
**AWANA INTERNATIONAL CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITOR'S REPORT

To the Members of Awana International Canada

Opinion

We have audited the financial statements of Awana International Canada (the "Society"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2020, 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 Opinion

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 Society in accordance with 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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:

INDEPENDENT AUDITOR'S REPORT

- 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 Society'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 Society'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 Society 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.

Manning Elliott LLP

Chartered Professional Accountants
Burnaby, British Columbia
October 21, 2020

AWANA INTERNATIONAL CANADA
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	General Fund	Restricted Regional Ministry Fund	Restricted International Ministry Fund	Restricted Subtotal	2020	2019
ASSETS						
CURRENT						
Cash	\$ 50,762	\$ 144,207	\$ 43,790	\$ 187,997	\$ 238,759	\$ 202,529
Investments (Note 3)	180,000	-	-	-	180,000	279,728
Accounts receivable	44,845	-	-	-	44,845	37,390
GST/HST receivable	-	38,814	-	38,814	38,814	14,289
Advances to missionaries (Note 4)	-	4,000	-	4,000	4,000	4,000
Prepaid expenses	-	200	-	200	200	12,386
	275,607	187,221	43,790	231,011	506,618	550,322
PROPERTY AND EQUIPMENT (Note 5)	17,102	921	-	921	18,023	19,192
	\$ 292,709	\$ 188,142	\$ 43,790	\$ 231,932	\$ 524,641	\$ 569,514
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	\$ 35,829	\$ 7,018	\$ -	\$ 7,018	\$ 42,847	\$ 71,548
GST/HST payable	4,632	-	-	-	4,632	14,886
Unearned revenue	13,446	-	-	-	13,446	75,208
Advances from Awana Clubs International (Note 8)	12,890	-	-	-	12,890	24,057
	66,797	7,018	-	7,018	73,815	185,699
FUND BALANCES						
Externally restricted (Note 6)	-	181,124	43,790	224,914	224,914	241,110
Unrestricted	225,912	-	-	-	225,912	142,705
	225,912	181,124	43,790	224,914	450,826	383,815
	\$ 292,709	\$ 188,142	\$ 43,790	\$ 231,932	\$ 524,641	\$ 569,514

Approved by the Directors

_____ Director

_____ Director

AWANA INTERNATIONAL CANADA
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Restricted Regional Ministry Fund	Restricted International Ministry Fund	Restricted Subtotal	2020	2019
REVENUE						
Donations						
- General	\$ 86,288	\$ 351,292	\$ -	\$ 351,292	\$ 437,580	\$ 499,095
- International projects	-	-	48,174	48,174	48,174	614,565
- Donations-in-kind (Note 8)	109,196	-	-	-	109,196	133,166
Merchandise sales, net (Note 7)	434,885	-	-	-	434,885	563,921
Events	-	111,637	-	111,637	111,637	115,717
Government subsidies	98,957	-	-	-	98,957	-
Membership fees	40,748	-	-	-	40,748	43,625
Interest income	5,851	-	-	-	5,851	4,201
	775,925	462,929	48,174	511,103	1,287,028	1,974,290
EXPENSES						
Salaries and benefits	401,528	254,791	-	254,791	656,319	575,854
Contractors	128,057	5,840	-	5,840	133,897	190,712
Events	-	98,673	-	98,673	98,673	105,020
International projects	-	-	80,981	80,981	80,981	589,153
Advertising and promotion	50,521	-	-	-	50,521	29,988
Travel	15,020	29,593	-	29,593	44,613	61,576
Advocates	-	39,325	-	39,325	39,325	121,669
Office supplies	20,292	18,729	-	18,729	39,021	54,551
Bank and credit card service charges	16,003	-	-	-	16,003	18,235
Telephone and utilities	15,489	-	-	-	15,489	9,842
Professional fees	12,325	-	-	-	12,325	18,100
Conferences	10,859	-	-	-	10,859	8,644
Amortization	5,692	1,186	-	1,186	6,878	9,969
Insurance	6,320	-	-	-	6,320	6,109
Dues and subscriptions	3,109	-	-	-	3,109	3,356
Exchange loss	2,968	-	-	-	2,968	2,582
Training	2,716	-	-	-	2,716	835
	690,899	448,137	80,981	529,118	1,220,017	1,806,195
NET REVENUE (LOSS) FOR THE YEAR	85,026	14,792	(32,807)	(18,015)	67,011	168,095
FUND BALANCES, BEGINNING OF YEAR	142,705	160,429	80,681	241,110	383,815	215,720
	227,731	175,221	47,874	223,095	450,826	383,815
INTERFUND TRANSFERS						
Support	(34,112)	34,112	-	34,112	-	-
Administration fees	32,293	(28,209)	(4,084)	(32,293)	-	-
	(1,819)	5,903	(4,084)	1,819	-	-
FUND BALANCES, END OF YEAR	\$ 225,912	\$ 181,124	\$ 43,790	\$ 224,914	\$ 450,826	\$ 383,815

**AWANA INTERNATIONAL CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Restricted Regional Ministry Fund	Restricted International Ministry Fund	Restricted Subtotal	2020	2019
OPERATING ACTIVITIES						
Net revenue (loss) for the year	\$ 85,026	\$ 14,792	\$ (32,807)	\$ (18,015)	\$ 67,011	\$ 168,095
Item not affecting cash:						
Amortization	5,692	1,186	-	1,186	6,878	9,969
	90,718	15,978	(32,807)	(16,829)	73,889	178,064
Changes in non-cash working capital	(44,770)	(75,741)	-	(75,741)	(120,511)	68,452
	45,948	(59,763)	(32,807)	(92,570)	(46,622)	246,516
FINANCING ACTIVITIES						
Interfund transfers	(1,819)	5,903	(4,084)	1,819	-	-
Advances (to) from Awana Clubs International	(11,167)	-	-	-	(11,167)	23,884
	(12,986)	5,903	(4,084)	1,819	(11,167)	23,884
INVESTING ACTIVITIES						
Proceeds from sale of investments	399,763	79,965	-	79,965	479,728	120,862
Purchase of investments	(380,000)	-	-	-	(380,000)	(325,000)
Purchase of equipment	(5,274)	(435)	-	(435)	(5,709)	(14,937)
Proceeds from sale of equipment	-	-	-	-	-	2,000
	14,489	79,530	-	79,530	94,019	(217,075)
CHANGE IN CASH	47,451	25,670	(36,891)	(11,221)	36,230	53,325
CASH, BEGINNING OF YEAR	3,311	118,537	80,681	199,218	202,529	149,204
CASH, END OF YEAR	\$ 50,762	\$ 144,207	\$ 43,790	\$ 187,997	\$ 238,759	\$ 202,529

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. OPERATIONS

Awana International Canada (the "Society") is a not-for-profit organization incorporated under the Canada Corporations Act on September 4, 2008. The Society transitioned to the Canada Not-for-profit Corporations Act in 2014. As a registered charity the Society is exempt from the payment of income tax under Section 149(1)(l) of the Income Tax Act.

The Society helps organizations and parents worldwide raise children and youth to know, love and serve Christ.

The Society is affiliated with Awana Clubs International ("ACI"), which is a non-profit organization in Illinois, USA. ACI provides administrative assistance and supplies materials for children and youth clubs in Canada.

The Society is economically dependent on ACI for 95% of its merchandise purchases.

In March 2020, a global health pandemic was declared due to the COVID-19 virus, which has had a significant impact on economic and social activity through the restrictions put in place by the Canadian government regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 health pandemic may have on the Society is not determinable as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. The Society continues to monitor its donations and assess the impact COVID-19 will have on its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

(a) Revenue recognition and fund accounting

The Society follows the restricted fund method of accounting for contributions. Donations are recognized as revenue of the designated funds when the amount to be received can be reasonably estimated and collection is reasonably assured. Merchandise sales are recognized when goods are shipped to its customers from ACI's warehouse. Event revenue is recognized as revenue of the appropriate fund when the event is held. Membership fees are recognized over the period of the membership term. Investment income is recognized when earned.

The Society presents its financial statements using the following funds:

The General Fund accounts for the general, merchandise sales and administrative activities of the Society.

The Restricted Regional Ministry Fund accounts for the regional activities of the Society.

The Restricted International Ministry Fund accounts for the international activities of the Society.

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(b) Property and equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Computer hardware	3 years
Office furniture and equipment	10 years
Office improvements	5 years

Effective July 1, 2019, the Society adopted Section 4433 'Tangible capital assets held by not-for-profit organizations', which replaces Section 4431 of the same name. The new section clarifies that not-for-profit organizations apply the requirements for componentization in Section 3061 'Property, Plant and Equipment', refines the guidance regarding the write-down of tangible capital assets (see below) and provides additional guidance on accounting for the cost of a contributed capital asset.

The Society's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to an organization's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of operations and are not reversed.

Adoption of this new policy did not have any impact on the reported amounts of the Society's capital assets.

The Society regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year are not amortized until they are placed into use.

(c) Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the statement of operations.

(d) Contributed goods and services

The Society recognizes gifts and services in kind at prevailing market rates if the amounts can be reasonably estimated.

Volunteers contribute hundreds of hours per year to assist the Society in carrying out its various activities. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements except as disclosed in Note 8.

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Use of estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of, or during the reporting period. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the useful lives of capital assets used for computing amortization, and the amounts recorded as accrued liabilities.

(f) Financial instruments

i) Measurement

The Society's financial instruments consists of cash, investments, accounts receivable, advances to missionaries, accounts payable, and advances from ACI. The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all of its financial assets and liabilities at amortized cost, except for cash which is measured at fair value.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no 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 in the statement of operations in the period in which it is determined.

iii) Transaction costs

Transaction costs that are directly attributable to the origination, issuance or assumption of a financial instrument that is subsequently measured at amortized cost are assigned to those financial instruments. All other transaction costs are recognized in the statement of operations in the period incurred.

3. INVESTMENTS

Investments consist of a term deposit that bears interest of 2.20% per annum and matures on May 23, 2021.

4. ADVANCES TO MISSIONARIES

Advances to missionaries bear no interest and are due on demand.

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer hardware	\$ 41,972	\$ 35,129	\$ 6,843	\$ 6,410
Office furniture and equipment	7,375	1,884	5,491	5,468
Office improvements	8,127	2,438	5,689	7,314
	\$ 57,474	\$ 39,451	\$ 18,023	\$ 19,192

6. EXTERNALLY RESTRICTED FUND BALANCES

	2020	2019
<u>Regional Ministry Fund</u>		
Regional director program	\$ 181,124	\$ 160,429
<u>International Ministry Fund</u>		
International projects	43,790	80,681
	\$ 224,914	\$ 241,110

7. MERCHANDISE SALES

	2020	2019
Merchandise sales	\$ 891,353	\$ 979,465
Merchandise costs	(213,166)	(240,986)
Shipping and duties	(243,302)	(174,558)
	\$ 434,885	\$ 563,921

8. RELATED PARTY TRANSACTIONS

The Society is economically dependent on ACI and is also related to ACI through a shared ministry agreement.

Unless otherwise stated, amounts due from or to ACI are unsecured, without interest and are due on demand. At year-end, the Society had an amount due to ACI of \$12,890 (2019 - \$24,057).

During the year, the Society had the following transactions with ACI. These transactions were made in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed upon by the related parties.

	2020	2019
Included in Merchandise sales, net are the following charges by ACI:		
Merchandise costs	\$ 207,139	\$ 229,031
Shipping and duties	184,462	148,878
	391,601	377,909

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

8. RELATED PARTY TRANSACTIONS *(continued)*

	2020	2019
Expenses paid to ACI:		
International projects	47,868	47,574
Advertising and promotion	2,513	7,929
Office supplies	9,503	182
	59,884	55,685

The Society has estimated market values for the contributed services received from ACI. These amounts have been recognized as revenue and a corresponding expense contained in the statement of operations and changes in fund balances during the year as follows:

Donations-in-kind:		
Contractors	47,342	100,536
Shipping	36,606	8,250
Advertising and promotion	25,249	24,380
	\$ 109,196	\$ 133,166

9. FINANCIAL INSTRUMENT RISKS

The Society's financial instruments are described in Note 2(f). In management's opinion, the Society is not exposed to any significant credit, liquidity, market, currency, interest rate, or other price risks except as explained below. In addition, the Society is not exposed to any material concentrations of risk and there have been no significant changes in the risk exposure described below from the prior year, except as noted regarding COVID-19.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk mainly in respect of its accounts receivable. The Society maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

The COVID-19 health pandemic has caused economic uncertainty as explained in Note 1. The Society's exposure to credit risk potentially changed as a result of COVID-19, as the timing of the collection of grants may be impacted. However, it is not practical for the Society to estimate the impact of COVID-19 on its funders' ability to pay their accounts. Management will maintain frequent communication with its funders and other parties to monitor credit risk and take necessary steps to mitigate any potential losses.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society's ability to meet obligations depends on the receipt of donations, the collection of accounts receivable and the liquidity of its investments. The Society mitigates liquidity risk by managing its working capital and cash flows.

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

9. 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 Society is mainly exposed to currency and interest rate risk.

(i) Currency risk

Currency risk is the risk to the Society's net revenue that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. As at June 30, 2020, the Society had cash of \$106 (2019 - \$525), and \$12,890 (2019 - \$24,057) due to ACI denominated in U.S. dollars.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations of their investment, the Society manages exposure through its normal operating and financing activities. The Society is mainly exposed to interest rate risk on its interest bearing fixed income investments.

10. ALLOCATION OF EXPENSES

There are no shared or indirect costs that are related to more than one activity. All costs are directly attributable to specific funds.