



Edward & Manning LLP
Chartered Professional Accountants

Rhema Christian Ministries Canada Inc.

Financial Statements

December 31, 2020



Edward & Manning ^{LLP}
Chartered Professional Accountants

Rhema Christian Ministries Canada Inc.

December 31, 2020

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Edward & Manning LLP
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Independent Auditors' Report

To the members of the
Rhema Christian Ministries Canada Inc.

Qualified Opinion

We have audited the accompanying financial statements of Rhema Christian Ministries Canada Inc., which comprise the statement of financial position as at December 31, 2020 and the statements of operations and net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Rhema Christian Ministries Canada Inc. as at December 31, 2020, and the 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 charitable organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether, as at and for the year ended December 31, 2020, any adjustments might be necessary to revenues, deficiency of revenue over expenses, assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 opinion.



Independent Auditors' Report

continued

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 Rhema Christian Ministries Canada Inc.'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Rhema Christian Ministries Canada Inc.'s financial reporting process.

Auditors' 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 auditors' 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.



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Independent Auditors' Report

continued

- 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 Rhema Christian Ministries Canada Inc.'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 Rhema Christian Ministries Canada Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Rhema Christian Ministries Canada Inc. 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.

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.

Edward & Manning LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

May 25, 2021

Rhema Christian Ministries Canada Inc.

Statement of Financial Position

As At December 31, 2020

	Note	2020	2019
Assets			
Current Assets			
Cash		\$ 98,906	\$ -
Amounts receivable		69,689	1,995
Prepaid expenses		2,000	2,000
Total Current Assets		170,595	3,995
Capital assets	(7)	574,177	853,516
Total Assets		\$ 744,772	\$ 857,511
Liabilities and Net Assets			
Current Liabilities			
Bank overdraft		\$ -	\$ 14,532
Accounts payable and accrued liabilities	(8)	370,278	373,011
Rent payable		676,437	294,815
Capital leases - current portion	(9)	27,651	83,456
Total Current Liabilities		1,074,366	765,814
Capital leases	(9)	29,433	57,083
Total Liabilities		1,103,799	822,897
Net Assets			
Unrestricted net assets (deficit)		(359,027)	34,614
Total Liabilities and Net Assets		\$ 744,772	\$ 857,511

Approved:




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

Rhema Christian Ministries Canada Inc.

Statement of Operations

For the Year Ended December 31, 2020

	Note	2020	2019
Revenue			
Member contributions		\$ 1,609,970	\$ 2,583,599
Rental income	(6)	71,959	88,305
Retail cafe and other income		10,568	59,983
Total revenue		1,692,497	2,731,887
Operating expenditures			
Staffing costs		900,138	1,031,885
Occupancy costs		505,690	705,148
Amortization		285,889	320,704
Consultants and contractors		222,238	297,412
Program and donation expenses	(6)	117,600	182,711
Office and general		52,090	75,437
Interest and bank charges		42,598	60,637
Ministry		32,878	183,091
Insurance		28,120	13,217
Equipment rental		15,349	11,352
Repairs and maintenance		12,326	22,448
Professional fees		10,268	7,836
Advertising and promotion		4,647	5,118
Travel		1,726	34,133
Total operating expenses		2,231,557	2,951,129
Deficiency of revenue over expenditures from operations		(539,060)	(219,242)
Non operating revenues and expenses			
Impairment loss	(5)	(75,338)	(209,905)
Wage subsidies		220,757	-
Total non operating revenues and expenses		145,419	(209,905)
Deficiency of revenue over expenditures		(393,641)	(429,147)
Net assets, beginning of year		34,614	463,761
Net assets (deficit), end of the year		\$ (359,027)\$	34,614

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

Rhema Christian Ministries Canada Inc.

Statement of Cash Flows

For the Year Ended December 31, 2020

	2020	2019
Cash flows from operations:		
Deficiency of revenues over expenses for the year	\$ (393,641)	\$ (429,147)
Amortization	285,889	320,704
Impairment loss	75,338	209,905
(Increase) decrease in accounts receivable	(67,694)	1,054
(Decrease) increase in accounts payable and accrued liabilities	(2,732)	69,076
Increase in rent payable	381,622	56,554
Total net cash flows from operations	278,782	228,146
Cash flows from investing activities:		
Purchases of capital assets	(6,551)	(30,980)
Net cash used in investing activities	(6,551)	(30,980)
Cash flows from financing activities:		
Increase in advances receivable	(75,338)	(107,132)
Decrease in capital leases (net of repayments)	(83,455)	(93,945)
Cash used in financing activities	(158,793)	(201,077)
Net increase (decrease) during the year	113,438	(3,911)
Bank overdraft at beginning of year	(14,532)	(10,621)
Cash (bank overdraft) at end of year	\$ 98,906	\$ (14,532)

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

Rhema Christian Ministries Canada Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(1) About Rhema Christian Ministries Canada Inc.

Rhema Christian Ministries Canada Inc. (the "Organization") is a not-for-profit organization incorporated in Ontario without share capital on January 14, 2000. The Organization is a people centred ministry with a mission to change and affect lives in the community and the world through spirituality, education, life care, housing, education and economics.

As a registered charity, the Organization is exempt from income tax under Section 149(1) of the Income Tax Act.

(2) Going concern

The Organization has incurred significant operating losses during the years ended December 31, 2020 and December 31, 2019 and has significant working capital deficiency at December 31, 2020. The application of the going concern concept is dependent upon the ongoing support of the Organization's members to fund operations and the Organization's ability to obtain financing on reasonable terms until such time that the Organization is able to generate sufficient cash flow from operations.

If the Organization is unable to increase cash flows from operations or to secure adequate financing as required, there is a possibility that the Organization may be unable to realize its assets and to discharge its liabilities in the normal course of operations.

These financial statements are prepared on the basis of accounting principles applicable to a going concern which assumes that the Organization will be able to secure adequate funding and financing as required and realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of the assets and liabilities.

(3) Basis of preparation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(4) Significant Accounting Policies

(a) Capital assets

Amortization is provided for over the estimated useful lives as follows for the major classes of assets:

Furniture and equipment	20% declining balance method
Leasehold improvements	Over the lease term plus renewal period
Computer equipment	Straight-line over 3 years

Rhema Christian Ministries Canada Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(4) Significant Accounting Policies continued

(b) Revenue recognition

The Organization's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Unrestricted contributions are recognized as revenue when they are received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.
- ii) Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.
- iii) Retail cafe sales are recognized when the sale is completed at the cash till.

(c) Financial instruments and risk management

Financial assets and liabilities are carried at cost, which approximates their fair value. It is management's opinion that the Organization is not exposed to significant risk relating to financial instruments.

(d) Use of estimates

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

(e) Related parties

Parties are considered related to the Organization if the Organization has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the Organization and the party are subject to common control or common significant influence. Related parties may be either entities or individuals. Related party transactions are recorded at fair value.

(f) Donated services

Volunteers contribute a significant number of hours to assist the Organization in carrying out its service delivery, administration and Board activities. Since these services are not purchased by the Organization, such contributed services are not recognized in the financial statements.

Rhema Christian Ministries Canada Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(5) Due from King's College Preparatory School Canada

It has been determined that the carrying value of the Due from King's College Preparatory School Canada asset cannot be supported by the expected amount of future cash flows from this asset; as such the carrying value has been written down as an impairment loss. The balance consists of the following:

	2020	2019
Advances to King's College Preparatory School Canada	\$ 180,243	\$ 157,405
Rental charges	105,000	52,500
Provision for unrecoverable advances	(285,243)	(209,905)
Balance	\$ -	\$ -

(6) Related party transactions

The Organization donated to The Rhema Foundation - Canada, an Organization related by virtue of common directors. Donations in the amount of \$115,594 (2019 - \$107,004) were made.

During the year the Organization paid employment compensation to corporate director's in the amount of \$470,000 (2019 - \$481,816) these compensation payments were in the normal course of operations and were measured at the exchange amount.

During the year the Organization charged King's College Preparatory School Canada rent in the amount of \$52,500 (2019 - \$52,500). The rental charge was in the normal course of operations and was measured at the exchange amount.

Rhema Christian Ministries Canada Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(7) Capital assets

Capital assets consist of the following:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Furniture and equipment	\$ 1,267,830	\$ (1,069,256)	\$ 198,574	\$ 248,218
Furniture and equipment (capital leases)	366,134	(186,869)	179,265	224,080
Computer equipment	78,339	(69,060)	9,279	7,101
Leasehold improvements	1,480,329	(1,293,270)	187,059	374,117
Total	\$ 3,192,632	\$ (2,618,455)	\$ 574,177	\$ 853,516

(8) Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following government remittances balances:

	2020	2019
Employee deductions payable	\$ 35,472	\$ 53,475
Government sales taxes payable (net of sales tax rebates recoverable)	-	96,865
Government remittances payable, end of year	\$ 35,472	\$ 150,340

Rhema Christian Ministries Canada Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(9) Capital leases

The Organization has the following obligations under capital leases:

	2020	2019
Agreement, bearing imputed interest at 13% per annum, requiring blended monthly payments of \$1,615, final payment due June 1, 2021.	\$ 9,334	\$ 26,287
Agreement, bearing imputed interest at 19% per annum, requiring blended monthly payments of \$6,702, final payment due August 1, 2020.	-	49,993
Agreement, bearing imputed interest at 6% per annum, requiring blended monthly payments of \$1,870, final payment due May 1 2023.	47,750	64,259
Subtotal	57,084	140,539
Less: current portion	(27,651)	(83,456)
Long-term portion	\$ 29,433	\$ 57,083

Total minimum lease payments under capital leases are as follows:

2021	\$ 32,130
2022	22,440
2023	9,350
Total	\$ 63,920

(10) Commitments

The Organization's total obligations, under operating leases for occupied premises, exclusive of government sales taxes and other occupancy charges, are as follows:

2020	\$ 481,836
2021	477,331
Total	\$ 959,167

Rhema Christian Ministries Canada Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

(11) Financial instruments and risk

The Organization does not face significant credit, currency, interest rate, liquidity or market risk exposure. The fair values of items that meet the definition of financial instruments approximate their carrying values. These items include cash, amounts receivable, prepaid expenses, accounts payable and accrued liabilities, and rent payable.

Exposure to credit risk

The Organization is exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations.

The maximum exposure to credit risk, as represented by the carrying amount of the financial assets, was:

	2020	2019
Cash	\$ 98,906	\$ -
Amounts receivable	69,689	21,951
Prepaid expenses	2,000	2,000
Total	\$ 170,595	\$ 23,951