

**SLAVIC GOSPEL ASSOCIATION OF CANADA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

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**To the Board of Directors of Slavic Gospel Association of Canada**

### **Qualified Opinion**

We have audited the accompanying financial statements of Slavic Gospel Association of Canada (the "Association"), which comprise the Statement of Financial Position as at June 30, 2019, and the Statements of Operations and 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 possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Slavic Gospel Association of Canada as at June 30, 2019, 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, the Association derives revenue from donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to the revenue, assets and net assets for the years ended June 30, 2019 and June 30, 2018.

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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

**September 30, 2019**  
**London, Canada**

*Scrimgeour & Company*  
**LICENSED PUBLIC ACCOUNTANT**

**SLAVIC GOSPEL ASSOCIATION OF CANADA  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2019**

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (note 2.b)	\$ 300,673	\$ 379,896
Investments (note 2.c)	551,636	531,742
HST recoverable	9,185	3,554
Prepaid expenditures	13,591	9,920
	<b>875,085</b>	925,112
Capital assets (note 2.d), (note 5)	1,962	5,476
<b>TOTAL ASSETS</b>	<b>\$ 877,047</b>	<b>\$ 930,588</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 40,149	\$ 67,767
	<b>40,149</b>	67,767
Net assets (page 4)	<b>836,898</b>	862,821
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 877,047</b>	<b>\$ 930,588</b>

The accompanying notes are an integral part of the financial statements

**SLAVIC GOSPEL ASSOCIATION OF CANADA  
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Training Fund	Church Planters Fund	Equipping Fund	Missionaries Fund	Projects Fund	Undesignated Fund	2019 Total	2018 Total
<b>REVENUES</b>								
Donations	\$ 7,192	\$ 339,337	\$ 299,685	\$ 79,890	\$ 62,744	\$ 257,828	\$ 1,046,676	\$ 1,128,344
Transfers (note 8)	(1,891)	(58,980)	(64,499)	(7,512)	(4,694)	137,576	-	-
Investment income	-	-	-	-	-	22,286	22,286	22,855
Foreign exchange gains	-	-	-	-	-	36,286	36,286	18,386
Rental income	-	-	-	-	-	2,000	2,000	6,000
	<b>5,301</b>	<b>280,357</b>	<b>235,186</b>	<b>72,378</b>	<b>58,050</b>	<b>455,976</b>	<b>1,107,248</b>	<b>1,175,585</b>
<b>EXPENDITURES</b>								
Amortization	-	-	-	-	-	3,514	3,514	1,839
Bank charges	-	-	-	-	-	3,328	3,328	3,429
Insurance	-	-	-	-	-	4,819	4,819	3,339
Ministry activities	557	347,896	287,925	47,968	65,664	44,717	794,727	749,603
Occupancy	-	-	-	-	-	27,512	27,512	23,247
Office and general	-	-	-	-	-	46,159	46,159	48,212
Professional fees	-	-	-	-	-	9,719	9,719	17,499
Wages and benefits	-	-	-	-	-	243,393	243,393	244,262
	<b>557</b>	<b>347,896</b>	<b>287,925</b>	<b>47,968</b>	<b>65,664</b>	<b>383,161</b>	<b>1,133,171</b>	<b>1,091,430</b>
Excess of revenue over expenditures (expenditures over revenue)	4,744	(67,539)	(52,739)	24,410	(7,614)	72,815	(25,923)	84,155
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>10,734</b>	<b>123,442</b>	<b>182,093</b>	<b>12,007</b>	<b>58,341</b>	<b>476,204</b>	<b>862,821</b>	<b>778,666</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 15,478</b>	<b>\$ 55,903</b>	<b>\$ 129,354</b>	<b>\$ 36,417</b>	<b>\$ 50,727</b>	<b>\$ 549,019</b>	<b>\$ 836,898</b>	<b>\$ 862,821</b>

The accompanying notes are an integral part of the financial statements

**SLAVIC GOSPEL ASSOCIATION OF CANADA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditures (expenditures over revenue) (page 4)	\$ (25,923)	\$ 84,155
Amortization	3,514	1,839
	<b>(22,409)</b>	<b>85,994</b>
<b>OTHER ITEMS NOT INVOLVING CASH</b>		
Decrease (increase) in HST recoverable	(5,631)	2,686
Decrease (increase) in prepaid expenses	(3,671)	(3,388)
Increase (decrease) in accounts payable and accrued liabilities	(27,619)	(1,351)
	<b>(59,330)</b>	<b>83,941</b>
<b>INVESTING ACTIVITIES</b>		
Capital asset additions	-	(1,648)
Disposal (purchase) of marketable securities	(19,893)	(17,337)
	<b>(19,893)</b>	<b>(18,985)</b>
Increase (decrease) in cash	(79,223)	64,956
Cash and cash equivalents, beginning of year	379,896	314,940
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 300,673</b>	<b>\$ 379,896</b>

The accompanying notes are an integral part of the financial statements

**SLAVIC GOSPEL ASSOCIATION OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**1. Nature of the Association**

Slavic Gospel Association of Canada (the Association) was incorporated in May 1947 as Russian Gospel Association of Canada as a non profit organization in the Province of Ontario. In August 1968, by supplementary letters patent, the name was changed to Slavic Gospel Association of Canada. The Association is exempt from income taxes as a registered charity under the Income Tax Act (Canada).

The Association is an interdenominational faith mission dedicated to evangelizing Russian and other Slavic peoples and ministering to the church worldwide. This is accomplished through the equipping of churches, radio broadcasts, the training of Christian workers, the sending of missionaries, the printing of bibles and other Christian literature, and through informing a Canadian constituency concerning religious needs in other parts of the world. The Association accomplishes its goals in conjunction with other Slavic Gospel Association offices in the United States, United Kingdom, Australia and New Zealand.

**2. Significant accounting policies**

The accounting policies of the Association are in accordance with Canadian accounting standards appropriate for not-for-profit organizations. Those policies that are considered to be significant are outlined below:

**a. Fund accounting**

The Association follows the restricted fund method of accounting, under which resources for particular purposes are classified for accounting and reporting into funds corresponding to those purposes as follows.

The Undesignated Fund reports the assets, liabilities, revenues and expenses for the operating activities of the Association. These operating activities exist primarily for the support of the projects and activities of the designated funds.

The Designated Funds report the assets, liabilities, revenues and expenses for the designated donations which are externally restricted by donors of the Association for various purposes. In accordance with the Association's policies regarding designated donations, a portion of Designated Funds are transferred to the Undesignated Fund to cover certain operating costs required to fulfill the objectives of the Designated Funds.

**b. Cash and cash equivalents**

Cash and cash equivalents consist of bank balances, including temporary bank overdrafts, and term deposits that are cashable within three months.

**c. Investments**

Marketable securities, which are investments traded in an active market, are recorded at fair value.



**SLAVIC GOSPEL ASSOCIATION OF CANADA  
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**2. Significant accounting policies continued**

**d. Capital assets**

Capital assets are initially recorded at cost less accumulated amortization. Amortization is calculated on a straight-line or declining balance basis over the estimated useful lives of the capital assets as follows:

Computer equipment	5 years straight line
Furniture and fixtures	10 years straight line
Leasehold improvements	10 years straight line

During the year, the Association moved to a new office location and disposed of the leasehold improvements and related furniture and fixtures.

**e. Impairment of Capital Assets**

When a capital asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense in the Undesignated Fund. There are no impairment indicators in the current year.

**f. 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 and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**g. Revenue recognition**

The Association follows the restricted fund method of accounting for contributions. Externally restricted contributions are recognized as revenue in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the Undesignated Fund. Restricted contributions for which there is no fund are accounting for using the deferral method.

Donation revenue is recorded on a cash basis.

Investment income, including dividends and interest, recognized as revenue when it is earned.

Rental income is recognized as revenue when it is earned.

**h. Contributed services**

Volunteers contribute their time to assist the Association in carrying out its programs. Because of the difficulty of determining their fair monetary value, contributed services are not recognized in the financial statements.

**SLAVIC GOSPEL ASSOCIATION OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**2. Significant accounting policies continued**

**i. Foreign currency transactions**

The Association translates all of its foreign currency transactions using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rate in effect at the transaction date.

**j. Financial instruments**

Initial measurement

The Association's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost of amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Association measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Association has also elected to measure its investments in guaranteed investment certificates at fair value. All changes in fair value of the Association's investments in guaranteed investment certificates are recorded in the statement of operations. The financial instruments measured at amortized cost are cash, accounts receivable and accounts payable and accrued liabilities.

Other than marketable securities, the Association has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess (deficiency) of revenues over expenses and may be substantially reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

**3. Marketable securities**

Marketable securities consist of the following:

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	2019	2018
Equities	\$ 155,397	\$ 154,170
Fixed income securities	396,239	377,572
	<b>\$ 551,636</b>	<b>\$ 531,742</b>

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**SLAVIC GOSPEL ASSOCIATION OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**4. Basis of presentation**

In accordance with the provisions of the CPA Canada's Section 1400, disclosure of the entity's ability to continue as a going concern is required.

The accompanying financial statements have been prepared on the going concern assumption that the Association will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the Association be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to discharge its liabilities as they become due.

Management is of the opinion that the necessary resources will become available to the Association through government funding and community support and therefore the use of Canadian generally accepted accounting standards for not-for-profit organizations that are applicable to going concerns are appropriate. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

**5. Capital assets**

The Association's capital assets consist of the following:

		<b>Cost</b>	<b>Accumulated Amortization</b>		<b>2019</b>		<b>2018</b>
Computer equipment	\$	<b>35,149</b>	\$ (33,187)	\$	<b>1,962</b>	\$	5,476
	\$	<b>35,149</b>	\$ (33,187)	\$	<b>1,962</b>	\$	5,476

**6. Related party transactions**

The Association has an agreement with its affiliate, Slavic Gospel Association Inc., located in the United States. Through this agreement, both parties cooperate in the assignment of personnel and financial resources to accomplish their objectives.

During the year the office in the United States performed certain administrative services for which the Association paid \$7,034 (2018 - \$24,967 ). Of this amount, \$1,570 (2018 - \$NIL) remains in accounts payable and accrued liabilities at year end.

**SLAVIC GOSPEL ASSOCIATION OF CANADA  
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**7. Commitments**

The Association has committed under operating leases for rental of its premises and office equipment, which expire between 2021 and 2023. Future minimum annual payments required are as follows:

2020	\$	<b>16,300</b>
2021		<b>17,500</b>
2022		<b>16,800</b>
2023		<b>18,000</b>
	\$	<b>68,600</b>

**8. Transfers**

The Association transferred the amounts shown of its statements of changes in fund balances from the Designated Funds to the Undesignated Fund in order to provide funding for operating costs required to fulfill the objectives of the Designated Funds.

**9. Financial instruments - risks**

**a. Liquidity risk**

The Association's liquidity risk represents the risk that the Association could encounter difficulty in meeting obligations associated with its financial liabilities. The Association is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities. The Association manages this risk by managing its working capital and by generating sufficient cash flow from operations.

**b. Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some assets are exposed to foreign exchange fluctuations. As at June 30, 2019, cash of \$141,131 (\$75,721 as at 2018) is denominated in US dollars and converted to Canadian dollars.

Foreign exchange gains and losses are included in the Association's income and amount to a gain of \$36,286 (2018 - \$18,386). The exposure to this risk changes as the transaction amounts change and as the exchange rate fluctuates. The average U.S. exchange rate for 2019 was 1.31(2018 - 1.27).

**c. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to market risk through its investments in quoted shares. The exposure to this risk fluctuates as the Association's investments change from year to year.

**10. Comparative balances**

Certain of the comparative balances have been reclassified to conform to the current years' presentation. The prior year's balances were audited by the Association's previous auditor.