,205)</u>	<u>204,205</u>
	<u>\$ 883,530</u>	<u>\$ (663,575)</u>	<u>\$ 219,955</u>

6. BOARD DESIGNATED FUND

The Board of Directors authorized a fund of up to \$200,000, to be funded out of surplus operating funds. The fund is to be used for emergency disaster relief expenditures up to \$75,000 at the discretion of the President. Funds expended will be replaced from contributions and grants designated for the emergency but received after the expenditures are made.

7. COMMITMENTS

The Organization had entered into a lease for office premises for a ten (10) year period ending July, 2016. In May of 2016 this lease was amended to extend the term through July, 2021. The amended lease requires an annual base rent for the first year totalling \$39,066 plus taxes, maintenance and insurance (TMI). Annual rental increases for the following four years are \$3,634 per year plus TMI.

8. MANAGEMENT OF RISKS

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable. The Organization's management does not consider credit risk to be significant. There has been no change in the assessment of credit risk from the previous year.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization expects to meet its obligations by managing its working capital and generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the previous year.

TEARFUND CANADA (Formerly World Relief Canada)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

8. MANAGEMENT OF RISKS (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. At this point in time the Organization has an insignificant amount of investments. Accordingly, the Organization is not exposed to significant market risk.

9. ALLOCATION OF EXPENDITURES

A portion of fund promotion and administrative activities directly support programs and have been allocated as follows:

	<u>2019</u>	<u>2018</u>
Program ministries:		
Relief and rehabilitation	\$ 26,240	\$ 25,618
Development	140,500	111,218
Education	<u>8,746</u>	<u>8,539</u>
	<u>\$ 175,486</u>	<u>\$ 145,375</u>
Supporting ministries:		
Fund promotion	\$ (70,960)	\$ (64,600)
General and administrative	<u>(104,526)</u>	<u>(80,775)</u>
	<u>\$ (175,486)</u>	<u>\$ (145,375)</u>