

SEVEN WELLS MINISTRIES (CANADA) INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

June 28, 2021

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Seven Wells Ministries (Canada) Inc.:**

Opinion

We have audited the financial statements of Seven Wells Ministries (Canada) Inc. (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statement of operations and change in net assets, and statement of 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 Organization as at December 31, 2020, and its financial performance 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 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 7 in the financial statements which describe that the Organization adopted Canadian accounting standards for not-for-profit organizations on January 1, 2020 with a transition date of January 1, 2019. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2019 and January 1, 2019, statement of operations and changes in net assets and statement of cash flows ended December 31, 2019, and related disclosures. Our opinion is not modified in respect of this manner.

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 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.
- 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.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

SEVEN WELLS MINISTRIES (CANADA) INC.

STATEMENT OF FINANCIAL POSITION

	<u>December 31</u>		<u>January 1</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
		(as restated)	
ASSETS			
Current assets:			
Cash	\$ 63,331	\$ 84,504	\$ 52,305
GST receivable	150	1,971	1,020
Prepaid expenses	-	-	13,351
	<u>63,481</u>	<u>86,475</u>	<u>66,676</u>
Capital assets (Note 3)	<u>11,133</u>	<u>34,003</u>	<u>48,576</u>
	<u>\$ 74,614</u>	<u>\$ 120,478</u>	<u>\$ 115,252</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 14,379	\$ 14,404	\$ 6,139
Government remittances payable	770	2,241	4,028
Current portion of long-term debt (Note 4)	<u>3,784</u>	<u>7,232</u>	<u>39,674</u>
	18,933	23,877	49,841
Long-term debt (Note 4)	<u>4,054</u>	<u>20,621</u>	<u>27,853</u>
	22,987	44,498	77,694
NET ASSETS			
Net assets	<u>51,627</u>	<u>75,980</u>	<u>37,558</u>
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	<u>\$ 74,614</u>	<u>\$ 120,478</u>	<u>\$ 115,252</u>

SEVEN WELLS MINISTRIES (CANADA) INC.

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS

	Year ended December 31	
	2020	2019
		(as restated)
Revenue:		
Sponsorship	\$ 317,550	\$ 309,095
Donations	77,699	176,377
Mission trip	-	8,730
Product sales	-	23,851
Interest	74	91
Gain on sale of capital assets	1,901	-
	<u>397,224</u>	<u>518,144</u>
Expenses:		
Amortization	4,771	14,573
Bank charges and interest	9,168	8,911
Consulting fees	-	7,900
Interest on long-term debt	1,445	2,122
Office	18,113	12,891
Professional fees	17,173	14,392
Program	-	16,145
Project transfer	314,907	269,813
Promotion	1,551	6,378
Tour	-	8,937
Travel	1,752	39,759
Vehicle	5,338	7,606
Wages and benefits	47,359	70,295
	<u>421,577</u>	<u>479,722</u>
Difference between revenue and expenses	(24,353)	38,422
Net assets, beginning of year	<u>75,980</u>	<u>37,558</u>
Net assets, end of year	<u>\$ 51,627</u>	<u>\$ 75,980</u>

SEVEN WELLS MINISTRIES (CANADA) INC.

STATEMENT OF CASH FLOWS

	Year ended December 31	
	2020	2019
Cash flow from operating activities:		
Cash received from other donors and funders	\$ 395,323	\$ 518,144
Cash paid to suppliers and employees	(415,036)	(444,149)
Interest paid	(1,445)	(2,122)
	<u>(21,158)</u>	<u>71,873</u>
Cash flow from investing activities:		
Proceeds on disposal of fixed assets	20,000	-
Proceeds of long-term debt	-	29,975
Repayment of long-term debt	(20,015)	(69,649)
	<u>(21,173)</u>	<u>32,199</u>
Change in cash	(21,173)	32,199
Cash, beginning of year	84,504	52,305
Cash, end of year	\$ <u>63,331</u>	\$ <u>84,504</u>

SEVEN WELLS MINISTRIES (CANADA) INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Purpose of the organization:

Seven Wells Ministries (Canada) Inc. is a provincial organization operating programs aimed at providing funding to sponsor children in Africa including vocational and educational programs. The Organization is incorporated under the Manitoba Corporations Act and is a Registered Charity.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates and judgements-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) 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. Produce sales are recognized revenue when earned and the amount is collectible. Interest income is recognized on a time proportion basis.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. Significant accounting policies (continued):

c) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When equipment and leaseholds are impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Capital assets are amortized over the useful life of the asset as follows:

Vehicles	30% declining balance
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d) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures cash, accounts payable and accrued liabilities and long term-debt at amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. Capital assets:

	December 31			
	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Vehicles	\$ 22,720	\$ 11,587	\$ 48,576	\$ 14,573
Net book value	\$ 11,133		\$ 34,003	

4. Long-term debt:

	December 31	
	2020	2019
ACU loan, repayable in monthly payments of \$351 including principal and interest at 6.990%, due December 2022, secured by a charge on a specific automobile with a carrying value of \$9,418 (2019 - \$13,454)	\$ 7,838	\$ 11,367
ACU loan, repayable in monthly payments of \$395 including principal and interest at 6.990%, due December 2023, and repaid during the year (2019 - secured by charge on a specific automobile with a carrying value of \$18,099)	-	16,486
	7,838	27,853
Less: Current portion	(3,784)	(7,232)
	\$ 4,054	\$ 20,621

Principal repayments are as follows:

2021	\$	3,784
2022		4,054
	\$	7,838

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Organization has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded.

Currency risk-

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Organization is exposed to currency risk as it relates to balances in foreign currencies. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. Included in the financial statements is cash U.S. dollars with a Canadian dollar equivalent of \$2,022 (2019 - \$6,426). Included in office expense is a foreign exchange loss of \$368 (2019 - \$1,079).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. Explanation of transition to Canadian accounting standards for not-for-profit organizations:

These are the Organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The accounting policies in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2020, the comparative information presented in these financial statements for the year ended December 31, 2019 and the preparation of an opening Canadian accounting standards for not-for-profit organizations statement of financial position as at January 1, 2019.

The Organization issued financial statements for the year ended December 31, 2019 prepared primarily for income tax purposes. The adoption of Canadian accounting standards for private enterprises resulted in the following changes:

	As previously reported December 31, 2019	Adjustment	Restated December 31, 2019
GST receivable	\$ 1,575	\$ 396	\$ 1,971
Accounts payable	15,113	1,532	16,645
Net assets	77,116	(1,136)	75,980
Office	13,287	(396)	12,891
Wages and benefits	68,763	1,532	70,295
Difference between revenue and expenses	39,558	(1,136)	38,422

7. COVID-19:

The outbreak of COVID-19, has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to December 31, 2020 government has continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Organization in future periods.