

FINANCIAL STATEMENTS OF

A ROCHA CANADA

April 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Directors of
A Rocha Canada

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of A Rocha Canada, which comprise the statement of financial position as at April 30, 2022, and the statements of operations and changes in net assets 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 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 April 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 ("ASNPO").

Basis for Qualified 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 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 opinion.

In common with many charities, A Rocha Canada derives part of its revenue in the form of donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization, and we were not able to determine if any adjustments may be required to contributions, excess of revenue over expenditures, and net assets.

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 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

INDEPENDENT AUDITOR'S REPORT, continued

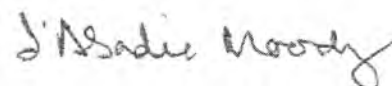
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that in our opinion, the accounting principles have been applied on a basis consistent with that of the preceding year.

Langley, British Columbia
October 23, 2022



Chartered Professional Accountants

A ROCHA CANADA
STATEMENT OF FINANCIAL POSITION
As at April 30, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current		
Cash (restricted and unrestricted) (Notes 7 and 8)	\$ 1,341,164	\$ 1,220,078
Accounts receivable	17,770	99,508
Inventory	9,099	9,407
Prepaid expenses	55,496	42,564
GST receivable	18,120	22,132
	<u>1,441,649</u>	<u>1,393,689</u>
Capital assets (Note 3)	<u>898,402</u>	<u>791,307</u>
	<u>\$ 2,340,051</u>	<u>\$ 2,184,996</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 73,074	\$ 44,012
Unearned revenue	21,351	49,484
Deferred designated contributions (Note 8)	413,703	350,686
	<u>508,128</u>	<u>444,182</u>
Long-term debt and future development (Note 5)	122,072	122,072
CEBA loan payable (Note 6)	40,000	30,000
Deferred designated contributions relating to capital assets (Note 7)	655,818	449,018
	<u>1,326,018</u>	<u>1,045,272</u>
NET ASSETS		
UNRESTRICTED NET ASSETS	<u>1,014,033</u>	<u>1,139,724</u>
	<u>\$ 2,340,051</u>	<u>\$ 2,184,996</u>

Approved by the board

Suzanne van Kerk Member

R. Rocha Member

See accompanying notes to the financial statements

A ROCHA CANADA
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended April 30, 2022

	<u>2022</u>	<u>2021</u>
REVENUES		
Public contributions	\$ 838,343	\$ 686,674
Foundations and charity contributions	897,066	557,203
Fees for programs and services	762,327	612,538
Corporate and government contributions	404,988	317,660
Interest and other	2,742	2,438
Amortization of deferred designated contributions	79,226	77,997
Fundraising events	5,000	-
	<u>2,989,692</u>	<u>2,254,510</u>
EXPENDITURES		
Amortization	163,611	168,639
Administration and management (Schedule 1)	232,855	226,639
Fundraising (Schedule 2)	225,673	122,330
Programming costs (Schedule 3)	2,503,244	1,525,881
	<u>3,125,383</u>	<u>2,043,489</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	(135,691)	211,021
OTHER INCOME		
Forgivable portion of CEBA loan	10,000	10,000
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(125,691)	221,021
UNRESTRICTED NET ASSETS, beginning of year	<u>1,139,724</u>	<u>918,703</u>
UNRESTRICTED NET ASSETS, end of year	<u>\$ 1,014,033</u>	<u>\$ 1,139,724</u>

See accompanying notes to the financial statements

A ROCHA CANADA
STATEMENT OF CASH FLOWS
Year ended April 30, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenditures	\$ (125,691)	\$ 221,021
Items not affecting cash		
Amortization	163,611	168,639
Gain on sale of capital assets	(1,249)	-
Amortization of deferred designated contributions	(79,226)	(77,997)
Forgivable portion of CEBA loan	(10,000)	(10,000)
	<u>(52,555)</u>	301,663
Change in non-cash working capital items		
Accounts receivable	81,738	14,694
Inventory	308	(900)
Prepaid expenses	(12,932)	(4,763)
GST receivable	4,012	(5,717)
Accounts payable and accrued liabilities	29,062	(1,286)
Unearned revenue	(28,133)	(374)
Deferred designated contributions	63,017	45,791
	<u>84,517</u>	349,108
FINANCING ACTIVITIES		
Proceeds of long-term debt and future development	-	13,947
Proceeds of CEBA loan payable	20,000	40,000
Deferred designated contributions relating to capital assets	286,026	198,625
	<u>306,026</u>	252,572
INVESTING ACTIVITY		
Purchase of capital assets	(269,457)	(362,640)
INCREASE IN CASH	121,086	239,040
CASH, beginning of year	1,220,078	981,038
CASH, end of year	\$ 1,341,164	\$ 1,220,078

See accompanying notes to the financial statements

A ROCHA CANADA

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2022

1. Nature of operations

A Rocha Canada (the “Organization”) was incorporated under the Canada Corporations Act on October 6, 1999 and continued under the Canada Not-for-Profit Corporations Act (CNCA) in 2016. The organization is registered with Canada Revenue Agency as a charitable organization under the provisions of the Income Tax Act of Canada and as such is exempt from income taxes.

The objectives and purposes of the Organization are to advance the Christian religion and its doctrines about creation by undertaking programs and projects in pursuit of its purpose as are exclusively charitable at law by:

- (a) Developing, operating, and managing research and interpretation centres for studies on biblical faithful environmental stewardship; to discover and learn about the place and contribution of specific species and habitats in creation.
- (b) Disseminating the results of such studies to the public through church services, educational institutions and programs, publications and any other appropriate medium.

2. Significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit organizations.

(a) Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

(b) Capital assets

Capital assets are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings and building improvement	6 - 15 years
Vehicles	3 years
Furniture and fixtures	5 years
Computer equipment	3 years
Program Equipment	3 years

Capital assets costing less than \$1,000 are recorded as period costs.

A ROCHA CANADA

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2022

2. Significant accounting policies, continued

(c) Inventory

Inventory consists of arts and crafts held for sale, is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

(d) Impairment of long-lived assets

The carrying value of long-lived assets, which includes capital assets, is reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value is based on estimates of both undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

(e) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions for the purchase of capital assets that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Externally restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

(f) Financial instrument classification

All financial instruments are initially measured at fair value and subsequently according to the following measurement methods.

Financial instruments	Classification	Subsequent measurement
Cash and deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Bank loan	Other liabilities	Amortized cost
Accounts payable	Other liabilities	Amortized cost

A ROCHA CANADA
NOTES TO THE FINANCIAL STATEMENTS

April 30, 2022

2. Significant accounting policies, continued

(g) Allocated expenses

The Organization allocates certain of its general support expenditures to three main functions: Programming, Administrative, and Fundraising. Allocation is accomplished by identifying and grouping expenditures by function and is applied consistently from year to year. Significant expenditures requiring allocation include wages and benefits, printing and postage, event production, IT services, interest and travel.

(h) Contributed services

A number of volunteers contribute a significant amount of their time to activities of the Organization each year. Due to the difficulty in determining the respective fair values, contributed services are not recognized in the financial statements.

(i) Measurement uncertainty

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets for amortization, net recoverable values for capital assets and inventory. Actual results may differ from management's best estimates as additional information becomes available in the future.

3. Capital assets

	2022		2021	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Buildings and building improvement	\$ 1,527,140	\$ 711,231	\$ 815,909	\$ 714,657
Vehicles	26,736	25,090	1,646	3,291
Furniture and fixtures	221,071	159,254	61,817	62,745
Computer equipment	52,110	46,126	5,984	3,100
Program Equipment	72,663	59,617	13,046	7,514
	\$ 1,899,720	\$ 1,001,318	\$ 898,402	\$ 791,307

A ROCHA CANADA

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2022

4. Bank indebtedness

The organization has in place an operating facility with Vancity Credit Union with an authorized limit of \$100,000. The operating loan bears interest at the bank's prime rate + 2% with interest payable monthly. At April 30, 2022, the operating facility had a nil balance.

The facility is secured by a general security agreement over all present and after-acquired personal property and registered at the the Personal Property Registry against A Rocha Canada.

The facility also requires certain financial covenants which were met at April 30, 2022.

5. Long-term debt and future development

	<u>2022</u>	<u>2021</u>
Drew Foundation Inc.	\$ 122,072	\$ 122,072

A Rocha Canada ("A Rocha") entered into an agreement with Drew Foundation Inc. (the "Foundation") in December 2018 whereby A Rocha has committed to build a new centre on certain parcels of land in East Braintree, Manitoba. The land on which the new centre will be constructed will be transferred from the Foundation to A Rocha as part of the agreement.

The Foundation has agreed to provide A Rocha, by way of a construction loan, funds required to construct the new centre. The loan is non-interest bearing and secured by the land and building in Braintree, Manitoba.

Upon the completion of the new centre, and subject to A Rocha meeting all other terms of the agreement, the Foundation will forgive the associated construction loan. In addition, an adjacent parcel of land will also be gifted to A Rocha.

A Rocha will be required to use the gifted lands on agreed upon goals and objectives per the agreement in perpetuity.

As at the report date, management is working on the construction plan and budget for the new centre.

6. CEBA loan payable

During the year, \$20,000 was received under Canada Emergency Business Account (CEBA). The maturity date of the loan is December 31, 2025. The loan bears no interest until December 2023 and thereafter, the loan bears annual interest rate of 5%.

Provided that the Organization repays 67% of the loan before December 31, 2023, the remaining 33% of the loan shall be forgiven.

A ROCHA CANADA

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2022

7. Deferred designated contributions relating to capital assets

Included in the balance are restricted donations totaling \$177,167 (2021 - \$55,512) which were received for the purchases of capital assets but were unused as at the end of the fiscal year.

8. Deferred designated contributions

	<u>2022</u>	<u>2021</u>
International projects	\$ 355,222	\$ 179,592
Programming grants	<u>58,481</u>	<u>171,094</u>
	<u>\$ 413,703</u>	<u>\$ 350,686</u>

Funds received pertaining to the above designated contributions are restricted from general use until the related projects and programming are completed.

Total restricted funds relating to deferred designated donations (included unused funds restricted for capital assets) amount to \$590,871 (2021 - \$406,198).

9. Commitments

Future minimum rental payments required under operating leases that have remaining terms in excess of one year are:

2023	\$ 6,000
2024	<u>2,000</u>
	<u>\$ 8,000</u>

10. Covid 19 impact

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the Novel Coronavirus ("COVID 19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration of the COVID 19 measures is unknown at this time and it is not possible to reliably estimate any potential future effect this may have on the organization's operations and assets.

11. 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 financial statements in assessing the extent of risk related to financial instruments.

A ROCHA CANADA
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2022

11. Financial instruments, continued

Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Organization is a going concern and thus expects to fully repay the outstanding amounts.

Market risk

The organization is potentially exposed to market risks as it receives contributions in the form of publicly traded securities from time to time. Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.

Credit risk

The Organization does have credit risk in receivables of \$35,890 (2021 - \$121,640). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Organization maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Organization is low and is not significant. A significant portion of receivables at year end relates to the Public Service Bodies Rebate.

Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities of \$73,074 (2021 - \$44,012). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Organization is low and is not significant.

12. Disclosure of Remuneration as required under the British Columbia Societies Act

During the year the Organization did not pay any directors fees.

The Organization had one employee who received remuneration in excess of \$75,000 during the year. The remuneration totaled \$104,520.

A ROCHA CANADA
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended April 30, 2022

Schedule of Administration and management expenditures

Schedule 1

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 127,683	\$ 121,353
Travel and transportation	575	517
Training and development	2,171	2,481
Interest and bank charges	15,526	20,206
Office services, supplies and equipment	86,900	82,082
	<u>\$ 232,855</u>	<u>\$ 226,639</u>

Schedule of Fundraising expenditures

Schedule 2

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 178,989	\$ 103,877
Other fundraising	32,986	2,856
Materials and supplies	13,698	15,568
Travel and transportation	-	29
	<u>\$ 225,673</u>	<u>\$ 122,330</u>

Schedule of Programming costs

Schedule 3

	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 2,033,039	\$ 1,254,877
Training and development	10,240	7,794
Centre costs	99,299	85,364
Materials and equipment	312,582	167,904
Travel and transportation	39,042	9,942
Other fundraising	9,042	-
	<u>\$ 2,503,244</u>	<u>\$ 1,525,881</u>