



Financial Statements

Partners International Canada

June 30, 2020

# Contents

	<b>Page</b>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Revenue, Expenses and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 11

# Independent Auditor's Report

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To the Members of  
Partners International Canada

## Opinion

We have audited the financial statements of Partners International Canada, which comprise the statement of financial position as at June 30, 2020, and the statements of revenue, expenses 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 financial statements present fairly, in all material respects, the financial position of Partners International Canada 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 ("ASNPO").

## 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 Partners International Canada 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 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 ASNPO, 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 Partners International Canada's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Partners International Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Partners International Canada'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 Partners International Canada'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 Partners International Canada'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 Partners International Canada 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada  
November 14, 2020

Chartered Professional Accountants  
Licensed Public Accountants

# Partners International Canada

## Statement of Financial Position

As at June 30

	2020	2019
<b>Assets</b>		
Current		
Cash	\$ 1,118,344	\$ 1,395,846
Sundry receivables	1,025	16,795
Sales taxes recoverable	51,854	33,411
Prepaid expenses	<u>19,278</u>	<u>46,281</u>
	<b>1,190,501</b>	1,492,333
Property and equipment (Note 3)	<b>69,016</b>	98,739
Intangible assets (Note 3)	<u>538,157</u>	<u>226,278</u>
	<b>\$ 1,797,674</b>	<b>\$ 1,817,350</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 99,123	\$ 77,345
Deferred revenue – contributions (Note 4)	<u>13,750</u>	<u>125,365</u>
	<b>112,873</b>	202,710
Deferred revenue – intangible assets (Note 4)	<b>330,000</b>	182,621
Long-term debt (Note 5)	<u>40,000</u>	<u>-</u>
	<u><b>482,873</b></u>	<u>385,331</u>
<b>Fund balances</b>		
Operating Fund		
Invested in property and equipment and intangible assets	<b>277,173</b>	142,396
Unrestricted	<u>303,378</u>	<u>395,863</u>
	<b>580,551</b>	538,259
Designated Funds - Externally restricted	<u>734,250</u>	<u>893,760</u>
	<u><b>1,314,801</b></u>	<u>1,432,019</u>
	<b>\$ 1,797,674</b>	<b>\$ 1,817,350</b>

On behalf of the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements.

# Partners International Canada

## Statement of Revenue, Expenses and Changes in Fund Balances

Year ended June 30

	Operating Fund	Designated Funds	Total 2020	Total 2019
<b>Revenue</b>				
Contributions				
Field projects	\$ -	\$ 2,208,754	\$ 2,208,754	\$ 2,208,648
General and administrative	943,725	-	943,725	818,441
International operations	-	444,028	444,028	469,675
Canadian based affiliates	-	153,825	153,825	117,325
Public engagement and education	-	92,866	92,866	40,888
Rental and sundry	30,343	-	30,343	37,760
Investment income	5,764	-	5,764	17,063
	<u>979,832</u>	<u>2,899,473</u>	<u>3,879,305</u>	<u>3,709,800</u>
<b>Expenses</b>				
Program services				
Field projects	-	2,313,983	2,313,983	2,025,528
International operations	-	490,425	490,425	463,533
Canadian based affiliates	-	168,916	168,916	130,721
Public engagement and education	-	85,659	85,659	67,811
Support services				
Development and marketing	460,053	-	460,053	512,751
General and administrative	392,820	-	392,820	355,387
Facilities and equipment	54,944	-	54,944	50,940
	<u>907,817</u>	<u>3,058,983</u>	<u>3,966,800</u>	<u>3,606,671</u>
Excess (deficiency) of revenue over expenses before amortization	72,015	(159,510)	(87,495)	103,129
Amortization	<u>(29,723)</u>	<u>-</u>	<u>(29,723)</u>	<u>(30,914)</u>
Excess (deficiency) of revenue over expenses	42,292	(159,510)	(117,218)	72,715
Fund balances, beginning of year	<u>538,259</u>	<u>893,760</u>	<u>1,432,019</u>	<u>1,359,804</u>
Fund balances, end of year	<u>\$ 580,551</u>	<u>\$ 734,250</u>	<u>\$ 1,314,801</u>	<u>\$ 1,432,019</u>

See accompanying notes to the financial statements.

# Partners International Canada

## Statement of Cash Flows

Year ended June 30	2020	2019
Increase (decrease) in cash		
<b>Operating</b>		
Excess (deficiency) of revenue over expenses	\$ (117,218)	\$ 72,215
Items not involving cash		
Amortization	29,723	30,914
Deferred revenue – contributions recognized	<u>(27,986)</u>	<u>-</u>
	<u>(115,481)</u>	<u>103,129</u>
Net change in non-cash working capital items		
Sundry receivables	15,770	(3,510)
Sales taxes recoverable	(18,443)	18,418
Prepaid expenses	27,003	(28,973)
Accounts payable and accrued liabilities	21,778	4,540
Deferred revenue – contributions received	<u>13,750</u>	<u>157,822</u>
	<u>59,858</u>	<u>148,297</u>
	<u>(55,623)</u>	<u>251,426</u>
<b>Investing and financing</b>		
Purchase of property and equipment and intangible assets	(311,879)	(189,332)
Deferred revenue – intangible assets received	50,000	-
Proceeds of long-term debt	40,000	-
Proceeds on disposal of investments	<u>-</u>	<u>543,177</u>
	<u>(221,879)</u>	<u>353,845</u>
Net change in cash during the year	(277,502)	605,271
Cash		
Beginning of year	<u>1,395,846</u>	<u>790,575</u>
End of year	<u>\$ 1,118,344</u>	<u>\$ 1,395,846</u>

See accompanying notes to the financial statements.

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# Partners International Canada

## Notes to the Financial Statements

June 30, 2020

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### 1. Purpose and incorporation

Partners International Canada - Christian Nationals Evangelism Mission ("Partners International Canada") raises funds to support Christian ministries overseas through partnerships with indigenous-led organizations. The partnerships are based on ministry agreements that have been accepted by the Canada Revenue Agency. The purpose of Partners International Canada is to provide mission services to underdeveloped contexts where there are few Christians and few resources available. Partners International Canada is incorporated as a not-for-profit organization in the province of Ontario and is a Canadian registered charity under the Income Tax Act and, as such, is exempt from income tax.

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### 2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), the more significant of which are outlined below.

#### **Use of estimates**

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to excess (deficiency) of revenue over expenses as appropriate in the fiscal year they become known.

#### **Fund accounting**

Separate funds are maintained to account for and to report on the separate activities or objectives as determined by donors or by resolution of the Board of Directors.

#### *Operating Fund*

The Operating Fund reflects contributions and other revenue, and related expenses, pertaining to the general operations of Partners International Canada.

#### *Designated Funds*

The Designated Funds consist of amounts appropriated for use in program and missionary activities. It is a policy of the Board of Directors to fund deficiencies in any of the designated activities (field projects, international co-ordination, conferences or area representatives) with transfers from the Operating Fund.

Partners International Canada receives designated gifts in support of a variety of program and missionary activities. These gifts are recorded as field projects revenue upon receipt. Partners International Canada has a policy of allocating 18% of these funds annually to support administrative and development activities.



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# Partners International Canada

## Notes to the Financial Statements

June 30, 2020

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

Partners International Canada follows the restricted fund method of accounting for revenue. As such, unrestricted contributions are recognized as revenue of the Operating Fund and all contributions which are externally restricted by the donor are recorded in the Designated Funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions for capital and intangible assets are deferred and amortized over the life of the asset.

Operating Fund contributions received for specific purposes which are not spent by year end are deferred until the year in which the expenses are incurred.

Rental, sundry and investment revenue are recognized as earned.

#### Donated materials and services

The value of donated materials and services is not recorded in the financial statements because of the difficulty of determining their value.

#### Foreign operations and assets

All expenses and property and equipment acquisitions for operations in foreign countries are recorded as program expenses when remitted. This policy is based on the fact that such assets would only rarely return to Partners International Canada once they are sent overseas.

#### Property and equipment and intangible assets

Property and equipment and intangible assets are recorded at cost and are amortized over their estimated useful life on a straight-line basis as follows:

National office building	20 years
Computer equipment and software	3 years
Furniture and equipment	5 years

The network platforms will be amortized over its useful life once it is completed and in use.

#### Financial instruments

Partners International Canada considers any contract creating a financial asset, liability or equity instrument as a financial instrument. Partners International Canada's financial instruments are comprised of cash, sundry receivables, sales taxes recoverable, accounts payable, and long-term debt. Partners International Canada initially measures its financial assets or liabilities at their fair value and then subsequently at amortized cost.

# Partners International Canada

## Notes to the Financial Statements

June 30, 2020

### 2. Summary of significant accounting policies (continued)

#### Adoption of new accounting standards

On July 1, 2019, Partners International Canada adopted new accounting standards *Section 4433 Tangible capital assets held by not-for-profit organizations* and *Section 4434 Intangible assets held by not-for-profit organizations* (the “standards”). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively, except Partners International Canada was permitted to recognize an adjustment to opening fund balances at July 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date, if any. The adoption of these standards did not have any impact on the statement of financial position as at July 1, 2019 and the changes in financial position for the current period.

### 3. Property and equipment and intangible assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Property and equipment				
National office building	\$ 408,061	\$ 341,268	\$ 66,793	\$ 87,209
Computer equipment and software	107,979	106,129	1,850	10,642
Furniture and equipment	<u>23,246</u>	<u>22,873</u>	<u>373</u>	<u>888</u>
	<u>\$ 539,286</u>	<u>\$ 470,270</u>	<u>\$ 69,016</u>	<u>\$ 98,739</u>
Intangible assets				
Projects in process – Network platforms	<u>\$ 538,157</u>	<u>\$ -</u>	<u>\$ 538,157</u>	<u>\$ 226,278</u>

Amortization will begin on the Network platforms once the platforms are completed and in use.

# Partners International Canada

## Notes to the Financial Statements

June 30, 2020

### 4. Deferred revenue

#### *Deferred revenue – contributions*

	<u>Opening Balance</u>	<u>Received</u>	<u>Recognized in revenue</u>	<u>Transfer</u>	<u>Closing Balance</u>
Aliva project	\$ 75,002	\$ -	\$ -	\$ (75,002)	\$ -
Evolve project	22,377	-	-	(22,377)	-
Other	<u>27,986</u>	<u>13,750</u>	<u>(27,986)</u>	<u>-</u>	<u>13,750</u>
	<u>\$ 125,365</u>	<u>\$ 13,750</u>	<u>\$ (27,986)</u>	<u>\$ (97,379)</u>	<u>\$ 13,750</u>

#### *Deferred revenue – intangible assets*

	<u>Opening Balance</u>	<u>Received</u>	<u>Transfer</u>	<u>Closing Balance</u>
Network platforms	<u>\$ 182,621</u>	<u>\$ 50,000</u>	<u>\$ 97,379</u>	<u>\$ 330,000</u>

### 5. Long-term debt

During the year, Partners International Canada obtained the Canada Emergency Business Account loan of \$40,000. The loan is interest free and due no later than December 31, 2022. If Partners International Canada is able to pay \$30,000 on or before December 31, 2022, the remaining \$10,000 will be forgiven. If the loan cannot be repaid by December 31, 2022, the loan will be converted into a 3-year term loan, with an interest rate of 5% due no later than December 31, 2025.

### 6. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments. Partners International Canada's main financial risk exposures are as follows:

#### **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 meet its obligation. Partners International Canada is exposed to liquidity risk with respect to its sundry receivables. This risk is mitigated through ensuring revenue is derived from qualified sources. The allowance for doubtful accounts in relation to sundry receivables is \$Nil (2019 - \$Nil).

In addition, Partners International Canada is exposed to concentration risk in that its cash balances held with financial institutions are in excess of Canadian Deposit Insurance Corporation limits. This risk is mitigated through analysis and investing of excess cash in short-term investments on a regular basis.

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# Partners International Canada

## Notes to the Financial Statements

June 30, 2020

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### 6. Financial instruments (continued)

#### Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Partners International Canada is exposed to interest rate risk with respect to investments with fixed interest rates.

#### Currency risk

Currency risk is the risk arising from the change in price of one currency against another. Partners International Canada is exposed to currency risk with respect to a portion of its cash held in US dollars. Cash held in US bank accounts at year-end is US\$858 (2019 - US\$18,961). The gain (loss) on foreign exchange is insignificant.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Partners International Canada is exposed to liquidity risk with respect to its accounts payable and long-term debt.

Partners International Canada reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to repay advances.

Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2019 - \$Nil).

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### 7. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

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### 8. COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic (the “pandemic”) as a result of the spread of COVID-19. Since that time, the pandemic has severely impacted local economies around the globe. In many countries, including Canada, organizations were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of COVID-19, including travel bans, quarantines, physical distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in a widespread economic slowdown. Governments and central banks have responded with monetary and fiscal interventions in an attempt to stabilize economic conditions.

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# Partners International Canada

## Notes to the Financial Statements

June 30, 2020

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### 8. COVID-19 (continued)

The duration and impact of the pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position of Partners International Canada for future periods. In March 2020, Partners International Canada adjusted its operations in order to limit the exposure of the virus. Partners International Canada has successfully applied for government incentives available to assist with the decline in revenue resulting from the pandemic. As at the board approval date, Partners International Canada has experienced a decline in donations relative to historical trends. However, Partners International Canada anticipates that available liquid assets and ongoing cost mitigation efforts will provide the necessary support to sustain Partners International Canada.