
TEARFUND CANADA
FINANCIAL STATEMENTS
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors
TEARFUND CANADA
MARKHAM
Ontario

Opinion

We have audited the accompanying financial statements of TEARFUND CANADA which comprise the statement of financial position as at June 30, 2020 and the statement of operations, statement of changes in net assets and 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 the entity 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 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 entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

Other Matter

The financial statements of TEARFUND CANADA for the year ended June 30, 2019 were audited by another auditor who expressed an unqualified opinion on those statements on November 7, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

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

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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 entity'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 entity'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 entity 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.

Norton McMullen LLP

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

November 19, 2020

TEARFUND CANADA

STATEMENT OF FINANCIAL POSITION

As at June 30,

2020

2019

(as restated)
(Note 11)

ASSETS

Current

Cash	\$ 1,940,609	\$ 580,644
Short-term investments	-	5,996
Accounts receivable	48,351	45,193
Prepaid expenses	-	27,006
	<u>\$ 1,988,960</u>	<u>\$ 658,839</u>

Balance with Canadian Foodgrains Bank Association, Inc (CFGB) (Note 2) 563,675 321,713

Capital Assets (Note 3) 2,027 17,098

\$ 2,554,662 \$ 997,650

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 92,200	\$ 172,169
Deferred contributions (Note 4)	<u>1,263,744</u>	<u>219,955</u>
	<u>\$ 1,355,944</u>	<u>\$ 392,124</u>

CEBA Loan Payable (Note 5) 40,000 -

\$ 1,395,944 \$ 392,124


NET ASSETS

Invested in capital assets	\$ 2,027	\$ 17,098
CFGB	563,675	321,713
Board designated (Note 6)	200,000	200,000
Unrestricted	<u>393,016</u>	<u>66,715</u>
	<u>\$ 1,158,718</u>	<u>\$ 605,526</u>

\$ 2,554,662 \$ 997,650

Commitment (Note 7)

Approved by the Board:

 Director

 Director

See accompanying notes

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TEARFUND CANADA**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended June 30,

	Invested in Capital Assets	CFGB	Board Designated	Unrestricted	2020 TOTAL	2019 TOTAL (as restated) (Note 11)
BALANCE - Beginning	\$ 17,098	\$ 321,713	\$ 200,000	\$ 66,715	\$ 605,526	1,031,722
Excess (deficiency) of revenues over expenses	(15,071)	(117,138)	-	685,401	553,192	(426,196)
Transfers to CFGB	-	359,100	-	(359,100)	-	-
BALANCE - Ending	<u>\$ 2,027</u>	<u>\$ 563,675</u>	<u>\$ 200,000</u>	<u>\$ 393,016</u>	<u>\$ 1,158,718</u>	<u>\$ 605,526</u>

See accompanying notes

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TEARFUND CANADA

STATEMENT OF OPERATIONS

For the year ended June 30,

	2020	2019
		(as restated) (Note 11)
REVENUES		
Contributions	\$ 2,080,333	\$ 1,708,428
Grants		
Global Affairs Canada (GAC) International Humanitarian Assistance	\$ 1,801,736	\$ 2,141,205
Other	207,940	52,000
	<u>\$ 2,009,676</u>	<u>\$ 2,193,205</u>
CFGB (Note 2)		
Grants: GAC and other	\$ 2,873,645	\$ 2,084,290
Contributions	415,187	479,227
	<u>\$ 3,288,832</u>	<u>\$ 2,563,517</u>
Investment and other income	\$ 200,363	\$ 54,425
TOTAL REVENUES	<u>\$ 7,579,204</u>	<u>\$ 6,519,575</u>
EXPENSES		
Program Ministries		
Relief and rehabilitation		
International Humanitarian Assistance (IHA)	\$ 1,736,905	\$ 2,075,542
CFGB projects (Note 2)	1,702,985	1,348,137
Other	292,843	414,009
Development		
CFGB projects (Note 2)	1,702,985	1,328,941
Other	574,016	517,244
Education	53,840	8,747
	<u>\$ 6,063,574</u>	<u>\$ 5,692,620</u>
Supporting ministries		
Fund promotion	\$ 705,546	\$ 649,377
General and administrative	256,892	603,774
	<u>\$ 962,438</u>	<u>\$ 1,253,151</u>
TOTAL EXPENSES	<u>\$ 7,026,012</u>	<u>\$ 6,945,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 553,192</u>	<u>\$ (426,196)</u>

See accompanying notes

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TEARFUND CANADA**STATEMENT OF CASH FLOWS**

For the year ended June 30,

2020**2019**

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):**OPERATING ACTIVITIES**

Excess (deficiency) of revenues over expenses	\$ 553,192	\$ (426,196)
Items not affecting cash:		
Amortization	<u>15,071</u>	<u>10,780</u>
	\$ 568,263	\$ (415,416)
Net change in non-cash working capital balances:		
Accounts receivable	(3,158)	13,962
Prepaid expenses	27,006	175
CFGF balance	(241,962)	113,561
Accounts payable and accrued liabilities	(79,969)	153,073
Deferred revenue	<u>1,043,789</u>	<u>(663,575)</u>
	\$ 1,313,969	\$ (798,220)

INVESTING ACTIVITIES

Acquisition of capital assets	\$ -	\$ (6,664)
Change in investments	<u>5,996</u>	<u>(791)</u>
	\$ 5,996	\$ (7,455)

FINANCING ACTIVITIES

Proceeds from CEBA loan	\$ 40,000	\$ -
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INCREASE (DECREASE) IN CASH

\$ 1,359,965	\$ (805,675)
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CASH - Beginning

<u>580,644</u>	<u>1,386,319</u>
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CASH - Ending

<u>\$ 1,940,609</u>	<u>\$ 580,644</u>
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See accompanying notes

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TEARFUND CANADA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 (the "Organization") on January 1, 2018. Further, it is classified as a registered charity under the Income Tax Act (Canada) Charity Number: 108222191 RR 0001 and, therefore, is exempt from income taxes and able to issue official donation receipts to donors.

TEARFUND CANADA's vision is to see people freed from poverty, living transformed lives, and reaching their God-given potential. The Organization works with the church in the poorest places on Earth to help unlock people's God-given potential – creating flourishing people and resilient communities.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been 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. Investment and other income is recognized as earned.

b) Foreign Currency Translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate, while non-monetary assets are translated at the rate of exchange prevailing at the date of the transaction.

c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates used.

Significant estimates include the estimated useful life of capital assets and the assumptions supporting the proportionate allocation of expenses amongst the various programs and functions.

TEARFUND CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in the bank.

e) Capital Assets

Capital assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rates and method:

	<u>Rate</u>	<u>Method</u>
Furniture, equipment and leasehold improvements	5 years	straight-line
Computer hardware	3 years	straight-line
Computer software	3 years	straight-line

f) Impairment of Capital Assets

When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense.

g) Contributed Services

Volunteers contribute significant hours per year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

h) Allocation of Expenses

Certain employees perform a combination of education, programming, fundraising and administrative functions. As a result, salaries are allocated to each functional activity based on estimated time spent by each employee. General and administrative costs directly support programs and are allocated on the same basis as salaries. Such allocations are reviewed annually, updated and changes applied on a prospective basis.

i) Financial Instruments

Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value, and subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and the CEBA loan payable.

TEARFUND CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

i) Financial Instruments - continued

The Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess or deficiency of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. BALANCE WITH CFGB

The Organization is a member of Canadian Foodgrains Bank Association Inc. (CFGB). The balance as at March 31, 2020 includes the residual funds held by that organization on behalf of Tearfund Canada. Tearfund has control to direct the funds towards projects at its discretion. The funds earn no interest while held by CFGB.

The revenue includes Tearfund Canada's donations, grants, interest and other income totalling \$3,288,832 (2019 - \$2,563,517) received through CFGB for the year ended March 31, 2020. Historically, funds received have been leveraged by GAC on a 1:3 or 1:4 basis or leveraged through other CFGB sources on a 1:1 basis.

The expenditure totalling \$3,405,970 (2019 - \$2,677,078) includes Tearfund Canada's food programming made through CFGB for that same period.

3. CAPITAL ASSETS

Capital assets consist of the following:

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, equipment and leasehold improvements	\$ 107,982	\$ 105,955	\$ 2,027	\$ 6,884
Computer hardware	62,886	62,886	-	9,781
Computer software	71,151	71,151	-	433
	<u>\$ 242,019</u>	<u>\$ 239,992</u>	<u>\$ 2,027</u>	<u>\$ 17,098</u>

Amortization expense of \$15,071 (2019 - \$10,780) has been recognized in the year.

TEARFUND CANADA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

4. 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 as follows:

	Relief and Rehabilitation	Development	GAC- IHA	Total
Balance - June 30, 2018	\$ 38,120	\$ -	\$ 845,410	\$ 883,530
Amounts recognized as revenue	(38,120)	-	(845,410)	(883,530)
Amount received for future years	<u>-</u>	<u>15,750</u>	<u>204,205</u>	<u>219,955</u>
Balance - June 30, 2019	\$ -	\$ 15,750	\$ 204,205	\$ 219,955
Amounts recognized as revenue	-	(15,750)	(204,205)	(219,955)
Amount received for future years	<u>-</u>	<u>111,275</u>	<u>1,152,469</u>	<u>1,263,744</u>
Balance - June 30, 2020	<u>\$ -</u>	<u>\$ 111,275</u>	<u>\$ 1,152,469</u>	<u>\$ 1,263,744</u>

5. CEBA LOAN PAYABLE

During the year, the Organization received a \$40,000 Canada Emergency Business Account ("CEBA") loan as part of the Federal government's response to COVID-19. The loan is non-interest bearing and is due December 31, 2022. If \$30,000 is repaid by the due date, the remaining \$10,000 will be forgiven.

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. COMMITMENT

The Organization had entered into a lease for office premises through July 2021. The annual base rent commitment (excluding taxes, maintenance and insurance) for the next two years is as follows:

2021	\$ 53,299
2022	<u>4,467</u>
	<u>\$ 57,766</u>

TEARFUND CANADA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

8. ALLOCATION OF EXPENSES

Salaries and general and administration costs, which include such items as rent, office expenses and professional fees, are incurred in the direct support of various programs and functions. Salaries and general and administrative costs have been allocated to the various programs and functions as follows:

	2020			2019
	Salaries	General and administrative	Total	Total
Relief and rehabilitation	\$ 198,207	\$ 65,826	\$ 264,033	\$ 165,627
Development	198,207	65,826	264,033	279,887
Education	40,417	13,423	53,840	8,747
Fund promotion	328,908	109,234	438,142	649,377
General and administrative	192,847	64,046	256,893	50,967
	<u>\$ 958,586</u>	<u>\$ 318,355</u>	<u>\$ 1,276,941</u>	<u>\$ 1,154,605</u>

In the prior year, salaries and certain administration and fund promotion costs were allocated to each function. The change in the basis of allocation methodology has been treated as a change in estimate and applied on a prospective basis.

9. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at June 30, 2020:

a) 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. There has been no change in the assessment of credit risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities and CEBA loan payable. The Organization manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

TEARFUND CANADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

9. FINANCIAL INSTRUMENTS - Continued

c) 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. The Organization is not exposed to significant market risk.

10. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. This event has caused uncertainty regarding the Organization's future cash flows as social distancing may significantly impact the Organization's revenues. As at the date of the independent auditor's report, it is impracticable for the Organization to quantify the effects that the pandemic will have on future operations.

11. PRIOR PERIOD CORRECTION

During the year, a prior period error was identified whereby CFGB revenues and expenses were recognized in accordance with CFGB's audited financial statements for its year ended March 31. CFGB revenues and expenses should be recognized based on the Organization's own fiscal year. As a result, prior year figures have been adjusted as follows:

June 30, 2019

	Net Assets - Beginning	Net Assets - Ending	Balance with CFGB	
Balance as previously reported	\$1,164,673	\$ 819,992	\$ 536,179	
Prior year correction	<u>(132,951)</u>	<u>(214,466)</u>	<u>(214,466)</u>	
Balance as restated	<u>\$ 1,031,722</u>	<u>\$ 605,526</u>	<u>\$ 321,713</u>	
			CFGB projects - Relief and rehabilitation	CFGB projects - Development
Balance as previously reported	\$ 2,182,594	\$ 477,064	\$1,355,450	\$1,336,254
Prior year correction	<u>(98,304)</u>	<u>2,163</u>	<u>(7,313)</u>	<u>(7,313)</u>
Balance as restated	<u>\$ 2,084,290</u>	<u>\$ 479,227</u>	<u>\$ 1,348,137</u>	<u>\$ 1,328,941</u>

SUPPLEMENTARY FINANCIAL INFORMATION

The accompanying supplementary schedule of program disbursements is presented as supplementary information only. In this respect, it does not form part of the financial statements of TEARFUND CANADA for the year ended June 30, 2020 and hence is excluded from our audit report dated November 19, 2020 to the directors and members on such financial statements.

Norton McMullen LLP

NORTON McMULLEN LLP
Chartered Professional Accountants
Licensed Public Accountants

MARKHAM, Canada
November 19, 2020

TEARFUND CANADA

SUPPLEMENTARY SCHEDULE - PROGRAM DISBURSEMENTS (UNAUDITED)

For the year ended June 30, 2020

Country	Key Activities	Disbursements
Lebanon	Medical care of Syrian refugees in Bekkah Valley, COVID19	\$ 1,736,905
South Sudan	Food Assistance & Disaster Response, Sexual & Gender Based Violence Trauma Healing, COVID19	1,533,472
General	Program Design, Management, Reporting & Monitoring, and Training	629,445
Ethiopia	Church & Community Transformation training, Conservation Agriculture & Village Savings, COVID19	459,505
Liberia	Church & Community Transformation training & Agricultural Development, COVID19	360,812
Tanzania	Church & Community Transformation training, Conservation Agriculture & Village Savings, COVID19	290,820
Colombia/Venezuela		
Refugee Program	Church & Community Transformation training, Food Assistance, COVID19	246,502
Sierra Leone	Agricultural Development, COVID19	225,976
DR Congo	Agricultural Development & Village Savings, COVID19	222,774
Kenya	Conservation Agriculture & Village Savings, COVID19	196,924
India	Conservation Agriculture & Village Savings, COVID19	106,599
General	Education	53,840
		<u>\$ 6,063,574</u>

See accompanying notes

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