

Financial Statements of

GLOBAL AID NETWORK

And Independent Auditors' Report Thereon

Year ended June 30, 2021



KPMG LLP
32575 Simon Avenue
Abbotsford BC V2T 4W6
Canada
Telephone (604) 854-2200
Fax (604) 853-2756

INDEPENDENT AUDITORS' REPORT

To the Members of Global Aid Network

Qualified Opinion

We have audited the accompanying financial statements of Global Aid Network ("the Entity"), which comprise:

- the statement of financial position as at June 30, 2021
- the statements of operations for the year then ended
- the statements of changes in fund balances for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2021 and its results of operations, and 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 charitable organizations, the Entity derives revenue from donations, 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 the Entity. Therefore, we are not able to determine whether any adjustments might be necessary to contributions and excess of revenues over expenses reported in the statements of operations and changes in fund balances and statement of cash flows for the years ended June 30, 2021 and June 30, 2020, current assets in the statement of financial position as at June 30, 2021 and June 30, 2020 and fund balances reported in the statement of changes in fund balances, both at the beginning and end of the year, for the years ending June 30, 2021 and June 30, 2020. Our opinion on the financial statements for the year ended June 30, 2020 was qualified 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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' 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 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 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.

Auditors' 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 auditors' 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 the 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 disclosure 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 auditors' 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 auditors' 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 matter that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants

Abbotsford, Canada
November 24, 2021

GLOBAL AID NETWORK

Statement of Financial Position

June 30, 2021, with comparative information for 2020

| | 2021 | 2020 |
|-------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,787,849 | \$ 1,627,888 |
| Accounts receivable | 24,472 | 26,654 |
| Inventory | - | 94,464 |
| Prepaid expenses and deposits | 6,248 | 3,432 |
| | <u>1,818,569</u> | <u>1,752,438</u> |
| Capital assets (note 3) | 3,671 | 7,993 |
| | <u>\$ 1,822,240</u> | <u>\$ 1,760,431</u> |

Liabilities and Fund Balances

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 143,743 | \$ 31,039 |
| Due to related entity (note 2(a)) | 90,274 | 69,917 |
| | <u>234,017</u> | <u>100,956</u> |
| Fund balances: | | |
| General fund | 1,584,552 | 1,651,482 |
| Capital fund | 3,671 | 7,993 |
| | <u>1,588,223</u> | <u>1,659,475</u> |
| | <u>\$ 1,822,240</u> | <u>\$ 1,760,431</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

GLOBAL AID NETWORK

Statement of Operations

Year ended June 30, 2021, with comparative information for 2020

| | General Fund | Externally Restricted Fund | Capital Fund | Total 2021 | Total 2020 |
|--|------------------|----------------------------------|-----------------|------------------|------------------|
| Revenue: | | | | | |
| Contributions (note 2(b)) | \$ 5,057,889 | \$ - | \$ - | \$ 5,057,889 | \$ 3,818,485 |
| Gifts-in-kind contributions | 127,326 | - | - | 127,326 | 118,147 |
| Grants | - | 182,077 | - | 182,077 | - |
| Other income | 46,200 | - | - | 46,200 | 67,123 |
| | <u>5,231,415</u> | <u>182,077</u> | <u>-</u> | <u>5,413,492</u> | <u>4,003,755</u> |
| Expenses (note 2(b)): | | | | | |
| Relief and development | 4,713,917 | - | - | 4,713,917 | 4,123,277 |
| Child and youth development and assistance | 208,768 | - | - | 208,768 | 251,061 |
| | <u>4,922,685</u> | <u>-</u> | <u>-</u> | <u>4,922,685</u> | <u>4,374,338</u> |
| Fundraising (note 2(b)) | 44,986 | - | - | 44,986 | 174,803 |
| General and administrative (note 2(b)) | 511,328 | - | 5,745 | 517,073 | 395,523 |
| | <u>5,478,999</u> | <u>-</u> | <u>5,745</u> | <u>5,484,744</u> | <u>4,944,664</u> |
| Excess (deficiency) of revenue over expenses | \$ (247,584) | \$ 182,077 | \$ (5,745) | \$ (71,252) | \$ (940,909) |

See accompanying notes to financial statements.

GLOBAL AID NETWORK

Statement of Changes in Fund Balances

Year ended June 30, 2021, with comparative information for 2020

| | General Fund | Externally Restricted Fund | Capital Fund | 2021 Total | 2020 Total |
|---|-----------------|----------------------------------|-----------------|---------------|---------------|
| Balance, beginning of year | \$ 1,651,482 | \$ - | \$ 7,993 | \$ 1,659,475 | \$ 2,600,384 |
| Excess (deficiency) of revenue over expenses | (247,584) | 182,077 | (5,745) | (71,252) | (940,909) |
| Interfund transfers (note 4) | 180,654 | (182,077) | 1,423 | - | - |
| Balance, end of year | \$ 1,584,552 | \$ - | \$ 3,671 | \$ 1,588,223 | \$ 1,659,475 |

See accompanying notes to financial statements.

GLOBAL AID NETWORK

Statement of Cash Flows

Year ended June 30, 2021, with comparative information for 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Deficiency of revenue over expenses | \$ (71,252) | \$ (940,909) |
| Item not involving cash: | | |
| Amortization of capital assets | 5,745 | 7,803 |
| Gifts-in-kind contributions held as inventory | 94,464 | (94,464) |
| | 28,957 | (1,027,570) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 2,182 | 74,354 |
| Prepaid expenses and deposits | (2,816) | 296,100 |
| Accounts payable and accrued liabilities | 112,704 | (233,712) |
| | 141,027 | (890,828) |
| Financing: | | |
| Advances from (to) related entity | 20,357 | (90,771) |
| Investing: | | |
| Purchase of capital assets | (1,423) | (2,796) |
| Increase (decrease) in cash | 159,961 | (984,395) |
| Cash, beginning of year | 1,627,888 | 2,612,283 |
| Cash, end of year | \$ 1,787,849 | \$ 1,627,888 |

See accompanying notes to financial statements.

GLOBAL AID NETWORK

Notes to Financial Statements

Year ended June 30, 2021

Purpose of organization:

Global Aid Network ("GAIN") exists to relieve poverty throughout the world as an extension of the Biblical imperative to meet the needs of the less fortunate through the provision of development aid and assistance in relief of human suffering, hunger and need; and the provision of humanitarian and emergency relief in cases of calamity, conflict, disaster and poverty. GAIN is incorporated under the Canada Not-for-profit Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act, and as such is not subject to income taxes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Revenue recognition:

GAIN follows the restricted fund method of accounting for contributions, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

(i) General Fund:

The General Fund includes unrestricted revenue and donations received by GAIN.

(ii) Externally Restricted Fund:

The Externally Restricted Fund includes funding from Global Affairs Canada (GAC) designated for specific purposes. Project activities under the GAC agreement ended on March 31, 2020. The deadline for reporting under the agreement was September 30, 2020 and there is a 5% holdback amount of \$182,077 that was recorded as revenue during the year when the necessary reporting to GAC had been completed (note 4).

(iii) Capital Fund:

The Capital Fund includes donations and other funding received by GAIN which has been designated for capital purchases by the donor.

All other revenue is recognized when the services are provided or when the goods are delivered.

Gifts-in-kind are valued at their estimated fair value at the time the contribution is made when a fair value can be determined and GAIN would otherwise have purchased the items.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

GLOBAL AID NETWORK

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(b) Inventory:

Inventory is valued at the lower of the original purchase price (or estimated fair value for donated goods) and replacement cost, and consists of goods and supplies to be used in overseas programs.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life or improve the service potential of an asset are capitalized.

Amortization of equipment is provided on a straight-line basis over 3 years.

GAIN reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to GAIN's ability to provide goods and services, or that the value of the future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement of operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

(d) Allocation of expenses:

GAIN engages in relief and development, child and youth development and assistance and fundraising programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. GAIN also incurs a number of general and administrative expenses that are common to the administration of the organization and each of its programs.

GAIN allocates certain of its general and administrative expenses based on an estimate of costs and services provided. Administration and corporate governance are not allocated; other general operation expenses are allocated within the General Fund as presented in the statement of operations.

(e) Foreign currency transactions and translation:

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rates in effect at the year end date. Revenue and expenses originating in foreign currencies are translated at rates in effect at the date of the transaction. Exchange gains and losses are included in the statement of operations.

GLOBAL AID NETWORK

Notes to Financial Statements (continued)

Year ended June 30, 2021

1. Significant accounting policies (continued):

(f) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. GAiN has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, GAiN determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount GAiN expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

GLOBAL AID NETWORK

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Related party transactions:

GAiN shares common administration with Power to Change Ministries ("Power to Change").

(a) Due to related entity:

The amount owing to Power to Change of \$90,274 (2020 - \$69,917) is non-interest bearing with no fixed terms of repayment and therefore is classified as long-term.

(b) Transactions:

Transactions with related parties occur in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These transactions are summarized as follows:

| | 2021 | 2020 |
|--|------------|------------|
| Power to Change: | | |
| Contributions | \$ 220,710 | \$ 423,712 |
| Relief and development | 643,292 | 836,672 |
| Child and youth development and assistance | 28,470 | 50,791 |
| Fundraising | 6,101 | 36,016 |
| General and administrative | 511,328 | 383,593 |

3. Capital assets:

| | 2021 | 2020 | | |
|-----------|-----------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Equipment | \$ 43,916 | \$ 40,245 | \$ 3,671 | \$ 7,993 |

GLOBAL AID NETWORK

Notes to Financial Statements (continued)

Year ended June 30, 2021

4. Interfund transfers:

In 2021, the General Fund transferred \$1,423 (2020 - \$2,796) to the Capital Fund for the purchase of capital assets, and \$182,077 from (2020 - \$174,090 to) the Externally Restricted Fund to the General Fund to clear the Externally Restricted Fund due to completion of project agreement (2020 - to cover expenses in the Externally Restricted Fund in excess of revenue).

5. Allocation of expenses:

As described in the significant accounting policies, certain general and administrative expenses have been allocated to programs as follows:

| | 2021 | 2020 |
|---|------------------|--------------------|
| Allocated expenses: | | |
| Relief and development | \$ 650,235 | \$ 951,984 |
| Child and youth development and assistance | 28,797 | 57,965 |
| Fundraising | 6,205 | 40,358 |
| | <hr/> \$ 685,237 | <hr/> \$ 1,050,307 |

GLOBAL AID NETWORK

Notes to Financial Statements (continued)

Year ended June 30, 2021

6. Financial risks and concentrations of risks:

(a) Currency risk:

In the normal course of business, GAiN receives contributions denominated in European Euros (Euros) and US dollars (USD), makes payments denominated in Euros and USD, and holds bank accounts denominated in Euros and USD. At year-end, cash held in Euros converted to Canadian currency is \$13,473 (2020 - \$15,086) and cash held in USD converted to Canadian currency is \$218,143 (2020 - \$11,505). Accordingly, GAiN is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. GAiN does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that GAiN will be unable to fulfill its obligations on a timely basis or at a reasonable cost. GAiN manages its liquidity risk by monitoring its operating requirements. GAiN prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from the prior year other than the pervasive impact of the ongoing COVID-19 pandemic which may lead to adverse changes in cash flows, assets, and liabilities, which may also have a direct impact on GAiN's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time.