

ReFrame Ministries
Financial Statements
For the year ended June 30, 2022

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Independent Auditor's Report

To the Governing Board of ReFrame Ministries

Qualified Opinion

We have audited the financial statements of ReFrame Ministries (the "Organization"), which comprise the statement of financial position as at June 30, 2022, and the statements of activities and changes in net assets, functional expenses, 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* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2022, 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended June 30, 2022 and 2021, current assets as at June 30, 2022 and 2021, and net assets as at July 1 and June 30 for both the June 30, 2022 and 2021 years. Our audit opinion on the financial statements for the year ended June 30, 2021 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 Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
November 9, 2022

ReFrame Ministries Statement of Financial Position

June 30, 2022

| | Unrestricted | Restricted | Total |
|--|------------------|--------------|------------------|
| Assets | | | |
| Current | | | |
| Cash | \$ 1,591,555 | \$ - | \$ 1,591,555 |
| Accounts receivable | 12,392 | - | 12,392 |
| Due from related parties (Note 2) | 225,105 | - | 225,105 |
| Investment with Christian Stewardship Services (Note 3) | - | 3,145 | 3,145 |
| | \$ 1,829,052 | \$ 3,145 | \$ 1,832,197 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | \$ 60,881 | \$ - | \$ 60,881 |
| Demand notes payable (Note 4) | 62,000 | - | 62,000 |
| Due to related party (Note 2) | 48 | - | 48 |
| | 122,929 | - | 122,929 |
| Net Assets | 1,706,123 | 3,145 | 1,709,268 |
| | \$ 1,829,052 | \$ 3,145 | \$ 1,832,197 |

On behalf of the Board:



Director



Director

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

ReFrame Ministries
Statement of Financial Position

June 30, 2021

| | Unrestricted | Restricted | Total |
|--|--------------|------------|--------------|
| Assets | | | |
| Current | | | |
| Cash | \$ 1,278,985 | \$ - | \$ 1,278,985 |
| Accounts receivable | 8,019 | - | 8,019 |
| Due from related party (Note 2) | 349,777 | - | 349,777 |
| Investment with Christian Stewardship Services (Note 3) | - | 16,773 | 16,773 |
| | \$ 1,636,781 | \$ 16,773 | \$ 1,653,554 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | \$ 43,821 | \$ - | \$ 43,821 |
| Demand notes payable (Note 4) | 62,000 | - | 62,000 |
| Due to related party (Note 2) | 23,366 | - | 23,366 |
| | 129,187 | - | 129,187 |
| Net Assets | 1,507,594 | 16,773 | 1,524,367 |
| | \$ 1,636,781 | \$ 16,773 | \$ 1,653,554 |

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

ReFrame Ministries Statement of Activities and Changes in Net Assets

For the year ended June 30, 2022

| | Unrestricted | Restricted | Total |
|--|---------------------|-----------------|---------------------|
| Revenue | | | |
| Ministry shares | \$ 894,434 | \$ - | \$ 894,434 |
| Undesignated gifts | 542,944 | (14,319) | 528,625 |
| Ministry support | 849,159 | - | 849,159 |
| Legacies | 249,839 | - | 249,839 |
| Other | 48,305 | 691 | 48,996 |
| | <u>2,584,681</u> | <u>(13,628)</u> | <u>2,571,053</u> |
| Expenses | | | |
| Program services | | | |
| English | 869,527 | - | 869,527 |
| International | 968,205 | - | 968,205 |
| | <u>1,837,732</u> | <u>-</u> | <u>1,837,732</u> |
| Support services | | | |
| Management and general | 189,673 | - | 189,673 |
| Resource development | 358,747 | - | 358,747 |
| | <u>548,420</u> | <u>-</u> | <u>548,420</u> |
| Total expenses | <u>2,386,152</u> | <u>-</u> | <u>2,386,152</u> |
| Excess (deficiency) of revenue over expenses for the year | 198,529 | (13,628) | 184,901 |
| Net assets, beginning of year | 1,507,594 | 16,773 | 1,524,367 |
| Net assets, end of year | \$ 1,706,123 | \$ 3,145 | \$ 1,709,268 |

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

ReFrame Ministries Statement of Activities and Changes in Net Assets

For the year ended June 30, 2021

| | Unrestricted | Restricted | Total |
|--|---------------------|------------------|---------------------|
| Revenue | | | |
| Ministry shares | \$ 1,081,986 | \$ - | \$ 1,081,986 |
| Undesignated gifts | 727,429 | (14,444) | 712,985 |
| Ministry support | 867,549 | - | 867,549 |
| Legacies | 455,356 | - | 455,356 |
| Other | 32,702 | 1,533 | 34,235 |
| | <u>3,165,022</u> | <u>(12,911)</u> | <u>3,152,111</u> |
| Expenses | | | |
| Program services | | | |
| English | 829,393 | - | 829,393 |
| International | 1,062,339 | - | 1,062,339 |
| Total program services | <u>1,891,732</u> | <u>-</u> | <u>1,891,732</u> |
| Support services | | | |
| Management and general | 179,441 | - | 179,441 |
| Resource development | 319,184 | - | 319,184 |
| Total support services | <u>498,625</u> | <u>-</u> | <u>498,625</u> |
| Total expenses | <u>2,390,357</u> | <u>-</u> | <u>2,390,357</u> |
| Excess (deficiency) of revenue over expenses for the year | 774,665 | (12,911) | 761,754 |
| Net assets, beginning of year | <u>732,929</u> | <u>29,684</u> | <u>762,613</u> |
| Net assets, end of year | <u>\$ 1,507,594</u> | <u>\$ 16,773</u> | <u>\$ 1,524,367</u> |

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

ReFrame Ministries
Schedule of Functional Expenses

For the year ended June 30, 2022

| | Program | | | Support | | | |
|------------------------------------|-------------------|-------------------|---------------------|------------------------|----------------------|-------------------|---------------------|
| | English | International | Total | Management and General | Resource Development | Total | Total |
| Expenses | | | | | | | |
| Compensation: | | | | | | | |
| Salaries | \$ 73,616 | \$ - | \$ 73,616 | \$ 46,363 | \$ 197,590 | \$ 243,953 | \$ 317,569 |
| Payroll taxes | 4,565 | - | 4,565 | 3,181 | 7,669 | 10,850 | 15,415 |
| Fringe benefits | 13,210 | - | 13,210 | 8,912 | 32,933 | 41,845 | 55,055 |
| Total compensation | 91,391 | - | 91,391 | 58,456 | 238,192 | 296,648 | 388,039 |
| Program: | | | | | | | |
| Production | 11,020 | 1,821,524 | 1,832,544 | - | - | - | 1,832,544 |
| Communications | 4,341 | - | 4,341 | 2,412 | 13,552 | 15,964 | 20,305 |
| Mailing | 58,730 | 4,268 | 62,998 | 41 | 27,809 | 27,850 | 90,848 |
| Professional services | - | - | - | 10,473 | 13,752 | 24,225 | 24,225 |
| Total program | 74,091 | 1,825,792 | 1,899,883 | 12,926 | 55,113 | 68,039 | 1,967,922 |
| Operations: | | | | | | | |
| Travel | 807 | - | 807 | - | 33,080 | 33,080 | 33,887 |
| Miscellaneous | 21,032 | - | 21,032 | 1,170 | 2,076 | 3,246 | 24,278 |
| Interest and bank fees | - | - | - | 3,937 | 3,349 | 7,286 | 7,286 |
| Cost sharing - US | 668,248 | (857,587) | (189,339) | - | - | - | (189,339) |
| Allocated central support services | 13,958 | - | 13,958 | 113,184 | 26,937 | 140,121 | 154,079 |
| Total operations | 704,045 | (857,587) | (153,542) | 118,291 | 65,442 | 183,733 | 30,191 |
| Total expenses | \$ 869,527 | \$ 968,205 | \$ 1,837,732 | \$ 189,673 | \$ 358,747 | \$ 548,420 | \$ 2,386,152 |

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

ReFrame Ministries Schedule of Functional Expenses

For the year ended June 30, 2021

| | Program | | | Support | | | |
|---------------------------------------|-------------------|---------------------|---------------------|------------------------------|-------------------------|-------------------|---------------------|
| | English | International | Total | Management and General | Resource Development | Total | Total |
| Expenses | | | | | | | |
| Compensation: | | | | | | | |
| Salaries | \$ 70,194 | \$ - | \$ 70,194 | \$ 45,283 | \$ 200,903 | \$ 246,186 | \$ 316,380 |
| Payroll taxes | 4,197 | - | 4,197 | 3,016 | 9,640 | 12,656 | 16,853 |
| Fringe benefits | 12,813 | - | 12,813 | 8,338 | 31,468 | 39,806 | 52,619 |
| Total compensation | 87,204 | - | 87,204 | 56,637 | 242,011 | 298,648 | 385,852 |
| Program: | | | | | | | |
| Production | 11,476 | 2,058,012 | 2,069,488 | - | - | - | 2,069,488 |
| Communications | - | - | - | 3,089 | 8,293 | 11,382 | 11,382 |
| Mailing | 58,338 | 4,404 | 62,742 | 200 | 19,852 | 20,052 | 82,794 |
| Professional services | - | - | - | 9,980 | 12,288 | 22,268 | 22,268 |
| Total program | 69,814 | 2,062,416 | 2,132,230 | 13,269 | 40,433 | 53,702 | 2,185,932 |
| Operations: | | | | | | | |
| Travel | 383 | - | 383 | - | 1,372 | 1,372 | 1,755 |
| Miscellaneous | 7,308 | - | 7,308 | 2,038 | 8,332 | 10,370 | 17,678 |
| Interest and bank fees | - | - | - | 17,803 | - | 17,803 | 17,803 |
| Cost sharing - US | 650,300 | (1,000,077) | (349,777) | - | - | - | (349,777) |
| Allocated central support services | 14,384 | - | 14,384 | 89,694 | 27,036 | 116,730 | 131,114 |
| Total operations | 672,375 | (1,000,077) | (327,702) | 109,535 | 36,740 | 146,275 | (181,427) |
| Total expenses | \$ 829,393 | \$ 1,062,339 | \$ 1,891,732 | \$ 179,441 | \$ 319,184 | \$ 498,625 | \$ 2,390,357 |

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

ReFrame Ministries Statement of Cash Flows

| For the year ended June 30 | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash provided by | | |
| Operating activities | | |
| Excess of revenue over expenses for the year | \$ 184,901 | \$ 761,754 |
| Adjustments to reconcile excess of revenue over expenses to net cash used in operating activities | | |
| Unrealized foreign exchange gain on due from related party | (42,565) | (38,282) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (4,373) | 43,472 |
| Due from related party | 167,237 | (159,659) |
| Accounts payable and accrued liabilities | 17,060 | 8,946 |
| Due to related party | (23,318) | 4,301 |
| | 298,942 | 620,532 |
| Investing activity | | |
| Change in Investment with Christian Stewardship Services | 13,628 | 12,911 |
| Net increase in cash | 312,570 | 633,443 |
| Cash, beginning of year | 1,278,985 | 645,542 |
| Cash, end of year | \$ 1,591,555 | \$ 1,278,985 |

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

ReFrame Ministries

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Policies

Nature of Organization

ReFrame Ministries 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 revenue and expenses relating to the ReFrame Ministry 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 \$2,894 (2021 - loss of \$9,328) are included in Management and general expenses. Unrealized foreign exchange losses of \$42,565 (2021 - \$38,282) are included within the cost sharing expenses.

ReFrame Ministries

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Policies (Continued)

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.

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 at initial recognition. All investments have been designated to be in the fair value category, with investment income reported in operations. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in operations. A previously recognized impairment loss may be reversed to the extent of the improvement, 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, and the amount of the reversal is recognized in operations.

Income Taxes

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

ReFrame Ministries Notes to Financial Statements

June 30, 2022

2. Related Party Balances and Transactions

The following table summarizes the amounts due from (to) related parties, which are organizations related through common management:

| | 2022 | 2021 |
|---|------------|-------------|
| Due from related parties | | |
| ReFrame Ministries - U.S. | \$ 190,619 | \$ 349,777 |
| The Christian Reformed Church in North America - Canada Corporation | 34,486 | - |
| Due to related party | | |
| The Christian Reformed Church in North America - Canada Corporation | \$ - | \$ (23,366) |
| Due to The Christian Reformed Church in North America - U.S. | (48) | - |

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

During the year, \$880,625 (2021 - \$857,812) of expenses were allocated to the Organization from ReFrame Ministries - U.S. and \$1,069,964 (2021 - \$1,206,949) of expenses were allocated by the Organization to ReFrame Ministries - U.S.

The Organization paid \$163,633 (2021 - \$230,838) 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 ReFrame Ministries 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, 2022, designated gifts and bequests added to this Fund totaled \$Nil (2021 - \$Nil), while \$14,319 (2021 - \$14,444) was expended. Interest earned in this Fund totaled \$691 (2021 - \$1,533).

ReFrame Ministries Notes to Financial Statements

June 30, 2022

4. Demand Notes Payable

Demand notes payable are unsecured and bear interest from 4% 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, 2022.

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, 2022, the contributions to the plan approximated \$28,574 (2021 - \$27,804).

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; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk related primarily to its accounts receivable and due from related parties. The Organization is also exposed to credit risk arising from all of its bank accounts being held at one financial institution with deposits exceeding Canadian Deposit Insurance Corporation coverage limits.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter 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. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, demand notes payable, and due to related party.

ReFrame Ministries Notes to Financial Statements

June 30, 2022

7. Financial Instrument Risks (Continued)

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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to currency risk and interest rate risk.

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 ReFrame Ministries - U.S. as the amount is denominated in U.S. dollars. The Organization considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its investment with Christian Stewardship Services. Fixed-interest instruments subject the Organization to a fair value risk.

8. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, resulting in economic uncertainties. As the impacts of COVID-19 continue, there could be further impact on the Organization, its funders and donors. Management is actively monitoring the effect of its financial condition, liquidity, operations, suppliers, sector, and workforce. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity at this time.