

Back to God Ministries International
Financial Statements
For the year ended June 30, 2016

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For the year ended June 30, 2016

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Independent Auditor's Report

To the Governing Board of Back to God Ministries International

We have audited the accompanying financial statements of Back to God Ministries International (the "Organization"), which comprise the statement of financial position as at June 30, 2016, and the statements of activities and changes in net assets and 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 Organization'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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Back to God Ministries International derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Back to God Ministries International. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses, and cash flows from operations for the years ended June 30, 2016 and 2015, current assets as at June 30, 2016 and 2015, and net assets as at July 1 and June 30 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended June 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

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 Back to God Ministries International as at June 30, 2016, 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
September 29, 2016

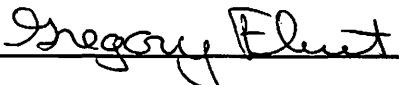
Back to God Ministries International

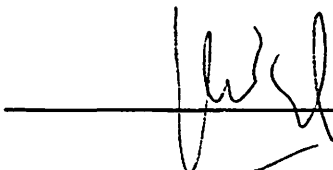
Statement of Financial Position

June 30, 2016

	Unrestricted	Restricted	Total
Assets			
Current			
Cash	\$ 563,258	\$ -	\$ 563,258
Accounts receivable	5,573	-	5,573
Due from related parties (Note 2)	312,790	-	312,790
Investment with Christian			
Stewardship Services (Note 3)	-	82,998	82,998
	\$ 881,621	\$ 82,998	\$ 964,619
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 31,033	\$ -	\$ 31,033
Demand notes payable (Note 4)	65,000	-	65,000
	96,033	-	96,033
Net Assets	785,588	82,998	868,586
	\$ 881,621	\$ 82,998	\$ 964,619

On behalf of the Board:

 Director

 Director

Back to God Ministries International Statement of Financial Position

June 30, 2015

	Unrestricted	Restricted	Total
Assets			
Current			
Cash	\$ 306,148	\$ -	\$ 306,148
Accounts receivable	5,996	-	5,996
Due from related parties (Note 2)	744,635	-	744,635
Investment with Christian Stewardship Services (Note 3)	-	97,814	97,814
	<u>\$ 1,056,779</u>	<u>\$ 97,814</u>	<u>\$ 1,154,593</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	\$ 42,974	\$ -	\$ 42,974
Demand notes payable (Note 4)	65,000	-	65,000
	<u>107,974</u>	<u>-</u>	<u>107,974</u>
Net Assets	<u>948,805</u>	<u>97,814</u>	<u>1,046,619</u>
	<u>\$ 1,056,779</u>	<u>\$ 97,814</u>	<u>\$ 1,154,593</u>

The accompanying notes are an integral part of these financial statements.

Back to God Ministries International

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2016

	Unrestricted	Restricted	Total
Revenue			
Ministry shares	\$ 1,170,486	\$ -	\$ 1,170,486
Undesignated gifts	522,284	(18,826)	503,458
Ministry support	545,485	-	545,485
Legacies	174,953	-	174,953
Other	24,152	4,010	28,162
	<u>2,437,360</u>	<u>(14,816)</u>	<u>2,422,544</u>
Expenses			
Program services			
English	806,739	-	806,739
International	1,326,995	-	1,326,995
Total program services	<u>2,133,734</u>	<u>-</u>	<u>2,133,734</u>
Support services			
Management and general	130,315	-	130,315
Resource development	336,528	-	336,528
Total support services	<u>466,843</u>	<u>-</u>	<u>466,843</u>
Total expenses	<u>2,600,577</u>	<u>-</u>	<u>2,600,577</u>
Deficiency of revenue over expenses for the year	(163,217)	(14,816)	(178,033)
Net assets, beginning of year	948,805	97,814	1,046,619
Net assets, end of year	\$ 785,588	\$ 82,998	\$ 868,586

The accompanying notes are an integral part of these financial statements.

Back to God Ministries International

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2015

	Unrestricted	Restricted	Total
Revenue			
Ministry shares	\$ 1,153,958	\$ -	\$ 1,153,958
Undesignated gifts	723,398	(20,062)	703,336
Ministry support	451,877	-	451,877
Legacies	172,399	-	172,399
Other	30,431	6,628	37,059
	<u>2,532,063</u>	<u>(13,434)</u>	<u>2,518,629</u>
Expenses			
Program services			
English	1,045,052	-	1,045,052
International	1,595,611	-	1,595,611
Total program services	<u>2,640,663</u>	<u>-</u>	<u>2,640,663</u>
Support services			
Management and general	26,035	-	26,035
Resource development	340,066	-	340,066
Total support services	<u>366,101</u>	<u>-</u>	<u>366,101</u>
Total expenses	<u>3,006,764</u>	<u>-</u>	<u>3,006,764</u>
Deficiency of revenue over expenses for the year	(474,701)	(13,434)	(488,135)
Net assets, beginning of year	<u>1,423,506</u>	<u>111,248</u>	<u>1,534,754</u>
Net assets, end of year	<u>\$ 948,805</u>	<u>\$ 97,814</u>	<u>\$ 1,046,619</u>

The accompanying notes are an integral part of these financial statements.

Back to God Ministries International

Schedule of Functional Expenses

For the year ended June 30, 2016

	Program			Support			
	English	International	Total	Management and General	Resource Development	Total	Total
Expenses							
Compensation:							
Salaries	\$ 60,730	\$ 269,702	\$ 330,432	\$ 30,688	\$ 193,369	\$ 224,057	\$ 554,489
Payroll taxes	3,673	18,000	21,673	1,960	9,487	11,447	33,120
Fringe benefits	10,897	5,483	16,380	5,351	32,321	37,672	54,052
Total compensation	75,300	293,185	368,485	37,999	235,177	273,176	641,661
Program:							
Media	23,794	1,479,687	1,503,481	-	-	-	1,503,481
Production	1,358	132,136	133,494	-	-	-	133,494
Printing	-	117,974	117,974	233	1,406	1,639	119,613
Mailing	64,182	38,502	102,684	1,444	7,731	9,175	111,859
Professional services	-	-	-	101,072	29,816	130,888	130,888
Total program	89,334	1,768,299	1,857,633	102,749	38,953	141,702	1,999,335
Operations:							
Occupancy	-	59,011	59,011	-	-	-	59,011
Travel	7,707	49,632	57,339	18,260	57,525	75,785	133,124
Miscellaneous (recovery)	7,802	17,987	25,789	(31,533)	4,873	(26,660)	(871)
Interest	-	-	-	2,840	-	2,840	2,840
Cost sharing - US	626,596	(861,119)	(234,523)	-	-	-	(234,523)
Total operations	642,105	(734,489)	(92,384)	(10,433)	62,398	51,965	(40,419)
Total expenses	\$ 806,739	\$ 1,326,995	\$ 2,133,734	\$ 130,315	\$ 336,528	\$ 466,843	\$ 2,600,577

The accompanying notes are an integral part of these financial statements.

Back to God Ministries International Schedule of Functional Expenses

For the year ended June 30, 2015

	Program			Support			
	English	International	Total	Management and General	Resource Development	Total	Total
Expenses							
Compensation:							
Salaries	\$ 61,133	\$ 257,271	\$ 318,404	\$ 25,890	\$ 190,974	\$ 216,864	\$ 535,268
Payroll taxes	4,243	18,000	22,243	1,922	9,578	11,500	33,743
Fringe benefits	7,863	4,850	12,713	4,937	32,300	37,237	49,950
Total compensation	73,239	280,121	353,360	32,749	232,852	265,601	618,961
Program:							
Media	23,858	1,633,022	1,656,880	-	-	-	1,656,880
Production	5,317	193,983	199,300	-	-	-	199,300
Printing	1,220	110,522	111,742	164	1,157	1,321	113,063
Mailing	68,715	43,026	111,741	1,490	9,602	11,092	122,833
Professional services	-	-	-	97,389	30,445	127,834	127,834
Total program	99,110	1,980,553	2,079,663	99,043	41,204	140,247	2,219,910
Operations:							
Occupancy	-	57,048	57,048	-	-	-	57,048
Travel	6,333	46,931	53,264	9,418	56,714	66,132	119,396
Miscellaneous (recovery)	6,780	16,603	23,383	(118,015)	9,296	(108,719)	(85,336)
Interest	-	-	-	2,840	-	2,840	2,840
Cost sharing - US	859,590	(785,645)	73,945	-	-	-	73,945
Total operations	872,703	(665,063)	207,640	(105,757)	66,010	(39,747)	167,893
Total expenses	\$ 1,045,052	\$ 1,595,611	\$ 2,640,663	\$ 26,035	\$ 340,066	\$ 366,101	\$ 3,006,764

The accompanying notes are an integral part of these financial statements.

Back to God Ministries International Statement of Cash Flows

For the year ended June 30	2016	2015
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	\$ (178,033)	\$ (488,135)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities		
Unrealized foreign exchange gain on due from related parties	(52,955)	(109,200)
Changes in non-cash working capital balances		
Accounts receivable	423	(199)
Due from related parties	484,800	46,383
Accounts payable and accrued liabilities	(11,941)	4,974
	<u>242,294</u>	<u>(546,177)</u>
Investing activities		
Proceeds from repayment of loan receivable	-	96,030
Change in Investment with Christian Stewardship Services	<u>14,816</u>	<u>13,434</u>
	<u>14,816</u>	<u>109,464</u>
Net increase (decrease) in cash	257,110	(436,713)
Cash, beginning of year	<u>306,148</u>	<u>742,861</u>
Cash, end of year	<u>\$ 563,258</u>	<u>\$ 306,148</u>

The accompanying notes are an integral part of these financial statements.

Back to God Ministries International Notes to Financial Statements

June 30, 2016

1. Significant Accounting Policies

Nature of Organization

Back to God Ministries International (the "Organization") operates under the direction of the Synod of the Christian Reformed Church in North America. The Organization is incorporated under the Canada Not-for-Profit Corporations Act as a not-for-profit corporation without share capital and is a registered charity under the Income Tax Act. The purpose of the Organization is to proclaim God's Word using electronic media and to engage in appropriate follow-up with those who respond.

Basis of Accounting

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

The Organization follows the Restricted Fund method of accounting. The Organization ensures, as part of its fiduciary responsibilities, all funds received with a restricted purpose are expensed for the purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

- (i) Restricted Fund - the restricted fund is used to account for revenues and expenses relating to the Back to God Ministries International Stewardship Fund (Note 3) which have been restricted internally by the Organization's Board of Directors.
- (ii) Unrestricted Fund - the unrestricted fund is used to account for day-to-day operations of the Organization.

Revenue Recognition

Contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The value of contributed services has not been reflected in the financial statements as they would otherwise not have been purchased.

The Organization has not received any unconditional promises to give.

Program Service Expenses

For domestic programs, the expenses are recorded when incurred for program purposes.

For non-domestic programs, the expenses are recorded when the funds are disbursed to the field, which may be prior to when the funds are actually spent or the expense is incurred for program purposes.

Foreign Currency Translation

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period. Foreign exchange gains of \$40,357 (2015 - \$125,626) are included in Management and general expenses. Unrealized foreign exchange gains of \$52,955 (2015 - \$109,200) are included within the cost sharing expenses.

Pensions

The Organization maintains a defined contribution plan for non-ordained employees. Contributions are recognized as an expense in the year to which they relate.

Back to God Ministries International Notes to Financial Statements

June 30, 2016

1. Significant Accounting Policies (Continued)

Disclosure of Allocated Expenses

The Organization engages in program and support services. The cost of each program or support service includes salaries, employee benefits, supplies and other expenses that are directly related to each program or support service. Salaries and employee benefits that relate to more than one program are allocated between departments. All allocations are based on an estimate of time in each function.

Use of Estimates

The preparation of financial statements in conformity 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 date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired. All investments have been designated to be in the fair value category, with investment income reported in operations. All other financial instruments are subsequently reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Income Taxes

No provision for income taxes is required as the Organization is exempt from income taxes under the Income Tax Act.

2. Related Party Balances and Transactions

The following table summarizes the amounts due from related parties, which are organizations related through common control:

	2016	2015
Due from Back to God Ministries International - U.S.	\$ 234,523	\$ 675,455
Due from The Christian Reformed Church in North America - Canada Corporation	78,267	69,180
	<u>\$ 312,790</u>	<u>\$ 744,635</u>

The amounts due from related parties are non-interest-bearing, unsecured and have no fixed terms of repayment.

During the year, \$1,006,723 (2015 - \$1,346,338) of expenses were allocated to the Organization from Back to God Ministries International - U.S. and \$1,241,246 (2015 - \$1,272,393) of expenses were allocated by the Organization to Back to God Ministries International - U.S.

Back to God Ministries International Notes to Financial Statements

June 30, 2016

2. Related Party Balances and Transactions (Continued)

The Organization paid \$242,523 (2015 - \$236,760) to the Christian Reformed Church in North America - Canada Corporation for management and support services.

These transactions were made in the normal course of business and have been recorded in appropriate expense accounts at the exchange amounts.

3. Investment with Christian Stewardship Services

The Organization and Christian Stewardship Services have jointly established the Back to God Ministries International Stewardship Fund ("Fund"). The purpose of this Fund is to support the long-term and ongoing ministry of the Organization by spreading God's word and making disciples through media ministry. Designated gifts and bequests are placed into this Fund immediately when received and each year 10% of the balance in the account will be expended by the Organization, with the remainder invested and managed by Christian Stewardship Services on behalf of the Organization to increase the value of the gift. At June 30, 2016, designated gifts and bequests added to this Fund totaled \$Nil (2015 - \$Nil), while \$18,826 (2015 - \$20,062) was expended. Interest earned in this Fund totaled \$4,010 (2015 - \$6,628).

4. Demand Notes Payable

Demand notes payable are unsecured and bear interest from 0% to 7% per annum, payable semi-annually. Upon the death of the lender, the principal transfers to the Organization. The lender reserves the right to revoke part or all of the gift given to the Organization.

5. Commitment

The Board has authorized the use of agency funds on deposit with its banker and incorporated in the cash management system as collateral for borrowing of the Christian Reformed Church in North America. No amount has been drawn upon this credit facility as at June 30, 2016.

6. Pension Plans

Unordained employees of the Christian Reformed Church are covered by a group registered retirement savings plan, under which the Organization contributes a specified percentage of its employees' base salary. During the year ended June 30, 2016, the contributions to the plan approximated \$25,379 (2015 - \$21,498).

Back to God Ministries International Notes to Financial Statements

June 30, 2016

7. Financial Instrument Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations of credit risk related primarily to its accounts receivable and due from related parties. This risk has not changed from the prior year.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to currency risk on the amount due from Back to God Ministries International - U.S. as the amount is denominated in U.S. dollars. This risk has not changed from the prior year.

Market Risk

The Organization is exposed to fluctuations in equity markets on its investments. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the Organization's accounts payable and accrued liabilities and its demand notes payable. This risk has not changed from the prior year.