

ETHNOS CANADA >

financial statements

>YEAR ENDED DECEMBER 31, 2024

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

ETHNOS CANADA >

financial statements

>YEAR ENDED DECEMBER 31, 2024

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Chartered Professional Accountants

510 Weber Street North, Waterloo, Ontario N2L 4E9
30 Arthur Street South, Elmira, Ontario N3B 2M7
T 519.725.2600 TF 1.877.725.2611 www.mac-ca.com

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, 2024, 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, 2024, 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, 2024 and December 31, 2023 and current assets and net assets as at December 31, 2024 and December 31, 2023. Our conclusion on the financial statements as at and for the year ended December 31, 2024 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.

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.

Elmira, Ontario
April 11, 2025

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANT

statement of financial position

>DECEMBER 31, 2024

	2024	2023
assets		
current		
Cash	\$ 591,334	\$ 756,223
Other investments (Note 3)	1,571,593	1,593,945
Accounts receivable	37,469	31,368
Inventory	<u>-</u>	<u>8,971</u>
	2,200,396	2,390,507
non-current		
Investments in bequests/support plans (Note 4)	256,178	261,751
Capital assets (Note 5)	<u>3,151,238</u>	<u>3,060,577</u>
	<u>\$ 5,607,812</u>	<u>\$ 5,712,835</u>
liabilities		
current		
Accounts payable and accrued liabilities	\$ 62,572	\$ 77,199
Government remittances payable	138,908	153,181
Deferred contributions - ministry projects (Note 6)	1,425,669	1,240,588
Current portion of long term debt (Note 7)	<u>957,927</u>	<u>984,740</u>
	<u>2,585,076</u>	<u>2,455,708</u>
net assets		
Net invested in capital assets	3,151,238	3,060,577
Invested in restricted assets	256,178	261,751
Unrestricted net assets	<u>(384,680)</u>	<u>(65,201)</u>
	<u>3,022,736</u>	<u>3,257,127</u>
	<u>\$ 5,607,812</u>	<u>\$ 5,712,835</u>

Approved on behalf of the board:



Director



Director

ETHNOS CANADA >

statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2024

	2024				2023
	invested in capital assets	restricted	unrestricted	total	total
balance, beginning of year	\$ 3,060,577	\$ 261,751	\$ (65,201)	\$ 3,257,127	\$ 2,968,861
Deficiency of revenue over expenses for year	-	-	(228,818)	(228,818)	152,308
Investment in capital assets	90,661	-	(90,661)	-	-
Net change in restricted assets	<u>-</u>	<u>(5,573)</u>	<u>-</u>	<u>(5,573)</u>	<u>135,958</u>
balance, end of year	<u>\$ 3,151,238</u>	<u>\$ 256,178</u>	<u>\$ (384,680)</u>	<u>\$ 3,022,736</u>	<u>\$ 3,257,127</u>

ETHNOS CANADA >

statement of operations

>YEAR ENDED DECEMBER 31, 2024

	2024	2023
donation revenue		
Donations for ministry projects	\$ 9,625,403	\$ 9,605,136
Bequests	<u>17,010</u>	<u>19,268</u>
	<u>9,642,413</u>	<u>9,624,404</u>
other revenue		
Bookstore revenue	5,386	3,397
Housing rentals	300,781	228,780
Foreign exchange gain/(loss)	(13,862)	(4,100)
Gain on disposal	14,790	1,688
Investment income	97,501	103,657
Other income	92,580	88,164
Student fees	<u>12,829</u>	<u>7,401</u>
	<u>510,005</u>	<u>428,987</u>
	<u>10,152,418</u>	<u>10,053,391</u>
expenses		
Administration and management	1,541,300	1,466,198
Candidate training programs	416,014	433,215
Communications	177,407	168,843
Member care	189,132	175,859
Missionary field programs	7,396,573	6,921,393
Recruiting programs	288,541	253,922
Retirement programs	<u>372,269</u>	<u>481,653</u>
	<u>10,381,236</u>	<u>9,901,083</u>
deficiency of revenue over expenses for year	<u>\$ (228,818)</u>	<u>\$ 152,308</u>

statement of cash flows

>YEAR ENDED DECEMBER 31, 2024

	2024	2023
operating activities		
Excess of revenue over expenses for year	\$ (228,818)	\$ 152,308
Adjustments for:		
Amortization	254,821	236,168
Gain on disposal	<u>(14,790)</u>	<u>(1,688)</u>
	11,213	386,788
Changes in non-cash working capital:		
Accounts receivable	(6,101)	29,790
Inventory	8,971	3,385
Accounts payable and accrued liabilities	(14,628)	11,809
Government remittances payable	(14,273)	15,832
Deferred contributions - ministry projects	<u>185,081</u>	<u>(228,042)</u>
	<u>170,263</u>	<u>219,562</u>
financing activities		
Issuance of long term debt	-	1,000,000
Repayment of long term debt	<u>(26,813)</u>	<u>(15,260)</u>
	<u>(26,813)</u>	<u>984,740</u>
investing activities		
Purchase of property, plant and equipment	(344,992)	(1,884,238)
Proceeds on disposal of property, plant and equipment	14,301	8,688
Net decrease in marketable securities	22,352	248,426
Net decrease in long term investments	5,573	(135,958)
Net decrease in restricted funds	<u>(5,573)</u>	<u>135,958</u>
	<u>(308,339)</u>	<u>(1,627,124)</u>
Decrease in cash	(164,889)	(422,822)
Cash balance, beginning of year	<u>756,223</u>	<u>1,179,045</u>
cash balance, end of year	<u>\$ 591,334</u>	<u>\$ 756,223</u>

notes to financial statements

>DECEMBER 31, 2024

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 the 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.

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.

notes to financial statements

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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.

Transaction costs - The Charity recognizes its transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at costs or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight line method.

Impairment - For financial assets measured at cost or amortized cost, the Charity determines whether there are indications of possible impairment. When there are, and the Charity determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Property, Plant and Equipment - Property, plant and equipment are recorded at historical cost. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Building	Straight line	25 years
Equipment	Reducing balance	20%
Computer equipment	Reducing balance	55%
Vehicles	Reducing balance	30%

Cloud Computing Arrangements - At the inception of the cloud computing arrangement with a supplier, the Charity allocates the consideration of the arrangement to all of the significant separable elements based on their specific sales price. Development costs and costs on the rights to use a tangible asset are recognized according to the accounting methods applicable to such elements. To account for expenditures in a cloud computing arrangement that fall within the scope of AcG-20, Customer's Accounting for Cloud Computing Arrangements, the Charity has opted for the simplification approach. Such expenditures shall be treated as the supply of services and recognized as an expenditure when the Charity receives such services. These expenditures are shown under the Administration and management heading on the statement of income. The Charity recognizes a prepayment as an asset when payment for services has been made in advance of the entity receiving those services. Expenditures related to implementation activities are expensed as incurred.

notes to financial statements

>DECEMBER 31, 2024

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.

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 useful lives of capital assets and accrued liabilities.

3. other investments

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

	2024	2023
Guaranteed investment certificates interest between 3.79% and 5.41% maturing between April 2025 and August 2026		
unrestricted funds, redeemable on demand	\$ <u>1,571,593</u>	\$ <u>1,593,945</u>

4. investments in bequest/support plans

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

	2024	2023
Guaranteed investment certificates interest between 3.25% and 5% maturing between April and December 2025		
restricted funds, redeemable on demand	\$ <u>256,178</u>	\$ <u>261,751</u>

notes to financial statements

>DECEMBER 31, 2024

5. property, plant and equipment

	cost	accumulated amortization	net 2024	net 2023
Land	\$ 65,449	\$ -	\$ 65,449	\$ 65,449
Building	4,826,508	1,865,358	2,961,150	2,871,678
Equipment	426,240	333,521	92,719	75,067
Computer equipment	135,154	120,732	14,422	14,762
Vehicles	<u>244,238</u>	<u>226,740</u>	<u>17,498</u>	<u>33,621</u>
	<u>\$ 5,697,589</u>	<u>\$ 2,546,351</u>	<u>\$ 3,151,238</u>	<u>\$ 3,060,577</u>

Depreciation expense for the year totalled \$254,821 and was applicable to the following departments:
Administration - \$253,103, Communications - \$1,059 and Missionary Field Programs - \$659.

6. deferred contributions - ministry projects

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

	2024	2023
Balance beginning of year	\$ 1,240,588	\$ 1,468,630
Received during the year	9,827,494	9,396,363
Recognized as revenue	<u>(9,642,413)</u>	<u>(9,624,405)</u>
Balance, end of year	<u>\$ 1,425,669</u>	<u>\$ 1,240,588</u>

7. long term debt

	2024	2023
Bank term loan repayable in monthly blended payments of \$7,333 including interest at 6.29%, due on demand	<u>\$ 957,927</u>	<u>\$ 984,740</u>
Less portion due within one year	<u>957,927</u>	<u>984,740</u>
	<u>\$ -</u>	<u>\$ -</u>

The bank term loan is secured by a first charge over all current and future assets and is subject to certain financial covenants. At year end, the Charity was in breach of these covenants and the debt is presented as a current liability accordingly.

notes to financial statements

>DECEMBER 31, 2024

8. 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 20% of its revenue and makes approximately 22% of its expenses in foreign currency. Consequently, some assets, liabilities, revenues and expenses are exposed to foreign exchange fluctuations. As at December 31, 2024, cash of \$60,816 (2023 - \$28,384) is 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.