

INSIGHT FOR LIVING MINISTRIES CANADA

Financial Statements

June 30, 2019

INSIGHT FOR LIVING MINISTRIES CANADA

Index to Financial Statements

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Insight for Living Ministries Canada

Report on the Financial Statements

Opinion

We have audited the financial statements of Insight for Living Ministries Canada (the "Society"), which comprise the statement of financial position as at June 30, 2019, and the statements of changes in fund balances, operations and 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 Society as at June 30, 2019, 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.

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 Society 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 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 Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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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 Society'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 Society'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 Society 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.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Society's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations.

Burnaby, British Columbia
October 1, 2019



Chartered Professional Accountants

INSIGHT FOR LIVING MINISTRIES CANADA
Statement of Financial Position
June 30, 2019

| | Operating Fund | Capital Assets Fund | Restricted Funds | 2019 | 2018 (Note 2) |
|---|----------------|---------------------|------------------|--------------|------------------|
| ASSETS | | | | | |
| CURRENT | | | | | |
| Cash | \$ 275,182 | \$ - | \$ 32,273 | \$ 307,455 | \$ 442,792 |
| Investments | 439,113 | - | 48,000 | 487,113 | 436,588 |
| Accrued interest receivable | 4,015 | - | - | 4,015 | 4,015 |
| Recoverable from government authorities - GST | 3,081 | - | - | 3,081 | 3,714 |
| Prepaid expenses | 21,950 | - | - | 21,950 | 23,382 |
| Inventory | 62,513 | - | - | 62,513 | 65,091 |
| | 805,854 | - | 80,273 | 886,127 | 975,582 |
| SOFTWARE AND WEBSITE (Note 4) | - | 173,421 | - | 173,421 | - |
| CAPITAL ASSETS (Note 5) | - | 450,656 | - | 450,656 | 467,841 |
| | \$ 805,854 | \$ 624,077 | \$ 80,273 | \$ 1,510,204 | \$ 1,443,423 |
| LIABILITIES AND FUND BALANCES | | | | | |
| CURRENT | | | | | |
| Accounts payable and accrued liabilities | \$ 95,641 | \$ - | \$ - | \$ 95,641 | \$ 79,704 |
| Accounts payable - Insight for Living Ministries (U.S.) | 23,224 | - | - | 23,224 | 15,741 |
| | 118,865 | - | - | 118,865 | 95,445 |
| FUND BALANCES - page 4 | | | | | |
| Unrestricted | 686,989 | - | - | 686,989 | 811,701 |
| Internally restricted for capital assets | - | 624,077 | - | 624,077 | 467,841 |
| Internally restricted (Note 13) | - | - | 57,964 | 57,964 | 34,797 |
| Externally restricted (Note 13) | - | - | 22,309 | 22,309 | 33,639 |
| | 686,989 | 624,077 | 80,273 | 1,391,339 | 1,347,978 |
| | \$ 805,854 | \$ 624,077 | \$ 80,273 | \$ 1,510,204 | \$ 1,443,423 |

APPROVED BY THE BOARD OF DIRECTORS

_____ Director

_____ Director

See notes to financial statements

INSIGHT FOR LIVING MINISTRIES CANADA
Statement of Changes in Fund Balances
Year Ended June 30, 2019

| | Operating Fund | Capital Assets Fund | Restricted Funds (Note 13) | 2019 | 2018 (Note 2) |
|---|----------------|---------------------|----------------------------|--------------|---------------|
| FUND BALANCES - BEGINNING OF YEAR | \$ 811,701 | \$ 467,841 | \$ 68,436 | \$ 1,347,978 | \$ 1,167,262 |
| Excess (deficiency) of revenue over expenses - page 5 | 83,992 | (29,116) | (11,515) | 43,361 | 180,716 |
| Interfund transfers (Note 6) | (208,704) | 185,352 | 23,352 | - | - |
| FUND BALANCES - END OF YEAR - page 3 | \$ 686,989 | \$ 624,077 | \$ 80,273 | \$ 1,391,339 | \$ 1,347,978 |

See notes to financial statements

INSIGHT FOR LIVING MINISTRIES CANADA

Statement of Operations

Year Ended June 30, 2019

| | Operating Fund | Capital Assets Fund | Restricted Funds (Note 13) | 2019 | 2018 |
|--|------------------|---------------------|----------------------------|------------------|-------------------|
| REVENUE | | | | | |
| Contributions | \$ 1,775,080 | \$ - | \$ - | \$ 1,775,080 | \$ 1,899,927 |
| Sales of resource materials | 77,591 | - | - | 77,591 | 95,539 |
| Investment income and miscellaneous | 11,959 | - | - | 11,959 | 15,486 |
| | 1,864,630 | - | - | 1,864,630 | 2,010,952 |
| EXPENSES | | | | | |
| Salaries and benefits | 724,074 | - | - | 724,074 | 699,678 |
| Media - Canadian stations | 482,732 | - | - | 482,732 | 469,636 |
| Media - U.S. border stations | 214,809 | - | - | 214,809 | 205,637 |
| Ministry newsletters | 65,717 | - | - | 65,717 | 64,882 |
| Ministry letters | 53,642 | - | - | 53,642 | 54,917 |
| Postage, courier service and freight | 41,014 | - | - | 41,014 | 60,606 |
| Office | 37,053 | - | - | 37,053 | 36,698 |
| Cost of merchandise sold | 29,313 | - | - | 29,313 | 45,841 |
| Amortization of capital assets | - | 29,116 | - | 29,116 | 27,546 |
| Professional fees | 26,401 | - | - | 26,401 | 35,441 |
| Bank charges and interest | 24,535 | - | - | 24,535 | 24,474 |
| Facility | 24,240 | - | - | 24,240 | 22,519 |
| Communications and printing | 15,656 | - | - | 15,656 | 19,002 |
| Administration | 11,799 | - | - | 11,799 | 18,215 |
| Designated expenses (Note 13) | - | - | 11,515 | 11,515 | 116 |
| Travel and auto | 10,187 | - | - | 10,187 | 9,749 |
| Marketing | 9,859 | - | - | 9,859 | 11,301 |
| Ministry relations | 9,607 | - | - | 9,607 | 23,978 |
| | 1,780,638 | 29,116 | 11,515 | 1,821,269 | 1,830,236 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - page 4 | \$ 83,992 | \$ (29,116) | \$ (11,515) | \$ 43,361 | \$ 180,716 |

See notes to financial statements

INSIGHT FOR LIVING MINISTRIES CANADA

Statement of Cash Flows

Year Ended June 30, 2019

| | Operating Fund | Capital Assets Fund | Restricted Funds | 2019 | 2018 |
|---|----------------|---------------------|------------------|------------|------------|
| OPERATING ACTIVITIES | | | | | |
| Excess (deficiency) of revenue over expenses | \$ 83,992 | \$ (29,116) | \$ (11,515) | \$ 43,361 | \$ 180,716 |
| - page 5 | | | | | |
| Item not affecting cash: | | | | | |
| Amortization of capital assets | - | 29,116 | - | 29,116 | 27,546 |
| Changes in non-cash working capital (Note 7) | 83,992 | - | (11,515) | 72,477 | 208,262 |
| | 28,063 | - | - | 28,063 | 21,304 |
| Cash flow from (used by) operating activities | 112,055 | - | (11,515) | 100,540 | 229,566 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of investments | (2,525) | - | (48,000) | (50,525) | (2,120) |
| Purchase of capital assets | - | (11,931) | - | (11,931) | (5,770) |
| Purchase of software | - | (173,421) | - | (173,421) | - |
| Cash flow used by investing activities | (2,525) | (185,352) | (48,000) | (235,877) | (7,890) |
| INTERFUND TRANSFERS | | | | | |
| Interfund transfers (Note 6) | (208,704) | 185,352 | 23,352 | - | - |
| INCREASE (DECREASE) IN CASH FLOW | | | | | |
| Cash - beginning of year | (99,174) | - | (36,163) | (135,337) | 221,676 |
| | 374,356 | - | 68,436 | 442,792 | 221,116 |
| CASH - END OF YEAR | \$ 275,182 | \$ - | \$ 32,273 | \$ 307,455 | \$ 442,792 |
| CASH CONSISTS OF: | | | | | |
| Unrestricted cash | \$ 275,182 | \$ - | \$ - | \$ 275,182 | \$ 374,356 |
| Internally restricted cash | - | - | 9,964 | 9,964 | 34,797 |
| Externally restricted cash | - | - | 22,309 | 22,309 | 33,639 |
| | \$ 275,182 | \$ - | \$ 32,273 | \$ 307,455 | \$ 442,792 |

See notes to financial statements

INSIGHT FOR LIVING MINISTRIES CANADA

Notes to Financial Statements

Year Ended June 30, 2019

1. PURPOSE OF THE ORGANIZATION

Insight for Living Ministries Canada (the "Society") is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

The Society is established for the purpose of presenting a biblical, Christian ministry through radio programs and other suitable means of teaching and instruction, and to provide counselling.

2. LEGACY FUND

Some of the comparative figures have been restated to accurately report the Legacy Fund. Specifically, the prior year Restricted Funds opening balance has increased by \$32,909 and the Operating Fund opening balance has decreased by the same amount related to funds internally restricted by the board of directors representing 80% of the estate donations received in 2017 and interest generated on an internally restricted bank account as well as an interfund transfer of \$1,888 from the Operating Fund to the Internally Restricted Legacy Fund representing 80% of the estate donations received in 2018 and interest generated on an internally restricted bank account. To account for this change in the current year, the opening Internally Restricted Legacy Funds balance increased by \$34,797 and the opening unrestricted Operating Fund balance decreased by \$34,797.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting

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

The Operating Fund accounts for the Society's program delivery and administrative activities. This fund reports all unrestricted resources.

The Capital Assets Fund reports the internally restricted assets, liabilities and expenses related to the Society's both tangible and intangible capital assets.

The Restricted Funds report externally restricted contributions that are to be used for specific Society ministries, along with the related expenses. The Restricted Funds also report funds that have been internally restricted by the board.

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INSIGHT FOR LIVING MINISTRIES CANADA

Notes to Financial Statements

Year Ended June 30, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

Externally restricted contributions related to general operations are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. All other externally restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Sales of resource materials are recognized as revenue when title passes to the customer, which is generally at the point of shipment.

Cash and Cash Equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents.

Investments

Investments include term deposits that are cashable and have a maturity term of more than three months. These investments have been classified as current assets as they are capable of prompt liquidation and will mature within the next fiscal year.

Any term deposits that do not mature within the next fiscal year or are non-cashable are classified as long term assets.

The term deposits have interest rates from 0.08% to 2.95% per annum (2018 - 1.00% to 1.40%) and varying maturity dates from December 2019 to February 2021.

Accrued interest on the term deposits is presented separately on the Statement of Financial Position.

Inventory

The inventory consists of finished goods recognized at shipping point and is valued at the lower of cost and net realizable value with the cost being determined on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Promotional products are given to donors at no charge and are recognized at cost.

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INSIGHT FOR LIVING MINISTRIES CANADA

Notes to Financial Statements

Year Ended June 30, 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets and Amortization

Capital assets purchased are stated at cost less accumulated amortization. Contributed capital assets are recorded at the fair value as of the date of receipt. Amortization is provided at various rates on a straight line basis designed to amortize the assets over the estimated useful lives. Amortization is reported in the Capital Assets Fund. The amortization rates are as follows:

| | |
|-------------------------|----------|
| Buildings | 20 years |
| Vehicle | 10 years |
| Furniture and equipment | 5 years |
| Computer equipment | 5 years |

Software and Website

Software and website are intangible assets presented separately on the Statement of Financial Position and are stated at cost less accumulated amortization, with any impairment in the long-term service potential to the Society recognized immediately in net income. Software and website are being amortized on a straight-line basis over their estimated useful lives of ten and five years, respectively.

Foreign Currency Translation

All monetary assets and liabilities of operations denominated in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the Statement of Financial Position date. Non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the statement of financial position date. Gains and losses resulting from the translation of assets and liabilities are reflected in excess of revenue over expenses of the year.

Revenue accounts are translated at the current rate of exchange on the date of the transaction and expense accounts are translated at the rate of exchange at the time of payment of the transaction.

Contributed Services and Materials

Volunteers assist the Society in carrying out its ministry. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable, with such items recorded at fair value on the date of the contribution. During the year the Society received non-cash gifts-in-kind of \$5,155 of publicly traded shares (2018 - \$3,549 of publicly traded shares).

4. SOFTWARE AND WEBSITE

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|-----------|-------------------|-----------------------------|---------------------------|---------------------------|
| Software* | \$ 173,421 | \$ - | \$ 173,421 | \$ - |
| Website | 37,882 | 37,882 | - | - |
| | <u>\$ 211,303</u> | <u>\$ 37,882</u> | <u>\$ 173,421</u> | <u>\$ -</u> |

* The software was not in use at year end and therefore is not amortized.

INSIGHT FOR LIVING MINISTRIES CANADA**Notes to Financial Statements****Year Ended June 30, 2019****5. CAPITAL ASSETS**

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|-------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 235,638 | \$ - | \$ 235,638 | \$ 235,638 |
| Buildings | 409,558 | 226,039 | 183,519 | 195,704 |
| Vehicle | 9,500 | 4,275 | 5,225 | 6,175 |
| Furniture and equipment | 70,248 | 58,327 | 11,921 | 15,737 |
| Computer equipment | 52,398 | 38,045 | 14,353 | 14,587 |
| | <u>\$ 777,342</u> | <u>\$ 326,686</u> | <u>\$ 450,656</u> | <u>\$ 467,841</u> |

6. INTERFUND TRANSFERS

During the year, the following interfund transfers occurred:

\$185 was transferred from the Operating Fund to the Externally Restricted Arabic Fund to cover the deficit realized in that fund.

\$23,167 was transferred from the Operating Fund to the Internally Restricted Legacy Fund according to the gift acceptance policy for estate donations received and interest earned on the internally restricted bank account.

\$185,352 was transferred from the Operating Fund to the Internally Restricted Capital Asset Fund to fund tangible and intangible capital asset additions.

7. CHANGES IN NON-CASH WORKING CAPITAL

| | 2019 | 2018 |
|---|------------------|------------------|
| Recoverable from government authorities - GST | \$ 633 | \$ 73 |
| Prepaid expenses | 1,432 | 10,024 |
| Inventory | 2,578 | 10,873 |
| Accounts payable and accrued liabilities | 15,937 | 3,744 |
| Accounts payable - Insight for Living Ministries (U.S.) | 7,483 | (3,410) |
| | <u>\$ 28,063</u> | <u>\$ 21,304</u> |

8. LINE OF CREDIT

The Society has a credit facility available of up to \$10,000 with Aldergrove Credit Union. It is in the form of an operating loan line of credit, which bears interest at the Aldergrove Credit Union prime rate plus 0.1% per annum, interest payable monthly. The amount used of the credit facility as at June 30, 2019 was \$NIL (2018 - \$NIL).

INSIGHT FOR LIVING MINISTRIES CANADA

Notes to Financial Statements

Year Ended June 30, 2019

9. RELATED PARTY TRANSACTIONS / DUE TO RELATED PARTY

The following is a summary of the Society's related party transactions:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Insight for Living Ministries (U.S.) <i>(US non-profit organization with significant influence over the Society)</i> | | |
| Media - US border stations | \$ 191,745 | \$ 183,566 |
| Software acquisition | 173,421 | - |
| Merchandise and inventory | 23,616 | 29,390 |
| Designated expenses | 11,515 | - |
| Contribution revenue | (8,710) | (3,537) |
| Paws & Tales | - | 612 |
| | <u>\$ 391,587</u> | <u>\$ 210,031</u> |

These transactions are 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.

Amounts due to Insight for Living Ministries (U.S.) of \$23,224 (2018 - \$15,741) are due according to normal trade payable terms.

10. REMUNERATION DISCLOSURE

In accordance with the Societies Act of British Columbia, the Society is required to disclose that the highest paid individual or person under a contract for services that exceeded \$75,000 of annual remuneration was paid a total sum of \$99,013.

11. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transactions costs recognized in net excess (deficiency) of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess of revenue over expenses.

Currency Risk

Currency risk is the risk that the Society's fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to volatility caused by external factors. The Society is exposed to currency risk and its effect on the exchange gain or loss for the year on the significant amount of U.S. dollar expenses with Insight for Living Ministries (U.S.).

12. ECONOMIC DEPENDENCE

The Society is dependant on Insight for Living Ministries (U.S.), a (US non-profit organization with significant influence over the Society) to provide merchandise, media content and ministry expenses in other countries. During the year, the Society's payments to Insight for Living Ministries (U.S.) accounted for 12% (2018 - 12%) of its total expenses.

INSIGHT FOR LIVING MINISTRIES CANADA

Notes to Financial Statements

Year Ended June 30, 2019

13. RESTRICTED FUNDS

| | Opening balance | Revenue | Expenses | Interfund transfers | Ending balance |
|------------------------------------|------------------|-------------|--------------------|---------------------|------------------|
| Externally Restricted | | | | | |
| French | \$ 7,544 | \$ - | \$ - | - | \$ 7,544 |
| Russian | 9,386 | - | (5,330) | - | 4,056 |
| Spanish | 3,612 | - | - | - | 3,612 |
| Mandarin | 2,234 | - | - | - | 2,234 |
| India | 2,056 | - | - | - | 2,056 |
| Vietnamese | 1,699 | - | - | - | 1,699 |
| Hindi | 640 | - | - | - | 640 |
| Philippines | 418 | - | - | - | 418 |
| International | 50 | - | - | - | 50 |
| Arabic | 6,000 | - | (6,185) | 185 | - |
| Total Externally Restricted | 33,639 | - | (11,515) | 185 | 22,309 |
| Internally Restricted | | | | | |
| Legacy Fund | 34,797 | - | - | 23,167 | 57,964 |
| Total Internally Restricted | 34,797 | - | - | 23,167 | 57,964 |
| Total Restricted Funds | \$ 68,436 | \$ - | \$ (11,515) | \$ 23,352 | \$ 80,273 |