

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Financial Statements

December 31, 2021

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

(Formerly FOI Gospel Ministry Inc.)

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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Friends of Israel Gospel Ministry - Canada

Opinion

We have audited the financial statements of The Friends of Israel Gospel Ministry - Canada, formerly FOI Gospel Ministry Inc., (the "Ministry"), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, operations 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 Ministry as at December 31, 2021, 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 Ministry 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 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 Ministry'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 Ministry or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Ministry'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.

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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 this financial information.

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 Ministry'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 Ministry'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 Ministry 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
March 17, 2022

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Statement of Financial Position

As at December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 269,989	\$ 180,867
Accounts receivable	2,291	10,363
Harmonized Sales Tax recoverable	26,890	23,861
Inventory	51,387	43,696
Prepaid expenses	3,677	4,655
TOTAL CURRENT ASSETS	354,234	263,442
INVESTMENTS <i>(Note 3)</i>	2,444,558	1,984,051
EQUIPMENT <i>(Note 4)</i>	8,242	14,378
TOTAL ASSETS	\$ 2,807,034	\$ 2,261,871
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 5)</i>	\$ 96,938	\$ 160,614
Deferred revenues <i>(Note 6)</i>	176,269	121,912
TOTAL LIABILITIES	273,207	282,526
NET ASSETS		
UNRESTRICTED	2,393,033	1,835,547
INTERNALLY RESTRICTED <i>(Note 8)</i>	140,794	143,798
	2,533,827	1,979,345
TOTAL LIABILITIES AND NET ASSETS	\$ 2,807,034	\$ 2,261,871

COMMITMENT *(Note 10)*

APPROVED ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

(Formerly FOI Gospel Ministry Inc.)

Statement of Changes in Net Assets

Year Ended December 31, 2021

	Unrestricted	Internally Restricted	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 1,835,547	\$ 143,798	\$ 1,979,345	\$ 1,873,807
Excess of revenues over expenses	557,486	(3,004)	554,482	105,538
NET ASSETS - END OF YEAR	<u>\$ 2,393,033</u>	<u>\$ 140,794</u>	<u>\$ 2,533,827</u>	<u>\$ 1,979,345</u>

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Statement of Operations
Year Ended December 31, 2021

	2021	2020
REVENUES		
Support		
General ministry contributions	\$ 839,580	\$ 827,209
Field ministry contributions	163,430	114,962
Legacies	339,857	96,289
Gifts-in-kind	11,200	20,734
Total support	1,354,067	1,059,194
Earned		
Ministry, publications, audio and video	105,078	97,724
Conference and special functions	239	336
Interest and dividends	51,729	57,852
Total earned	157,046	155,912
TOTAL REVENUES - SUPPORT AND EARNED	1,511,113	1,215,106
OPERATING EXPENSES (Schedule 1)		
Programs (Notes 5 and 7)		
Field ministries	253,243	376,607
Publication ministries	237,606	247,220
Outreach ministries	147,980	115,675
Education conference and other ministries	3,090	14,469
Total programs	641,919	753,971
Support services (Notes 5 and 7)		
Management and general	334,108	313,604
Fundraising	119,906	104,327
Total support services	454,014	417,931
TOTAL OPERATING EXPENSES	1,095,933	1,171,902
EXCESS OF REVENUES OVER OPERATING EXPENSES	415,180	43,204
OTHER REVENUES		
Realized and unrealized gain on investments	139,302	52,302
Government assistance	-	10,032
	139,302	62,334
EXCESS OF REVENUES OVER EXPENSES	\$ 554,482	\$ 105,538

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 554,482	\$ 105,538
Items not affecting cash:		
Amortization	6,136	6,250
Unrealized gain on investments	(92,031)	(57,433)
Total items not affecting cash	468,587	54,355
Changes in non-cash working capital:		
Accounts receivable	8,072	(10,263)
Harmonized Sales Tax recoverable	(3,029)	2,059
Inventory	(7,691)	(2,011)
Prepaid expenses	978	11,452
Accounts payable and accrued liabilities	(63,676)	21,341
Deferred revenues	54,357	59,088
Total changes in non-cash working capital	(10,989)	81,666
Cash flows from operating activities	457,598	136,021
INVESTING ACTIVITIES		
Change in investments (net)	(368,476)	(28,373)
Purchase of equipment	-	(3,500)
Cash flows used by investing activities	(368,476)	(31,873)
INCREASE IN CASH	89,122	104,148
CASH - BEGINNING OF YEAR	180,867	76,719
CASH - END OF YEAR	\$ 269,989	\$ 180,867

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

(Formerly FOI Gospel Ministry Inc.)

Statement of Activities

(Schedule 1)

Year Ended December 31, 2021

	Outreach Ministries	Publication Ministries	Field Ministries	Education Conferences and Other Ministries	Total Program	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 37,242	\$ 28,239	\$ 112,848	\$ -	\$ 178,329	\$ 124,395	\$ 82,467	\$ 206,862	385,191
Cost of goods sold <i>(Note 5)</i>	12,330	142,540	-	-	154,870	-	-	-	154,870
Joint Ministries <i>(Note 5)</i>	12,362	6,717	40,738	-	59,817	38,985	5,361	44,346	104,163
Ministry expenditures	56,593	-	15,230	-	71,823	-	-	-	71,823
Occupancy	15,616	18,998	7,074	-	41,688	31,931	2,823	34,754	76,442
Travel	-	65	33,646	-	33,711	2,207	13,650	15,857	49,568
Office supplies and services	1,461	2,566	12,100	-	16,127	16,434	3,361	19,795	35,922
Postage and mailings	51	35,644	1,714	-	37,409	3,979	591	4,570	41,979
Professional fees	-	-	-	-	-	61,234	2,000	63,234	63,234
Pension <i>(Note 7)</i>	2,126	1,241	16,729	-	20,096	7,696	7,182	14,878	34,974
Payroll taxes	2,408	1,167	8,683	-	12,258	7,392	1,526	8,918	21,176
Bank fees	-	-	-	-	-	28,231	-	28,231	28,231
Information technology	2,859	-	2,044	-	4,903	5,789	344	6,133	11,036
Conferences	-	-	1,321	3,090	4,411	-	-	-	4,411
Amortization	1,380	256	665	-	2,301	3,477	358	3,835	6,136
Insurance	937	173	451	-	1,561	2,358	243	2,601	4,162
Advertising	2,615	-	-	-	2,615	-	-	-	2,615
	<u>\$ 147,980</u>	<u>\$ 237,606</u>	<u>\$ 253,243</u>	<u>\$ 3,090</u>	<u>\$ 641,919</u>	<u>\$ 334,108</u>	<u>\$ 119,906</u>	<u>\$ 454,014</u>	<u>1,095,933</u>

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Notes to Financial Statements
Year Ended December 31, 2021

1. NATURE OF OPERATIONS

The Friends of Israel Gospel Ministry - Canada (the "Ministry") formerly known as FOI Gospel Ministry Inc., was incorporated under Part II of the Canada Corporations Act as a corporation without share capital on June 15, 1998 and commenced operations on October 1, 1999. On January 13, 2022 the Ministry successfully filed an amendment and changed its name. The Ministry is a worldwide evangelical ministry proclaiming biblical truth about Israel and the Messiah, while bringing physical and spiritual comfort to the Jewish people throughout Canada by providing religious educational activities or instructions, publishing religious materials including books, magazines, pamphlets, audio and video media, and radio broadcasting and by providing counselling activities.

The Ministry is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Revenue recognition

The Ministry follows the deferral method of accounting for contributions. General and field ministry contributions and legacies are included in revenues in the year in which the related expenses are incurred. The Ministry recognizes contributions for foreign ministry support net of the related transfer of funds.

Revenues from ministry, publications, audio and video sales are recognized when title to the goods is transferred to customers, the selling price is fixed and determinable, and collectability is reasonably assured.

Investment income is recognized as revenues when earned. Investment income includes realized and unrealized gains, dividends, and interest.

Conference and special functions and other revenues recognized as revenues in the fiscal year to which the related activity occurred.

Financial instruments

The Ministry initially measures its financial assets and financial liabilities at fair value. The Ministry subsequently measures all of its financial assets and financial liabilities at amortized cost with the exception of the investments which are measured at fair market value. The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost includes accounts payable.

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal, had the impairment loss not been recognized previously. The amount of any write down or reversal is recognized in excess of revenues over expenses.

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THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
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Notes to Financial Statements
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the statement of financial position date. The resulting foreign exchange gains and losses are included in operations in the current year.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a weighted average basis. Inventory consists of literature and similar items available for sale.

Equipment

Equipment is recorded at cost less accumulated amortization, and is amortized on a straight-line basis at the following rates:

Office equipment	3-5 years
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All equipment is capitalized at cost or, if donated, at fair value on the date of donation. Expenditures for repairs and maintenance are expensed when incurred. When items of equipment are sold or retired, the related costs and accumulated amortization are removed from the accounts and any gain or loss is reported as revenues.

Impairment of long-lived assets

Long-lived assets including equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the equipment exceeds its fair value. Fair value is determined by the sum of undiscounted cash flows resulting from its use and eventual disposition.

Allocation of expenses

The Ministry engages in various activities including outreach, publication, field, education conferences, management and fundraising. The costs of these activities include salaries, occupancy and other expenses that are directly related to the activities. These costs are allocated in full to their programs, based on the relative proportion applicable to each activity.

Contributed goods and services

Donated goods are recorded when a fair value can be reasonably estimated and when they would otherwise have been purchased if not donated.

A substantial part of the Ministry's activities are carried out by volunteers whose services are donated. These services are not normally purchased by the Ministry and therefore not recorded in these financial statements.

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THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Notes to Financial Statements
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of financial statements in conformity 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 year. Significant estimates incorporated into the Ministry's financial statements include estimated useful lives of capital assets, year-end accruals, the percentage of time spent as part of the joint ministry agreement, inventory impairment allowance, and valuation of in-kind contributions. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known.

3. INVESTMENTS

Investments consist of the following:

	2021	2020
Equities	\$ 1,385,627	\$ 1,238,750
Cash and guaranteed investment certificates	811,904	426,726
Bonds and fixed income papers	247,027	318,575
	\$ 2,444,558	\$ 1,984,051

4. EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Office equipment	\$ 114,052	\$ 105,810	\$ 8,242	\$ 14,378

5. RELATED PARTY TRANSACTIONS

During the year, the Ministry purchased religious material from and funded foreign missionary support through The Friends of Israel Gospel Ministry Inc., an affiliated charitable organization in the United States of America. Included in the cost of goods sold is \$55,886 (2020 - \$51,779) and joint ministries expense of \$104,163 (2020 - \$149,183) with this related party. In addition, the Ministry collected and remitted foreign ministry support of \$375,541 (2020 - \$227,267) on behalf of this related party. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value. At the end of the year, the following balances were due to the above noted related party and are included in the following statement of financial position account:

	2021	2020
Accounts payable and accrued liabilities related to Joint Ministries	\$ 65,958	\$ 127,225

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Notes to Financial Statements
Year Ended December 31, 2021

6. DEFERRED REVENUES

Deferred revenues consist of the following:

	<u>2021</u>	<u>2020</u>
Mission launch project	\$ 119,609	\$ 54,532
Subscriptions	53,667	59,864
Gift basket project	2,595	7,192
Cruizin' for Zion project	398	324
	<u>\$ 176,269</u>	<u>\$ 121,912</u>

The continuity of deferred revenues is as follows:

Balance - beginning of year	\$ 121,912	\$ 62,824
Add: Amounts received in the year	358,163	280,859
Less: Amounts recognized as revenues during the year	<u>(303,806)</u>	<u>(221,771)</u>
Balance - end of year	<u>\$ 176,269</u>	<u>\$ 121,912</u>

7. DEFINED CONTRIBUTION PENSION PLAN

The Ministry has a defined contribution pension plan providing pension and other retirement benefits to most of its employees. The defined contribution pension plan consists of an employer contribution of 10% (2020 - 10%) based on the current year full time employees' earnings. The amount contributed by the Ministry to the defined contribution plan for the year is \$34,974 (2020 - \$33,870).

8. INTERNALLY RESTRICTED NET ASSETS

In 2007, the Board of Directors established an internally restricted net asset called the Jim and Ruth McAlpine Scholarship Fund (the "Fund"). The purpose of the Fund is to provide scholarships for various ministerial activities that the Ministry participates in.

The internally restricted net asset is supported by investments.

9. FINANCIAL INSTRUMENTS

The Ministry is exposed to specific risks through its financial instruments and they have a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Ministry's risk exposure and concentration as of December 31, 2021.

Market risk

The Ministry is exposed to fluctuations in values in the equity market on its investments in equities of various publicly traded entities. Investments are monitored and managed by an independent broker and reviewed by an internal investment committee.

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THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA
(Formerly FOI Gospel Ministry Inc.)

Notes to Financial Statements
Year Ended December 31, 2021

9. FINANCIAL INSTRUMENTS (continued)

Currency risk

The Ministry is exposed to currency risk on joint ministry costs and cost of goods sold which are denominated in U.S. dollars, due to fluctuations in foreign exchange rates. The Ministry does not use derivative instruments to reduce its exposure to currency risk. Included in accounts payable and accrued liabilities is a balance of \$65,985 (2020 - \$127,225) which has been converted to Canadian dollars using the year end rate.

The Ministry is not exposed to significant credit, liquidity, interest rate, or other price risks. The risk profile of the Ministry has not changed since the prior year.

10. COMMITMENT

The Ministry is party to a premises lease agreement. Minimum annual payments for basic rent are \$16,155 up to the lease expiry date of January 31, 2023.

The Ministry is also party to equipment lease agreements for their postage and shipping equipment requirement minimum quarterly payments of \$889 and \$3,192 respectively. The leases expire in March 2023 and September 2024 respectively.

The combined future minimum lease payments as at year-end are as follows:

2022	\$	32,479
2023		8,096
2024		<u>2,372</u>
	\$	<u>42,947</u>

11. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. In fiscal 2021, the Ministry worked remotely at times to help combat the spread of the virus. The Ministry was not able to run their annual tour to Israel.

The duration and impact of COVID-19 are unknown at this time. It is not possible to estimate the impact that the length and severity of these developments will have on the financial results of the Ministry in future years. The Ministry continues to closely monitor and assess the impact on operations. It is the opinion of management, that the Ministry will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2022 as a result of COVID-19.
