TEARFUND CANADA

FINANCIAL STATEMENTS

JUNE 30, 2021

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NORTONMcMULLEN
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

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, 2021 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, 2021 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.

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.

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.

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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, 2021

TEARFUND CANADA

STATEMENT OF FINANCIAL POSITION

As at June 30,	2021	2020
ASSETS		
Current		
Cash	$ 2,161,020	$ 1,940,609
Accounts receivable	33,543	48,351
	$ 2,194,563	$ 1,988,960
Balance with Canadian Foodgrains Bank Association, Inc (CFGB) (Note 2)	1,591,153	563,675
Capital Assets (Note 3)	-	2,027
	$ 3,785,716	$ 2,554,662
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 48,992	$ 92,200
Deferred contributions (Note 4)	1,398,162	1,263,744
	$ 1,447,154	$ 1,355,944
CEBA Loan Payable (Note 5)	40,000	40,000
	$ 1,487,154	$ 1,395,944
NET ASSETS		
Invested in capital assets	$ -	$ 2,027
CFGB	1,591,153	563,673
Board designated (Note 6)	200,000	200,000
Unrestricted	507,409	393,018
	$ 2,298,562	$ 1,158,718
	$ 3,785,716	$ 2,554,662

Approved by the Board:

Director

Director

See accompanying notes

NORTONMcMULLEN
CHARTERED PROFESSIONAL ACCOUNTANTS | LLP

TEARFUND CANADA

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30,

	Invested in Capital Assets	CFGB	Board Designated	Unrestricted	2021 TOTAL	2020 TOTAL
BALANCE - Beginning	$ 2,027	$ 563,673	$ 200,000	$ 393,018	$ 1,158,718	$ 605,526
Excess (deficiency) of revenues over expenses	(2,027)	355,754	-	786,117	1,139,844	553,192
Transfers to CFGB (Note 2)	-	671,726	-	(671,726)	-	-
BALANCE - Ending	$ -	$ 1,591,153	$ 200,000	$ 507,409	$ 2,298,562	$ 1,158,718

See accompanying notes

TEARFUND CANADA

STATEMENT OF OPERATIONS

For the year ended June 30,	2021	2020
REVENUES		
Contributions	$ 2,371,943	$ 2,080,333
Grants		
Global Affairs Canada (GAC) International Humanitarian Assistance	$ 1,883,364	$ 1,801,736
Other	173,092	207,940
	$ 2,056,456	$ 2,009,676
CFGB (Note 2)		
Grants: GAC and other	$ 2,825,883	$ 2,873,645
Contributions	362,345	415,187
	$ 3,188,228	$ 3,288,832
Investment and other income	$ 338,437	$ 200,363
TOTAL REVENUES	$ 7,955,064	$ 7,579,204
EXPENSES		
Program Ministries		
Relief and rehabilitation		
International Humanitarian Assistance (IHA)	$ 1,746,675	$ 1,736,905
CFGB projects (Note 2)	1,416,237	1,702,985
Other	521,242	292,843
Development		
CFGB projects (Note 2)	1,416,237	1,702,985
Other	683,544	574,016
Education	48,684	53,840
	$ 5,832,619	$ 6,063,574
Supporting ministries		
Fund promotion	$ 692,881	$ 705,546
General and administrative	289,720	256,892
	$ 982,601	$ 962,438
TOTAL EXPENSES	$ 6,815,220	$ 7,026,012
EXCESS OF REVENUES OVER EXPENSES	$ 1,139,844	$ 553,192

See accompanying notes

TEARFUND CANADA

STATEMENT OF CASH FLOWS

For the year ended June 30,	2021	2020
CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 1,139,844	$ 553,192
Forgiven portion of CEBA loan	(20,000)	
Items not affecting cash:		
Amortization	2,027	15,071
	$ 1,121,871	$ 568,263
Net change in non-cash working capital balances:		
Accounts receivable	14,808	(3,158)
Prepaid expenses	-	27,006
CFGB balance	(1,027,478)	(241,962)
Accounts payable and accrued liabilities	(43,208)	(79,969)
Deferred revenue	134,418	1,043,789
	$ 200,411	$ 1,313,969
INVESTING ACTIVITIES		
Change in investments	-	5,996
FINANCING ACTIVITIES		
Proceeds from CEBA loan	20,000	40,000
INCREASE IN CASH	$ 220,411	$ 1,359,965
CASH - Beginning	1,940,609	580,644
CASH - Ending	$ 2,161,020	$ 1,940,609

See accompanying notes

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 to unlock God-given potential – creating flourishing people and resilient communities.

Tearfund Canada is a member of the Tearfund Family of international relief and development organizations. The ten members (Australia, Belgium, Canada, France, Germany, Ireland, the Netherlands, New Zealand, United Kingdom, United States) have a shared identity and vision, yet each organization is separate and independent. The Tearfund family invests in collaborative relationships, combining strengths to effectively carry out our mission, intentionally nurturing Christian identity, sharing resources, simplifying processes and embracing our individual distinctives.

Through our non-discriminatory approach to international humanitarian relief and development, we enable 'whole-life' transformation for those in greatest poverty. Prioritising partnerships, we empower local church-based partners and strive for excellence and accountability in all activities.

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.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

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 revenues 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.

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:

	Rate	Method
Furniture, equipment and leasehold improvements	5 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 function based on estimated functional activity incurred 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.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

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.

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 due as at March 31, 2021 includes the residual funds held by CFGB 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.

CFGB revenue consists of Tearfund Canada's donations, grants, interest and other income totalling $3,188,228 (2020 - $3,288,832) received through CFGB for the year ended March 31, 2021. Historically, contributions to Tearfund's equity account at CFGB have been leveraged by Global Affairs Canada (GAC) on a 1:3 or 1:4 basis or leveraged through other CFGB sources on a 1:1 basis.

Expenditures totalling $2,832,474 (2020 - $3,405,970) include Tearfund Canada's food programming made through CFGB for that same period.

Transfers from the Organization's unrestricted fund to CFGB totalling $671,726 (2020 - $359,100) were approved by the board to increase the Organization's investment in CFGB.

3. CAPITAL ASSETS

Capital assets consist of the following:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture, equipment and leasehold improvements	$ 107,982	$ 107,982	$ -	$ 2,027

Amortization expense of $2,027 (2020 - $15,071) has been recognized in the year.

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 statement of financial position as follows:

	Development	GAC- IHA	Total
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	111,275	1,152,469	1,263,744
Balance - June 30, 2020	$ 111,275	$ 1,152,469	$ 1,263,744
Amounts recognized as revenue	(176,788)	(1,834,152)	(2,010,940)
Amount received for future years	139,885	2,005,473	2,145,358
Balance - June 30, 2021	$ 74,372	$ 1,323,790	$ 1,398,162

5. CEBA LOAN PAYABLE

The Organization received a $40,000 Canada Emergency Business Account ("CEBA") loan during the 2020 fiscal year and an additional $20,000 in 2021 as part of the Federal government's response to COVID-19. The loan is non-interest bearing and is due December 31, 2022 in order to qualify for loan forgiveness. The $20,000 forgivable portion has been recognized within other revenue in the current year.

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 year is as follows:

2022	$ 4,467

The Organization had entered into a lease for office premises through September 2024. The annual base rent commitment (excluding taxes, maintenance and insurance) for the next four years is as follows:

2022	$ 8,113
2023	19,668
2024	20,341
2025	15,671
	$ 63,793

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:

	2021			2020
	Salaries	General and administrative	Total	Total
Relief and rehabilitation	$ 216,511	$ 70,509	$ 287,019	$ 264,033
Development	216,511	70,509	287,019	264,033
Education	36,724	11,960	48,684	53,840
Fund promotion	345,522	112,522	458,044	438,142
General and administrative	218,548	71,172	289,720	256,892
	$ 1,033,815	$ 336,671	$ 1,370,487	$ 1,276,940

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, 2021:

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.

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.

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, 2021 and hence is excluded from our audit report dated October 29, 2021 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, 2021

TEARFUND CANADA

SUPPLEMENTARY SCHEDULE - PROGRAM DISBURSEMENTS (UNAUDITED)

For the year ended June 30, 2021

Country	Key Activities	Disbursements
Colombia	Food assistance, women's empowerment, sexual violence, trauma healing and counselling Venezuelan refugees	$ 346,400
DR Congo	Agriculture development, village savings groups, women's empowerment and COVID-19 support	291,199
Ethiopia	Church and community transformation, conservation agriculture, climate change mitigation & adaptation, organizational capacity building, village savings groups, women's empowerment and COVID-19 support	786,672
India	Conservation agriculture, self help savings groups, food security through agriculture development, women's empowerment, and COVID-19 response	302,464
Kenya	Conservation agriculture, climate change mitigation & adaptation, women's empowerment and village savings groups	214,884
Lebanon	Medical care for Syrian refugees in Bekka Valley and Beirut blast food assistance	1,782,938
Liberia	Food security through agriculture development	213,226
Sierra Leone	Food security through agriculture development	162,886
South Sudan	Food assistance, humanitarian aid, community development, food security through agriculture development, and gender based violence and trauma healing	1,531,950
Tanzania	Church and community transformation, conservation agriculture, climate change mitigation & adaptation, women's empowerment and village savings groups	200,000
		$ 5,832,619

See accompanying notes