

ETHNOS CANADA >

financial statements

>YEAR ENDED DECEMBER 31, 2022

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

ETHNOS CANADA >

financial statements

>YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ethnos Canada:

Qualified Opinion

We have audited the financial statements of Ethnos Canada, the "Charity", which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets 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 accompanying financial statements present fairly, in all material respects, the financial position of the Charity as at December 31, 2022, 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, Ethnos Canada derives revenue from donations from interested persons, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Ethnos Canada. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenues, excess of revenues over expenses, and cash flows for the years ended December 31, 2022 and December 31, 2021 and current assets and net assets as at December 31, 2022 and December 31, 2021. Our conclusion on the financial statements as at and for the year ended December 31, 2022 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 Charity 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 opinion.

Emphasis of Matter - Correction of an accounting error

We draw your attention to Note 7 of the financial statements, which describes the effect of the correction of an accounting error in the December 31, 2021 year end. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of Ethnos Canada for the year ended December 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on June 22, 2022.

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 Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Charity'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.

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 Charity'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 Charity'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 Charity 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.

MAC LLP.

Waterloo, Ontario
July 7, 2023

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANT

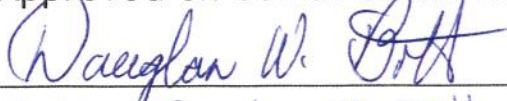
ETHNOS CANADA >


statement of financial position

>DECEMBER 31, 2022

	2022	2021 <i>as restated</i>
assets		
current		
Cash	\$ 1,179,045	\$ 1,069,217
Other investments (Note 3)	1,842,371	1,788,845
Accounts receivable	61,158	39,635
Inventory	<u>12,356</u>	<u>13,613</u>
	3,094,930	2,911,310
non-current		
Investments in bequests/support plans (Note 4)	125,793	127,888
Capital assets (Note 5)	<u>1,419,509</u>	<u>1,212,533</u>
	<u>\$ 4,640,232</u>	<u>\$ 4,251,731</u>
liabilities		
current		
Accounts payable and accrued liabilities	\$ 65,392	\$ 99,906
Government remittances payable	137,349	133,417
Deferred contributions - ministry projects (Note 6)	<u>1,468,630</u>	<u>1,373,745</u>
	<u>1,671,371</u>	<u>1,607,068</u>
net assets		
Net invested in capital assets	1,419,507	1,212,532
Invested in restricted assets	125,793	127,888
Unrestricted net assets	<u>1,423,561</u>	<u>1,304,243</u>
	<u>2,968,861</u>	<u>2,644,663</u>
	<u>\$ 4,640,232</u>	<u>\$ 4,251,731</u>

Approved on behalf of the board:


Director Douglas W. Bott


Director ETIENNE STASSEN

ETHNOS CANADA >

statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2022

				2022	2021 <i>as restated</i>
	invested in capital assets	restricted	unrestricted	total	total
balance, beginning of year	\$ 1,212,532	\$ 127,888	\$ 1,304,243	\$ 2,644,663	\$ 1,804,413
Excess of revenue over expenses for year	-	-	326,293	326,293	738,442
Investment in capital assets	206,975	-	(206,975)	-	-
Net change in restricted assets	<u>-</u>	<u>(2,095)</u>	<u>-</u>	<u>(2,095)</u>	<u>101,808</u>
balance, end of year	<u>\$ 1,419,507</u>	<u>\$ 125,793</u>	<u>\$ 1,423,561</u>	<u>\$ 2,968,861</u>	<u>\$ 2,644,663</u>

ETHNOS CANADA >

statement of operations

>YEAR ENDED DECEMBER 31, 2022

	2022	2021 <i>as restated</i>
donation revenue		
Donations for ministry projects	\$ 9,442,744	\$ 10,713,883
Bequests	<u>499,889</u>	<u>10,231</u>
	<u>9,942,633</u>	<u>10,724,114</u>
other revenue		
Bookstore revenue	3,449	5,349
Campus apartment rentals	196,689	233,077
Foreign exchange gain/(loss)	(11,218)	(2,207)
Gain on disposal	1,900	3,100
Investment income	50,000	15,347
Other income	105,581	85,604
Student fees	<u>22,366</u>	<u>21,801</u>
	<u>368,767</u>	<u>362,071</u>
	<u>10,311,400</u>	<u>11,086,185</u>
expenses		
Administration and management	1,465,399	1,275,340
Missionary field programs	7,056,431	7,596,522
Candidate training programs	514,304	514,846
Recruiting programs	287,967	251,231
Retirement programs	263,792	242,982
Communications	177,818	228,407
Member care	<u>219,396</u>	<u>238,415</u>
	<u>9,985,107</u>	<u>10,347,743</u>
excess of revenue over expenses for year	<u>\$ 326,293</u>	<u>\$ 738,442</u>

statement of cash flows

>YEAR ENDED DECEMBER 31, 2022

	2022	2021 <i>as restated</i>
operating activities		
Excess of revenue over expenses for year	\$ 326,293	\$ 738,442
Adjustments for:		
Amortization	165,635	159,405
Gain on sale	<u>(1,900)</u>	<u>(3,100)</u>
	<u>490,028</u>	<u>894,747</u>
Changes in non-cash working capital:		
Accounts receivable	(21,523)	(16,558)
Inventory	1,257	986
Accounts payable and accrued liabilities	(34,515)	29,636
Government remittances payable	3,932	41
Deferred contributions - ministry projects	<u>94,885</u>	<u>18,259</u>
	<u>44,036</u>	<u>32,364</u>
	<u>534,064</u>	<u>927,111</u>
investing activities		
Purchase of property, plant and equipment	(372,610)	(308,471)
Proceeds on disposal of property, plant and equipment	1,900	4,606
Net increase in marketable securities	(53,526)	(718,452)
Net increase in long term investments	2,095	(101,808)
Net increase in restricted funds	<u>(2,095)</u>	<u>101,808</u>
	<u>(424,236)</u>	<u>(1,022,317)</u>
Increase in cash	109,828	(95,206)
Cash balance, beginning of year	<u>1,069,217</u>	<u>1,164,423</u>
cash balance, end of year	\$ <u>1,179,045</u>	\$ <u>1,069,217</u>

notes to financial statements

>DECEMBER 31, 2022

1. nature of business

Ethnos Canada, the "Charity", is incorporated under the laws of the Province of Ontario and operates as an international faith mission, whose purpose is to take the Gospel of the Lord Jesus Christ to all areas of the world; to publish and distribute Christian literature; and to train Christian workers for service. The organization is a non-profit corporation and a registered charity for Canadian income tax purposes.

2. significant accounting policies

Basis of Accounting - These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting - The Charity maintains accounts in accordance with the principles of fund accounting. Fund balances of the Charity are classified for accounting and reporting purposes into following funds to be used according to the directions of the donor or as determined by the Charity.

The General Fund reflects unrestricted contributions for normal operations of the Charity and includes amounts received for and paid to field workers.

The Invested in Restricted Assets Fund represents amounts invested in project/support plans on behalf of specific workers.

The Capital Assets Fund reflects the Charity's investment in capital assets.

Recognition of Income - The Charity follows the restricted fund method of accounting for contributions.

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 appropriate restricted fund.

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

Other revenue is recognized as earned.

Presentation of expenses - Expenses are presented by function, different types of expenses are allocated based on actual costs to each ministry program.

Contributed Materials and Services - The Charity is dependent upon many hours of service contributed by volunteers. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

The Charity receives contribution of materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair values can be determined. No contributed materials were recognized as donation revenue during the year.

notes to financial statements

>DECEMBER 31, 2022

Disclosure and 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 that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Estimates are used when accounting for certain items such as revenues, useful lives of capital assets, asset impairments and evaluation of minimum lease terms for operating leases.

Financial Instruments

Initial measurement - The Charity initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Charity in the transaction.

Subsequent measurement - The Charity subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost. Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

The Charity's financial assets measured at fair value include other investments and investments in project/support plans.

3. other investments

The major categories of other investments of unrestricted funds are as follows:

	2022	2021
Guaranteed investment certificates interest between 1.05% and 5.05% maturing between March 2023 and May 2025		
unrestricted funds, redeemable on demand	\$ <u>1,842,371</u>	\$ <u>1,788,845</u>

4. investments in project/support plans

The major categories of other investments of restricted funds are as follows:

	2022	2021
Guaranteed investment certificates interest between 2% and 3.45% maturing between May and September 2023		
restricted funds, redeemable on demand	\$ <u>125,793</u>	\$ <u>127,888</u>

notes to financial statements

>DECEMBER 31, 2022

5. property, plant and equipment

	cost	accumulated amortization	net 2022	net 2021
Land	\$ 65,449	\$ -	\$ 65,449	\$ 65,449
Building	2,719,382	1,526,915	1,192,467	1,014,366
Equipment	420,727	322,446	98,281	94,336
Computer equipment	126,357	110,605	15,752	6,226
Vehicles	<u>270,415</u>	<u>222,855</u>	<u>47,560</u>	<u>32,156</u>
	<u>\$ 3,602,330</u>	<u>\$ 2,182,821</u>	<u>\$ 1,419,509</u>	<u>\$ 1,212,533</u>

Depreciation expense for the year totalled \$165,635 for the year and was applicable to the following departments: Administration - \$162,125, Communications - \$179, Recruiting programs - \$381, Candidate Training Programs - \$593, Missionary Field Programs - \$2,357.

6. deferred contributions - ministry projects

Deferred contributions represent unspent resources restricted for ministry projects. Changes in the deferred contributions are as follows:

	2022	2021
Balance beginning of year	\$ 1,373,745	\$ 1,272,854
Received during the year	8,693,791	9,683,979
Recognized as revenue	<u>(8,598,906)</u>	<u>(9,583,088)</u>
Balance, end of year	<u>\$ 1,468,630</u>	<u>\$ 1,373,745</u>

7. correction of an accounting error

The Charity has determined that in previous years changes in deferred contributions were incorrectly accrued to expenses rather than deferred from revenue. The comparative figures to this statement have been restated to correct that error. The correction impacts the financial statements as follows:

Both Donations for ministry projects and Missionary field program expenses are reduced by \$100,891 for the year ended December 31, 2021.

There is no impact to the surplus for the year ended December 31, 2021 or the net assets as at that date.

8. comparative figures

Certain of the comparative figures have been restated to conform to the presentation adopted for the current year. The financial statements for the previous year were reported on by another auditor.

notes to financial statements

> DECEMBER 31, 2022

9. financial instruments

Risk Management - The significant risks to which the Charity is exposed are currency risk and liquidity risk. There has been no change to the risk exposures from the prior year.

Currency Risk - The Charity realizes approximately 15% of its revenue and makes approximately 27% of its expenses in foreign currency. Consequently, some assets, liabilities, revenues and expenses are exposed to foreign exchange fluctuations. As at December 31, 2022, cash of \$27,970 (2021 - \$32,465) are denominated in US dollars.

Liquidity Risk - Liquidity risk is the risk that the Charity will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Charity's cash requirements. Additional cash requirements are met with the use of the available operating line of credit and bank borrowings under long term credit arrangements. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing. The Charity's borrowing arrangements are concentrated with a single Canadian financial institution.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Charity is exposed to this risk mainly in respect of its long term debt, obligations under capital leases, contributions to the pension plan and accounts payable.