
AWANA INTERNATIONAL CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Independent Auditors' Report

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2017 September 7

INDEPENDENT AUDITORS' REPORT

To the Members of
Awana International Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Awana International Canada which comprise the statement of financial position as at June 30, 2017 and the statements of operations, changes in fund balances 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.

Auditors' Responsibility

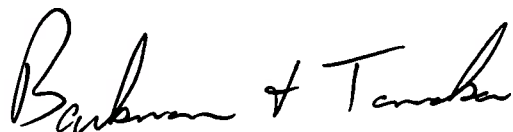
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 auditors' 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 auditors consider internal control relevant to the entity'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Awana International Canada as at June 30, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Barkman & Tanaka". The signature is written in a cursive, flowing style.


Chartered Professional Accountants

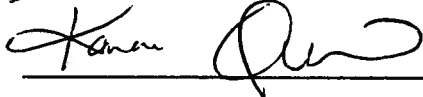
AWANA INTERNATIONAL CANADA
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

	General Fund	Missionary Fund	2017 Total	2016 Total
ASSETS				
CURRENT				
Cash and cash equivalents	\$ 22,723	\$ 140,755	\$ 163,478	\$ 182,944
Investments (Note 3)	151,365	--	151,365	200,945
Accounts receivable	25,141	--	25,141	35,702
GST/HST Recoverable	13,229	23,361	36,590	26,340
Missionary advances (Note 4)	--	4,000	4,000	6,000
Prepaid expenses	10,375	42,563	52,938	18,606
	222,833	210,679	433,512	470,537
PROPERTY, PLANT AND EQUIPMENT (Note 5)	20,266	4,519	24,785	30,394
	\$ 243,099	\$ 215,198	\$ 458,297	\$ 500,931
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 31,042	\$ 21,138	\$ 52,180	\$ 54,258
Unearned revenue	33,295	64,039	97,334	82,464
Due to Awana Clubs International (Note 9)	31,701	--	31,701	18,189
	96,038	85,177	181,215	154,911
FUND BALANCES				
Externally restricted (Note 6)	--	130,021	130,021	116,232
Unrestricted	147,061	--	147,061	229,788
	147,061	130,021	277,082	346,020
	\$ 243,099	\$ 215,198	\$ 458,297	\$ 500,931

COMMITMENTS (Note 10)

Approved by the Directors:





AWANA INTERNATIONAL CANADA
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Missionary Fund	2017 Total	2016 Total
REVENUE				
Donations				
- General (Note 9)	\$ 219,769	\$ 405,133	\$ 624,902	\$ 736,486
- International projects	--	556,394	556,394	534,963
- Donations in kind (Note 9)	136,837	--	136,837	137,062
Merchandise sales, net (Notes 7 and 9)	437,031	--	437,031	474,882
Events	--	131,468	131,468	148,194
Membership fees	42,296	--	42,296	44,975
Interest income	3,441	--	3,441	3,146
	839,374	1,092,995	1,932,369	2,079,708
EXPENSES				
Salaries and benefits (Note 8)	372,288	381,946	754,234	773,542
International projects (Note 9)	--	536,907	536,907	543,089
Contractors (Note 9)	145,973	--	145,973	154,616
Events expenses	--	116,574	116,574	128,081
Travel	34,757	68,451	103,208	124,195
Advocates	--	95,030	95,030	27,742
Office supplies (Note 9)	17,728	52,617	70,345	75,300
Advertising and promotion (Note 9)	42,054	--	42,054	68,805
Rent	26,366	--	26,366	24,225
Bank and credit card service charges	19,448	--	19,448	20,519
Amortization	15,702	2,316	18,018	16,652
Professional fees	18,014	--	18,014	19,483
Telephone and utilities	15,905	--	15,905	14,040
Insurance (Note 9)	14,246	--	14,246	18,839
Conferences (Note 9)	13,122	--	13,122	15,536
Exchange loss	9,654	--	9,654	18,551
Dues and subscriptions	2,209	--	2,209	2,642
Training	--	--	--	945
	747,466	1,253,841	2,001,307	2,046,802
NET REVENUE (LOSS) FOR THE YEAR	91,908	(160,846)	(68,938)	32,906
INTERFUND TRANSFERS				
Support	(228,338)	228,338	--	--
Administration fees	53,703	(53,703)	--	--
	(174,635)	174,635	--	--
CHANGE IN FUND BALANCE FOR THE YEAR	(82,727)	13,789	(68,938)	32,906
FUND BALANCES, BEGINNING OF YEAR	229,788	116,232	346,020	313,114
FUND BALANCES, END OF YEAR	\$ 147,061	\$ 130,021	\$ 277,082	\$ 346,020

AWANA INTERNATIONAL CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Missionary Fund	2017 Total	2016 Total
CASH PROVIDED BY (APPLIED TO):				
OPERATING ACTIVITIES				
Net revenue for the year	\$ 91,908	\$ (160,846)	\$ (68,938)	\$ 32,906
Item not involving cash:				
- Amortization	15,702	2,316	18,018	16,652
	107,610	(158,530)	(50,920)	49,558
Change in non-cash working capital	9,082	(30,310)	(21,228)	3,742
	116,692	(188,840)	(72,148)	53,300
FINANCING ACTIVITIES				
Missionary advances	--	2,000	2,000	--
Interfund transfers	(174,635)	174,635	--	--
Due to/from Awana Clubs International	13,512	--	13,512	36,142
	(161,123)	176,635	15,512	36,142
INVESTING ACTIVITIES				
Proceeds from disposition of investments	199,579	--	199,579	345,689
Purchase of investments	(150,000)	--	(150,000)	(350,000)
Purchase of property, plant and equipment	(10,048)	(2,361)	(12,409)	(23,104)
	39,531	(2,361)	37,170	(27,415)
CHANGE IN CASH	(4,900)	(14,566)	(19,466)	62,027
CASH, BEGINNING OF YEAR	27,623	155,321	182,944	120,917
CASH, END OF YEAR	\$ 22,723	\$ 140,755	\$ 163,478	\$ 182,944

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. OPERATIONS

The Organization was incorporated under the Canada Corporation Act on September 4, 2008. The Organization was transitioned to the Canada Not-For-Profit Corporations Act in 2014.

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

The Organization is affiliated with Awana International (AI) and Awana Clubs International (ACI), which are non-profit organizations in Illinois, USA. ACI provides administrative assistance and supplies materials for children and youth clubs in Canada.

The Organization is a registered charitable organization and is exempt from income taxes under the Income Tax Act of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Fund Accounting

The Organization follows the restricted fund method of accounting for donations.

The General Fund accounts for the general and administrative activities of the Organization.

The Missionary Fund accounts for the missionary activities of the Organization.

b) Revenue Recognition

(i) Donations are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

(ii) Merchandise sales are recognized when goods are shipped to its customers from ACI's warehouse.

(iii) Events are recognized as revenue of the appropriate fund when the event is held.

(iv) Membership fees are recognized over the period of the membership term.

(v) Investment income is recognized when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and term deposits with maturity dates of less than 90 days from the date that they were acquired.

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is provided on a straight-line basis as follows:

Computer hardware	3 years
Computer software	2 or 5 years
Website	2 years
Office furniture and equipment	10 years

Assets acquired during the year are amortized at one-half the above rates.

e) Financial Instruments

(i) Measurement

The Organization initially measures its financial assets and 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 attributable to the instrument.

The Organization subsequently measures all its financial assets and liabilities at amortized cost except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, investments, accounts receivable and missionary advances.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and amounts due to Awana Clubs International.

(ii) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with financial instruments measured at amortized cost are capitalized and are included in the acquisition costs or deducted against proceeds on disposal.

(iii) Impairment

When there is an indication of an impairment in value and the impairment is determined to have occurred, the carrying amount of a financial asset measured at amortized cost is reduced to the greater of the discounted future expected cash flow or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value of the financial asset subsequently improves. Impairment adjustments are recognized in net revenue.

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Foreign Currency Transactions

The Organization uses the temporal method to translate its foreign currency transactions. Under this method, monetary balance sheet items are translated at the exchange rates in effect at year-end and non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the exchange rates in effect on the transaction dates or at the average exchange rates of the period. Translation gains or losses are included in the statement of operations.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the Organization's management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment and estimating the value of services in kind rendered by Awana Clubs International. Actual results could differ from these estimates.

h) Contributed Goods and Services

The Organization 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 Organization in carrying out its various activities. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

3. INVESTMENTS

Investments consist of term deposits that bear interest of 1.30% to 1.40% per annum and mature on October 27, 2017.

4. MISSIONARY ADVANCES

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

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

5. PROPERTY, PLANT AND EQUIPMENT

	2017		2016	
	Cost	Accum. Amort.	Cost	Accum. Amort.
Computer hardware	\$ 37,293	\$ 29,630	\$ 34,627	\$ 24,742
Computer software	21,452	20,750	21,452	19,345
Website	33,036	24,525	24,426	14,213
Office furniture and equipment	14,696	6,787	13,563	5,374
	<u>\$ 106,477</u>	<u>\$ 81,692</u>	<u>\$ 94,068</u>	<u>\$ 63,674</u>
Net Book Value		<u>\$ 24,785</u>		<u>\$ 30,394</u>

6. EXTERNALLY RESTRICTED FUND BALANCES

	2017	2016
Missionary Fund		
International projects	\$ 99,438	\$ 101,651
Awana Lifeline program	8,187	9,000
Missionary program	22,396	5,581
	<u>\$ 130,021</u>	<u>\$ 116,232</u>

7. MERCHANDISE SALES

	2017	2016
Merchandise sales	\$ 962,537	\$ 904,855
Merchandise costs	277,158	288,525
Shipping and duties	248,348	141,448
	<u>525,506</u>	<u>429,973</u>
	<u>\$ 437,031</u>	<u>\$ 474,882</u>

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

8. GOVERNMENT GRANTS

The Organization received government grants of \$15,923 (2016 – \$8,785) to fund certain employee positions. These grants have been netted against the salaries and benefits expense.

9. RELATED PARTY TRANSACTIONS

Awana Clubs International (ACI) has the sole right to appoint directors to the board of Awana International (AI) which in turn has the sole right to appoint directors to the board of Awana International Canada.

Unless otherwise stated, amounts due from or to Awana Clubs International are unsecured, without interest and are due on demand. At year-end, the Organization had an amount due to Awana Clubs International of \$31,701 (2016 – \$18,189).

During the year, the Organization 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.

	2017	2016
Donations		
– General	\$ 71,952	\$ 133,301
– International projects	<u>\$ 401,002</u>	<u>\$ 398,811</u>
Merchandise sales, net		
– Merchandise costs	\$ 277,158	\$ 288,525
– Shipping and duties	<u>\$ 248,348</u>	<u>\$ 141,448</u>
Expenses		
– International projects	\$ 401,002	\$ 398,811
– Office supplies	\$ 24,084	\$ 18,777
– Advertising and promotion	\$ 7,704	15,912
– Insurance	\$ 8,522	\$ 8,979
– Conferences	<u>\$ 183</u>	<u>\$ 1,079</u>

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

9. RELATED PARTY TRANSACTIONS (Cont'd)

The Organization has estimated market values for the contributed services received from ACI as follows:

	2017	2016
Donations-in-kind:		
Contractors	\$ 117,273	\$ 117,077
Website	18,274	18,667
Advertising and promotion	1,290	1,318
	<u>\$ 136,837</u>	<u>\$ 137,062</u>

10. COMMITMENTS

The Organization has entered into a lease agreement for office space in Surrey, BC for \$1,468 per month until January 2018 decreasing thereafter to \$1,040 per month until January 2020.

11. FINANCIAL RISKS

The Organization is exposed to various risks through its financial instruments. The following provides a measure of the Organization's risk exposure as at June 30, 2017.

There has been no significant change to the risk exposure from the previous year.

Liquidity risk:

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

AWANA INTERNATIONAL CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

11. FINANCIAL RISKS (Cont'd)

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 maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

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.

(i) 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. Consequently, certain assets and liabilities are subject to foreign exchange fluctuations.

As at June 30, 2017, the Organization had cash and cash equivalents of \$645 (2016 – \$56,711), and \$31,701 (2016 – \$18,189) due to Awana Clubs International that are denominated in \$US, thus resulting in currency risk.

(ii) 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 interest bearing fixed income investments, interest free advances to missionaries and the amounts due to Awana Clubs International.

(iii) Other price risk

Other price 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to other price risk.

12. 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.