

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Financial Statements

December 31, 2022

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Index to Financial Statements

Year Ended December 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Statement of Activities (<i>Schedule 1</i>)	7
Notes to Financial Statements	8 - 12

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 (the "Ministry"), which comprise the statement of financial position as at December 31, 2022, 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, 2022, 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 16, 2023

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

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Statement of Financial Position

As at December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 571,942	\$ 269,989
Accounts receivable	2,115	2,291
Harmonized Sales Tax recoverable	35,087	26,890
Inventory	47,743	51,387
Prepaid expenses	54,889	3,677
TOTAL CURRENT ASSETS	711,776	354,234
INVESTMENTS (Note 3)	2,193,821	2,444,558
EQUIPMENT (Note 4)	2,289	8,242
TOTAL ASSETS	\$ 2,907,886	\$ 2,807,034
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 142,230	\$ 96,938
Deferred revenues (Note 6)	297,137	176,269
TOTAL LIABILITIES	439,367	273,207
NET ASSETS		
UNRESTRICTED	2,327,725	2,393,033
INTERNALLY RESTRICTED (Note 8)	140,794	140,794
	2,468,519	2,533,827
TOTAL LIABILITIES AND NET ASSETS	\$ 2,907,886	\$ 2,807,034

COMMITMENT (Note 11)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Statement of Changes in Net Assets

Year Ended December 31, 2022

	Unrestricted	Internally Restricted	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 2,393,033	\$ 140,794	\$ 2,533,827	\$ 1,979,345
Excess (deficiency) of revenues over expenses	(65,308)	-	(65,308)	554,482
NET ASSETS - END OF YEAR	\$ 2,327,725	\$ 140,794	\$ 2,468,519	\$ 2,533,827

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Statement of Operations

Year Ended December 31, 2022

	2022	2021
REVENUES		
Support		
General ministry contributions	\$ 713,118	\$ 839,580
Legacies	560,709	339,857
Joint Ministries foreign initiatives <i>(Notes 5, 9 and 12)</i>	481,844	422,189
Field ministry contributions	255,218	163,430
Gifts-in-kind	11,136	11,200
Total support	<u>2,022,025</u>	<u>1,776,256</u>
Earned		
Ministry, publications, audio and video	94,115	105,078
Interest and dividends	54,218	51,729
Conference and special functions	27,321	239
Total earned	<u>175,654</u>	<u>157,046</u>
TOTAL REVENUES - SUPPORT AND EARNED	<u>2,197,679</u>	<u>1,933,302</u>
OPERATING EXPENSES <i>(Schedule 1)</i>		
Programs <i>(Notes 5, 7 and 12)</i>		
Outreach ministries	528,395	460,094
Publication ministries	453,734	336,638
Field ministries	384,175	264,286
Education conference and other ministries	136,179	3,090
Total programs	<u>1,502,483</u>	<u>1,064,108</u>
Support services <i>(Notes 5 and 7)</i>		
Management and general	451,227	334,108
Fundraising	140,040	119,906
Total support services	<u>591,267</u>	<u>454,014</u>
TOTAL OPERATING EXPENSES	<u>2,093,750</u>	<u>1,518,122</u>
EXCESS OF REVENUES OVER OPERATING EXPENSES	103,929	415,180
OTHER REVENUES (LOSS)		
Realized and unrealized gain (loss) on investments	<u>(169,237)</u>	<u>139,302</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (65,308)</u>	<u>\$ 554,482</u>

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (65,308)	\$ 554,482
Items not affecting cash:		
Amortization	5,953	6,136
Unrealized loss (gain) on investments	174,802	(92,031)
Total items not affecting cash	115,447	468,587
Changes in non-cash working capital:		
Accounts receivable	176	8,072
Harmonized Sales Tax recoverable	(8,197)	(3,029)
Inventory	3,644	(7,691)
Prepaid expenses	(51,212)	978
Accounts payable and accrued liabilities	45,292	(63,676)
Deferred revenues	120,868	54,357
Total changes in non-cash working capital	110,571	(10,989)
Cash flows from operating activities	226,018	457,598
INVESTING ACTIVITY		
Change in investments (net)	75,935	(368,476)
INCREASE IN CASH	301,953	89,122
CASH - BEGINNING OF YEAR	269,989	180,867
CASH - END OF YEAR	\$ 571,942	\$ 269,989

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Statement of Activities

(Schedule 1)

Year Ended December 31, 2022

	Outreach Ministries	Publication Ministries	Field Ministries	Education Conferences and Other Ministries	Total Program	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 90,681	\$ 36,828	\$ 176,789	\$ -	\$ 304,298	\$ 195,224	\$ 91,917	\$ 287,141	\$ 591,439
Joint Ministries foreign initiatives <i>(Notes 5, 9 and 12)</i>	313,083	161,703	7,059	-	481,845	-	-	-	481,845
Postage and mailings	-	168,187	1,788	3,538	173,513	2,166	219	2,385	175,898
Joint Ministries <i>(Note 5)</i>	21,683	8,180	47,661	-	77,524	63,769	6,483	70,252	147,776
Travel	20	-	51,969	30,190	82,179	9,844	24,967	34,811	116,990
Ministry expenditures	58,323	-	39,486	-	97,809	1,450	-	1,450	99,259
Tours and conferences	-	-	10,039	87,262	97,301	-	-	-	97,301
Occupancy	10,114	18,346	7,339	-	35,799	31,860	2,682	34,542	70,341
Cost of goods sold <i>(Note 5)</i>	6,493	52,165	-	-	58,658	-	-	-	58,658
Professional fees	3,647	-	-	-	3,647	48,605	3,508	52,113	55,760
Office supplies and services	1,053	1,380	10,593	10,067	23,093	25,175	2,519	27,694	50,787
Pension <i>(Note 7)</i>	8,370	2,579	16,797	-	27,746	14,178	7,377	21,555	49,301
Payroll taxes	7,518	2,237	12,239	-	21,994	12,077	(569)	11,508	33,502
Bank fees	-	-	-	-	-	29,271	-	29,271	29,271
Information technology	253	-	1,308	-	1,561	11,627	-	11,627	13,188
Advertising	4,795	1,759	-	5,122	11,676	-	420	420	12,096
Amortization	1,360	213	638	-	2,211	3,444	298	3,742	5,953
Insurance	1,002	157	470	-	1,629	2,537	219	2,756	4,385
	<u>\$ 528,395</u>	<u>\$ 453,734</u>	<u>\$ 384,175</u>	<u>\$ 136,179</u>	<u>\$ 1,502,483</u>	<u>\$ 451,227</u>	<u>\$ 140,040</u>	<u>\$ 591,267</u>	<u>\$ 2,093,750</u>

See the accompanying notes to these financial statements

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Notes to Financial Statements

Year Ended December 31, 2022

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, joint ministries foreign initiatives, and legacies are included in revenues in the year in which the related expenses are incurred.

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. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measure at amortized cost included cash and and accounts receivable. The financial liabilities subsequently measured at amortized cost includes accounts payable.

Impairment of financial instruments

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 (deficiency) of revenues over expenses.

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THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Notes to Financial Statements

Year Ended December 31, 2022

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 in excess (deficiency) of revenues over expenses.

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

Notes to Financial Statements

Year Ended December 31, 2022

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 accrued liabilities, the percentage of employee 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:

	<u>2022</u>	<u>2021</u>
Equities	\$ 1,241,325	\$ 1,385,627
Cash and guaranteed investment certificates	617,998	811,904
Bonds and fixed income papers	334,498	247,027
	<u>\$ 2,193,821</u>	<u>\$ 2,444,558</u>

4. EQUIPMENT

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2022 Net book value</u>	<u>2021 Net book value</u>
Office equipment	\$ 60,808	\$ 58,519	\$ 2,289	\$ 8,242

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 \$42,643 (2021 - \$55,886) and joint ministries expense of \$117,637 (2021 - \$104,163) with this related party. In addition, the Ministry collected and remitted foreign ministry support of \$481,844 (2021 - \$422,189) 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:

	<u>2022</u>	<u>2021</u>
Accounts payable and accrued liabilities related to Joint Ministries	\$ 80,376	\$ 65,958

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Notes to Financial Statements

Year Ended December 31, 2022

6. DEFERRED REVENUES

Deferred revenues consist of the following:

	<u>2022</u>	<u>2021</u>
Mission launch project	\$ 148,353	\$ 119,609
Contributions for future capital costs	92,840	-
Subscriptions	45,759	53,667
Gift basket project	9,849	2,595
Cruizin' for Zion project	336	398
	<u>\$ 297,137</u>	<u>\$ 176,269</u>

The continuity of deferred revenues is as follows:

Balance - beginning of year	\$ 176,269	\$ 121,912
Add: Amounts received in the year	262,841	358,163
Less: Amounts recognized as revenues during the year	<u>(141,973)</u>	<u>(303,806)</u>
Balance - end of year	<u>\$ 297,137</u>	<u>\$ 176,269</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% (2021 - 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 \$49,301 (2021 - \$34,974).

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. JOINT MINISTRIES FOREIGN INITIATIVES

The Joint Ministries foreign initiatives consist of the following as at December 31:

	<u>2022</u>	<u>2021</u>
International	\$ 354,824	\$ 240,659
Relief	107,176	165,882
North American Ministries	12,785	4,605
Publications	7,059	11,043
	<u>\$ 481,844</u>	<u>\$ 422,189</u>

THE FRIENDS OF ISRAEL GOSPEL MINISTRY - CANADA

Notes to Financial Statements

Year Ended December 31, 2022

10. 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, 2022.

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.

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 \$80,376 (2021 - \$65,985) 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.

11. COMMITMENT

The Ministry is party to premise lease agreements. Minimum annual payments for basic rent are \$16,155 up to the lease expiry date of January 31, 2023. Subsequent to year end, the Ministry relocated and entered a new agreement which expires on February 28, 2030. Minimum annual payments are \$27,477.

The Ministry is also party to equipment lease agreements for their postage and shipping equipment requiring 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:

2023	\$	30,993
2024		29,849
2025		30,021
2026		30,530
2027		33,074
Thereafter		<u>72,764</u>
	\$	<u>227,231</u>

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
