

JM MINISTRIES CANADA >

financial statements

>YEAR ENDED DECEMBER 31, 2018

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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financial statements

>YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of JM Ministries Canada:

Qualified Opinion

We have audited the financial statements of JM Ministries Canada, the "Charity", which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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, JM Ministries 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 JM Ministries 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, 2018 and December 31, 2017 and current assets and net assets as at December 31, 2018 and December 31, 2017. Our conclusion on the financial statements as at and for the year ended December 31, 2018 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 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 private enterprises 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
June 7, 2019

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

statement of financial position

>DECEMBER 31, 2018

	2018	2017
assets		
current		
Cash	\$ 1,005,562	\$ 449,374
Government remittances recoverable	47,551	63,326
Inventory (Note 4)	129,170	134,011
Prepaid expenses	33,235	62,212
Due from Greater Hope Foundation	<u>15,000</u>	<u>-</u>
	1,230,518	708,923
capital assets (Note 5)	<u>71,733</u>	<u>119,554</u>
	<u>\$ 1,302,251</u>	<u>\$ 828,477</u>
liabilities		
current		
Accounts payable and accrued liabilities	\$ 122,592	\$ 157,914
Deferred revenue	1,225	163
Due to affiliated organization (Note 6)	<u>13,389</u>	<u>1,474,546</u>
	<u>137,206</u>	<u>1,632,623</u>
commitment (Note 7)		
fund balances		
general	1,057,972	(978,635)
restricted funds:		
Hand of Hope	35,340	54,935
capital assets	<u>71,733</u>	<u>119,554</u>
	<u>1,165,045</u>	<u>(804,146)</u>
	<u>\$ 1,302,251</u>	<u>\$ 828,477</u>

Approved on behalf of the board:

Director

Director

statement of operations and changes in fund balances

>YEAR ENDED DECEMBER 31, 2018

	general	restricted hand of hope	capital assets	2018 total	2017 total
revenue					
Donations	\$ 5,309,248	\$ 734,175	\$ -	\$ 6,043,423	\$ 3,934,113
Product sales	77,505	-	-	77,505	102,313
Interest income	272	-	-	272	19
Foreign exchange loss	(11,072)	-	-	(11,072)	51,530
	<u>5,375,953</u>	<u>734,175</u>	<u>-</u>	<u>6,110,128</u>	<u>4,087,975</u>
expenses					
Administrative services	466,873	-	-	466,873	438,100
Airtime	949,994	34,404	-	984,398	1,243,878
Amortization	-	-	47,821	47,821	47,821
Bank charges and interest	61,849	-	-	61,849	68,255
Contract services	541,939	-	-	541,939	651,117
Cost of goods sold	18,806	-	-	18,806	9,990
Dues and fees	78,196	-	-	78,196	76,903
Equipment rental	907	-	-	907	832
Ministry donations	-	719,366	-	719,366	735,770
Occupancy costs	38,673	-	-	38,673	51,399
Office and supplies	55,102	-	-	55,102	42,048
Partner gifts	68,694	-	-	68,694	93,388
Postage and mailing	638,993	-	-	638,993	797,909
Printing	126,459	-	-	126,459	140,825
Professional fees	286,825	-	-	286,825	132,488
Travel	6,036	-	-	6,036	9,087
	<u>3,339,346</u>	<u>753,770</u>	<u>47,821</u>	<u>4,140,937</u>	<u>4,539,810</u>
excess of revenue over expenses					
	2,036,607	(19,595)	(47,821)	1,969,191	(451,835)
Fund balances, beginning of year	<u>(978,635)</u>	<u>54,935</u>	<u>119,554</u>	<u>(804,146)</u>	<u>(352,311)</u>
fund balances, end of year	<u>\$ 1,057,972</u>	<u>\$ 35,340</u>	<u>\$ 71,733</u>	<u>\$ 1,165,045</u>	<u>\$ (804,146)</u>

statement of cash flows

>YEAR ENDED DECEMBER 31, 2018

	2018	2017
operating activities		
Excess of revenue over expenses for year	\$ 1,969,191	\$ (451,835)
Adjustments for:		
Amortization	<u>47,821</u>	<u>47,821</u>
	2,017,012	(404,014)
Changes in non-cash working capital:		
Decrease in government remittances recoverable	15,775	22,604
Decrease in inventory	4,841	(871)
Decrease in prepaid expenses	28,977	(28,524)
Increase in due from affiliated organization	(15,000)	-
Decrease in accounts payable and accrued liabilities	(35,322)	(119,686)
Increase in deferred revenue	1,062	163
Decrease in due to affiliated organization	<u>(1,461,157)</u>	<u>404,754</u>
	<u>556,188</u>	<u>(125,574)</u>
Net change in cash for the year	556,188	(125,574)
Cash balance, beginning of year	<u>449,374</u>	<u>574,948</u>
cash balance, end of year	<u>\$ 1,005,562</u>	<u>\$ 449,374</u>

notes to financial statements

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1. purpose of organization

The mission of JM Ministries Canada, the "Charity", is to advance the Christian religion by worshipping God, preaching the Gospel of Jesus Christ to all people, teaching Biblical truth, equipping believers, maintaining the unity of the Christian church and ministering to the spiritual and physical needs of all people. The Charity operates in Vancouver, British Columbia, is a charitable organization incorporated under the Societies Act of British Columbia and is 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 the Charity's general and administrative activities.

The Hand of Hope Fund reflects the contributions received to support outreach programs.

The Capital Asset Fund reflects the assets, liabilities, revenues and expenses related to the Charity's capital assets.

Recognition of Income - The Charity follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations of the Charity 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 when received.

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

Revenue from product sales is recognized when the product is shipped.

Periodically, the Charity exchanges resources with donors based on a designated contribution. The gross amount of these contributions are recognized as donations when received and the corresponding cost to the Charity for the direct donor benefit is expensed when the product is shipped.

Financial Instruments

Measurement - The Charity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Charity subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and due from affiliated organization.

notes to financial statements

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Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to affiliated organization.

The Charity has not designated any financial asset or liability to be measured at fair value.

Impairment - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as operating cost. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not 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 as income from operations.

Transaction costs - The Charity recognizes its transaction costs in excess of revenue over expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Inventory - Inventory is valued at the lower of cost or net realizable value. The method of determining cost is on the first-in first-out basis which records the cost of inventory on hand on the basis of its most recent acquisition cost.

Capital Assets and Amortization - Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Computer and other equipment	Straight line	20%

Capital assets acquired during the year are amortized at one half the above annual rates.

Contributed Materials and Services - Volunteers contribute their time to assist the Charity in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

The Charity receives contributed materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair value 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and 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, inventory reserves and evaluation of minimum lease terms for operating leases.

notes to financial statements

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Controlled Organizations - The Charity has chosen not to consolidate the organizations it controls, but to instead disclose information about the resources of the controlled organizations.

3. controlled organization

The Charity controls Canadians Assisting in Relief Efforts Society, "C.A.R.E.S", through a common Board of Directors.

C.A.R.E.S is incorporated under the Canada Not-for-Profit Corporations Act and is a registered charity for Canadian Income Tax purposes. Its mission is to engage in international relief and humanitarian aid, combat human trafficking, and provide programs over the radio, television, and internet to advance the Christian religion.

The summary financial statements of C.A.R.E.S are as follows:

	2018	2017
Statement of financial position		
Assets	\$ -	\$ 9,291
Liabilities	\$ -	\$ 4,499
Net assets	\$ -	\$ 4,792
Statement of Operations		
Revenues	\$ 70,327	\$ 761,968
Expenses	\$ 75,119	\$ 864,574
Statement of Cash Flows		
Operating activities	\$ (4,792)	\$ (102,606)

During the year, the Charity made cash donations of \$70,000 (2017 - \$735,270) to C.A.R.E.S. C.A.R.E.S. made cash donations of \$29,900 to the Charity (2017 - \$Nil). These transactions have been recorded as ministry donations expense and as revenue by both the Charity and C.A.R.E.S. 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.

C.A.R.E.S. ceased operations in the year and was dissolved effective May 3, 2018

4. inventory

Inventory is comprised of the following:

	2018	2017
Product for resale	\$ <u>129,170</u>	\$ <u>134,011</u>

Inventory expensed during the period was \$85,408 (2017 - \$93,962).

notes to financial statements

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5. capital assets

	cost	accumulated amortization	net 2018	net 2017
Computer equipment	\$ <u>239,107</u>	\$ <u>167,374</u>	\$ <u>71,733</u>	\$ <u>119,554</u>

6. affiliated organization transactions

Amounts due to affiliated organization are non-interest bearing with no specific terms of repayment.

The Charity is related to Joyce Meyer Ministries, Inc., a US non-profit organization.

The following table outlines transactions with Joyce Meyer Ministries, Inc.:

	2018	2017
Product purchases made	\$ 87,244	\$ 121,376
Payments made to reimburse for expenses incurred	\$ 794,383	\$ 619,903

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.

7. commitments

The Charity is obligated under a management consultancy contract for management services. The contract expires in 2019 and the future minimum payments are as follows:

2019	\$ <u>652,702</u>
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8. financial instruments

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

Currency Risk - The Charity realizes approximately 48% of its purchases in foreign currency. Consequently, some assets, liabilities, revenues and expenses are exposed to foreign exchange fluctuations. As at December 31, 2018, cash of \$38,259 (2017 - \$2,178) is denominated in US dollars. Accounts payable and accrued liabilities and due to affiliated organization of \$18,294 and \$9,814 respectively (2017 - \$30,118 and \$1,175,405) are denominated in US dollars.