

DIACONAL MINISTRIES CANADA

**FINANCIAL STATEMENTS
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Diaconal Ministries Canada

Qualified Opinion

We have audited the financial statements of Diaconal Ministries Canada (the "organization") , which comprise the balance sheet as at June 30, 2021, and the statement of revenues and expenses, statement of fund balances 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, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (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 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 unable to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2021 and June 30, 2020, current assets and net assets as at June 30, 2021 and June 30, 2020. 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, continued

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

Hamilton, Ontario
September 15, 2021

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

DIACONAL MINISTRIES CANADA

BALANCE SHEET AS AT JUNE 30, 2021

| | General Fund 2021 | General Fund 2020 | NewGround 2021 | NewGround 2020 |
|--|----------------------|----------------------|--------------------|-------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 342,804 | \$ 134,053 | \$ - | \$ 63,938 |
| Accounts receivable | 20,687 | 62,904 | 5,187 | 15,256 |
| GST receivable | 548 | 2,441 | - | - |
| Interfund balances (Note 6) | 30,883 | - | (30,883) | - |
| | 394,922 | 199,398 | (25,696) | 79,194 |
| | | | | |
| CAPITAL ASSETS (Note 3) | 4,755 | 3,264 | - | - |
| | \$ 399,677 | \$ 202,662 | \$ (25,696) | \$ 79,194 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 17,639 | \$ 18,316 | \$ - | \$ - |
| Deferred revenue | 2,195 | - | - | - |
| | 19,834 | 18,316 | - | - |
| FUND BALANCES | | | | |
| General Fund | 379,843 | 184,346 | - | - |
| Externally Restricted | - | - | (25,696) | 79,194 |
| | 379,843 | 184,346 | (25,696) | 79,194 |
| | \$ 399,677 | \$ 202,662 | \$ (25,696) | \$ 79,194 |

Approved on behalf of the board

Director _____

Director _____

DIACONAL MINISTRIES CANADA

STATEMENT OF FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2021

| | General Fund 2021 Unrestricted | NewGround 2021 Externally Restricted | Total 2021 | Total 2020 |
|--|--------------------------------------|---|-------------------|-------------------|
| BALANCE, BEGINNING OF YEAR | \$ 184,346 | \$ 79,194 | \$ 263,540 | \$ 203,549 |
| Excess (deficiency) of revenue over expenses | 195,497 | (104,890) | 90,607 | 59,991 |
| BALANCE, ENDING OF YEAR | <u>\$ 379,843</u> | <u>\$ (25,696)</u> | <u>\$ 354,147</u> | <u>\$ 263,540</u> |

DIACONAL MINISTRIES CANADA

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

| | General Fund 2021 | General Fund 2020 | NewGround 2021 | NewGround 2020 |
|---------------------------------------|----------------------|----------------------|-------------------|-------------------|
| REVENUE | | | | |
| Diaconal Ministry shares (Note 4) | \$ 350,408 | \$ 315,308 | \$ - | \$ - |
| Grants | 41,200 | 42,848 | - | - |
| Donations | 19,193 | 14,872 | 3,262 | 1,895 |
| Church offerings | 8,363 | 884 | 66,006 | 88,252 |
| Investment income | 3,143 | 3,286 | - | - |
| Government assistance | 3,016 | 36,251 | 1,069 | 11,126 |
| | 425,323 | 413,449 | 70,337 | 101,273 |
| EXPENSES | | | | |
| Advertising and promotion | 3,659 | 7,145 | 1,008 | 3,170 |
| Amortization | 1,632 | 1,358 | - | - |
| Building services | 6,419 | 7,042 | - | - |
| Financial services | 8,415 | 9,180 | - | - |
| Computer services | 5,254 | 5,699 | - | - |
| Grants to projects | - | 1,106 | 55,625 | 50,007 |
| Office | 3,439 | 1,467 | - | - |
| Postage and courier | 2,245 | 1,168 | 18 | 276 |
| Professional fees | 7,330 | 6,317 | - | - |
| Development & Ministry Networking Day | 3,148 | 207 | - | - |
| Board & succession team expenses | 2,000 | - | - | - |
| Board & committee travel expenses | 235 | 10,215 | - | - |
| Diaconal Ministry Developer services | 10,470 | 21,316 | - | - |
| Telephone | 1,125 | 600 | 1,125 | 600 |
| Staff travel expenses | 94 | 6,881 | - | - |
| Salaries | 141,179 | 153,287 | 93,623 | 84,588 |
| Benefits | 33,182 | 61,358 | 23,828 | 21,744 |
| | 229,826 | 294,346 | 175,227 | 160,385 |
| Excess of revenues over expenses | \$ 195,497 | \$ 119,103 | \$ (104,890) | \$ (59,112) |

DIACONAL MINISTRIES CANADA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

| | 2021 <u>General Fund</u> | 2020 <u>General Fund</u> | 2021 <u>NewGround</u> | 2020 <u>NewGround</u> |
|--|-----------------------------|-----------------------------|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | | | |
| Excess of revenues over expenses | \$ 195,497 | \$ 119,103 | \$ (104,890) | \$ (59,112) |
| Adjustments for | | | | |
| Amortization | 1,632 | 1,358 | - | - |
| | <u>197,129</u> | <u>120,461</u> | <u>(104,890)</u> | <u>(59,112)</u> |
| Change in non-cash working capital items | | | | |
| Accounts receivable | 42,219 | (45,366) | 10,068 | 7,637 |
| Interfund balances | (30,883) | - | 30,883 | - |
| Accounts payable and accrued liabilities | (677) | 1,018 | - | - |
| GST receivable | 1,893 | (531) | - | - |
| Deferred revenue | 2,195 | (4,510) | - | - |
| | <u>211,876</u> | <u>71,072</u> | <u>(63,939)</u> | <u>(51,475)</u> |
| INVESTING ACTIVITIES | | | | |
| Purchase of capital assets | (3,125) | - | - | - |
| | <u>208,751</u> | <u>71,072</u> | <u>(63,939)</u> | <u>(51,475)</u> |
| Increase (decrease) in cash | 208,751 | 71,072 | (63,939) | (51,475) |
| Cash, beginning of year | 134,053 | 62,981 | 63,939 | 115,413 |
| Cash, end of year | <u>\$ 342,804</u> | <u>\$ 134,053</u> | <u>\$ -</u> | <u>\$ 63,938</u> |

DIACONAL MINISTRIES CANADA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

1. PURPOSE OF THE ORGANIZATION

Diaconal Ministries Canada (DMC) partners with diaconates, churches and parachurch organizations across Canada to demonstrate God's love in the community. This is accomplished through leadership training, conferences and development of local outreach programs. DMC is incorporated as a corporation without share capital by letters patent issued under the Corporations Act and has been approved as a registered charity under the Income Tax Act. Under supplementary letters patent dated January 25, 2002 the name was changed from Diaconal Ministries in Eastern Canada (DMEC) to Diaconal Ministries Canada.

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) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the restricted fund.

Unrestricted contributions, grants and dues are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the General Fund when earned.

(b) Capital Assets

Capital assets are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

| | | |
|--------------------|-------------------|-----|
| Office equipment | Declining balance | 20% |
| Computer equipment | Declining balance | 40% |

(c) Fund Accounting

The organization follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's development, promotion program and administrative activities.

The NewGround Fund (formerly Operation Manna Fund) reports the revenues from annual church offerings and the related project funding expenses.

(d) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

(e) 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

DIACONAL MINISTRIES CANADA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument 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 amortized cost. Financial assets measured at amortized cost include cash, GST recoverable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

3. CAPITAL ASSETS

| | 2021 Cost | 2021 Accumulated amortization | 2021 Net | 2020 Net |
|--------------------|--------------|-------------------------------------|-------------|-------------|
| Office equipment | \$ 3,407 | \$ 1,837 | \$ 1,570 | \$ 1,962 |
| Computer equipment | 8,916 | 5,730 | 3,186 | 1,301 |
| | \$ 12,323 | \$ 7,567 | \$ 4,756 | \$ 3,263 |

4. DIACONAL MINISTRY SHARES

| | 2021 | 2020 |
|------------------------------|------------|------------|
| Dues | \$ 361,265 | \$ 337,602 |
| Less: uncollectible accounts | (10,857) | (22,294) |
| Total | \$ 350,408 | \$ 315,308 |

5. SUBSEQUENT EVENTS

Subsequent to the year end, there was a global outbreak of COVID-19, 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 as a whole remains in a fiscally strong position. However, the pandemic has severely affected New Ground revenues. In response to this, the organization has increased the amount of dues, and will use the additional revenue to offset the loss of fundraising income

6. INTERFUND BALANCES

During the year, \$30,883 (2020- \$0) of general funds were used to provide for New Ground grant payments. All interfund balances are non-interest bearing and due on demand.

DIACONAL MINISTRIES CANADA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

7. FINANCIAL INSTRUMENTS

The organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the organization's exposure to these risks.

(a) 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 in respect of its accounts payable and accrued liabilities.