

DIACONAL MINISTRIES CANADA

**FINANCIAL STATEMENTS
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Diaconal Ministries Canada

We have audited the accompanying financial statements of Diaconal Ministries Canada, which comprise the balance sheet as at June 30, 2018, and the statement of revenues and expenses, statement of fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Diaconal Ministries Canada derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenses and changes to fund balances because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Diaconal Ministries Canada as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

DBK Accounting Professional Corporation

DBK Accounting Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Hamilton, Ontario
September 6, 2018

DIACONAL MINISTRIES CANADA

BALANCE SHEET AS AT JUNE 30, 2018

	General Fund 2018	General Fund 2017	Operation Manna 2018	Operation Manna 2017
ASSETS				
CURRENT ASSETS				
Cash	\$ 27,006	\$ 31,696	\$ 98,114	\$ 78,173
Accounts receivable	38,035	23,315	17,544	27,634
GST receivable	3,473	2,225	-	-
	68,514	57,236	115,658	105,807
CAPITAL ASSETS (Note 3)	6,711	1,745	-	-
	\$ 75,225	\$ 58,981	\$ 115,658	\$ 105,807
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 11,656	\$ 24,155	\$ -	\$ -
Deferred revenue	-	392	-	-
	11,656	24,547	-	-
 FUND BALANCES				
General Fund	63,569	34,434	-	-
Externally Restricted	-	-	115,658	79,141
Internally Restricted	-	-	-	26,666
	63,569	34,434	115,658	105,807
	\$ 75,225	\$ 58,981	\$ 115,658	\$ 105,807

Approved on behalf of the board

Director _____

Director _____

DIACONAL MINISTRIES CANADA

**STATEMENT OF FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund 2018 Unrestricted	Operation Manna 2018 Externally Restricted	Operation Manna 2018 Internally Restricted	Total 2018	Total 2017
BALANCE, BEGINNING OF YEAR	\$ 34,434	\$ 79,141	\$ 26,666	\$ 140,241	\$ 134,399
Excess of revenue over expenses	29,135	9,851	-	38,986	5,842
Inter fund transfers	-	26,666	(26,666)	-	-
BALANCE, ENDING OF YEAR	<u>\$ 63,569</u>	<u>\$ 115,658</u>	<u>\$ -</u>	<u>\$ 179,227</u>	<u>\$ 140,241</u>

DIACONAL MINISTRIES CANADA

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	2018 <u>General Fund</u>	2017 <u>General Fund</u>	2018 <u>Operation Manna</u>	2017 <u>Operation Manna</u>
REVENUE				
Diaconal Ministry shares (Note 4)	\$ 304,398	\$ 306,361	\$ -	\$ -
Investment income	1,039	930	-	-
Church offerings	2,167	6,630	194,674	174,215
Donations	7,413	573	-	6,175
Honoraria & conferences	-	1,066	-	-
Day of Encouragement net activity (Note 8)	-	(779)	-	-
	<u>315,017</u>	<u>314,781</u>	<u>194,674</u>	<u>180,390</u>
EXPENSES				
Advertising and promotion	3,792	2,969	5,140	4,143
Amortization	1,742	913	-	-
Building services	6,151	5,986	-	-
Financial services	8,820	8,628	-	-
Computer services	5,040	4,800	-	-
Grants to projects	-	-	67,810	80,435
Office	2,781	2,160	52	70
Postage and courier	928	1,133	1,423	1,484
Professional fees	4,547	4,417	-	-
Development & Ministry Networking Day (Note 9)	689	(227)	1,171	1,790
Board & Succession Team expenses	362	12,746	-	-
Board & Committee travel expenses	9,105	7,398	1,845	4,090
Diaconal Ministry Developer services	20,842	33,017	-	-
Telephone	1,350	1,256	750	600
Staff travel expenses	14,050	14,722	1,380	1,688
Salaries	146,233	158,997	83,784	83,100
Benefits	59,235	32,358	21,468	20,496
Loss on disposal of capital assets	215	160	-	-
	<u>285,882</u>	<u>291,433</u>	<u>184,823</u>	<u>197,896</u>
Excess (deficiency) of revenues over expenses	<u>\$ 29,135</u>	<u>\$ 23,348</u>	<u>\$ 9,851</u>	<u>\$ (17,506)</u>

DIACONAL MINISTRIES CANADA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	2018 <u>General Fund</u>	2017 <u>General Fund</u>	2018 <u>Operation Manna</u>	2017 <u>Operation Manna</u>
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 29,135	\$ 23,348	\$ 9,851	\$ (17,506)
Adjustments for				
Amortization	1,742	913	-	-
Loss on disposal of capital assets	215	160	-	-
	<u>31,092</u>	<u>24,421</u>	<u>9,851</u>	<u>(17,506)</u>
Change in non-cash working capital items				
Accounts receivable	(14,720)	(9,630)	10,090	(7,642)
Accounts payable and accrued liabilities	(12,499)	(2,925)	-	-
Gst receivable	(1,248)	378	-	-
Deferred revenue	(392)	(4,875)	-	-
	<u>2,233</u>	<u>7,369</u>	<u>19,941</u>	<u>(25,148)</u>
INVESTING ACTIVITIES				
Purchase of capital assets	(6,923)	(753)	-	-
Proceeds of disposition of capital assets	-	400	-	-
	<u>(4,690)</u>	<u>7,016</u>	<u>19,941</u>	<u>(25,148)</u>
Increase (decrease) in cash	(4,690)	7,016	19,941	(25,148)
Cash, beginning of year	<u>31,696</u>	<u>24,680</u>	<u>78,173</u>	<u>103,321</u>
Cash, end of year	<u>\$ 27,006</u>	<u>\$ 31,696</u>	<u>\$ 98,114</u>	<u>\$ 78,173</u>

DIACONAL MINISTRIES CANADA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

1. PURPOSE OF THE ORGANIZATION

Diaconal Ministries Canada (DMC) partners with diaconates, churches and parachurch organizations across Canada to demonstrate God's love in the community. This is accomplished through leadership training, conferences and development of local outreach programs. DMC is incorporated as a corporation without share capital by letters patent issued under the Corporations Act and has been approved as a registered charity under the Income Tax Act. Under supplementary letters patent dated January 25, 2002 the name was changed from Diaconal Ministries in Eastern Canada (DMEC) to Diaconal Ministries Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue Recognition

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 restricted fund.

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

Investment income is recognized as revenue of the General Fund when earned.

(b) Capital Assets

Capital assets are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Office equipment	Declining balance	20%
Computer equipment	Declining balance	40%

(c) Fund Accounting

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

The General Fund accounts for the organization's development, promotion program and administrative activities.

The Operation Manna Fund reports the revenues from annual church offerings and the related project funding expenses.

(d) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

(e) Volunteer Services

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements

DIACONAL MINISTRIES CANADA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, GST/HST recoverable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

3. CAPITAL ASSETS

	2018 Cost	2018 Accumulated amortization	2018 Net	2017 Net
Office equipment	\$ 3,407	\$ 341	\$ 3,066	\$ -
Computer equipment	6,313	2,668	3,645	1,745
	\$ 9,720	\$ 3,009	\$ 6,711	\$ 1,745

4. DIACONAL MINISTRY SHARES

	2018	2017
Dues	\$ 319,921	\$ 325,545
Less: uncollectible accounts	(15,523)	(19,184)
Total	\$ 304,398	\$ 306,361

5. COMMITMENTS

Grant payments to Operation Manna projects are usually made in three equal installments: April, July and October. At the year end DMC is still committed to a total of \$46,880. Of this amount \$20,730 was paid in July 2018 and \$20,930 is expected to be paid in October 2018.

A commitment was made to assist in funding a mutual justice mobilizer staff position to be administered by another organization. The amounts committed are as follows: 2019 - \$3,750; 2020 - \$2,500.

6. FINANCIAL INSTRUMENTS

The organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the organization's exposure to these risks.

(a) Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and various long-term debt agreements, .

DIACONAL MINISTRIES CANADA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

7. COMPARATIVE FIGURES

Certain comparative figures on the balance sheet and statements of revenues and expenses have been reclassified to conform to the current year's presentation.

8. DAY OF ENCOURAGEMENT

	June 30 2018	June 30 2017
Revenue	\$ -	\$ 23,158
Expenses		
Wages	-	(6,460)
Program expenses	-	(576)
Office expenses	-	(2,214)
Rent	-	(2,000)
Food	-	(6,200)
Program Supplies	-	(2,773)
Advertising	-	(3,714)
Total Expenses	-	(23,937)
Total	\$ -	\$ (779)

9. DEVELOPMENT & MINISTRY NETWORKING DAY

A grant from Christian Reformed Church in North America for \$2,793 is netted in this account against the expenses to attend a conference during the year for the 2017 year.