

Consolidated Financial Statements of

**PEOPLES MINISTRIES INC.**

And Independent Auditors' Report thereon

Year ended August 31, 2021



KPMG LLP  
Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan ON L4K 0J3  
Canada  
Tel 905-265-5900  
Fax 905-265-6390

## INDEPENDENT AUDITORS' REPORT

To the Members of Peoples Ministries Inc.

### ***Qualified Opinion***

We have audited the consolidated financial statements of Peoples Ministries Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2021
- the consolidated statement of revenue and expenses for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the **"Basis for Qualified Opinion"** paragraph, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2021, and its consolidated results of operations and its consolidated 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 Entity derives revenue from contributions, 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 Entity.



Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the consolidated statements of financial position as at August 31, 2021 and August 31, 2020
- the contribution revenues and excess (deficiency) of revenue over expenses reported in the consolidated statement of revenue and expenses for the years ended August 31, 2021 and August 31, 2020
- the unrestricted net assets, at the beginning and end of the year, reported in the consolidated statement of changes in net assets for the years ended August 31, 2021 and August 31, 2020
- the excess (deficiency) of revenue over expenses reported in the consolidated statement of cash flows for the years ended August 31, 2021 and August 31, 2020. Our opinion on the consolidated financial statements for the year ended August 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.

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 auditors' report.

We are independent of the Entity 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.

### ***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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

- 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 Entity'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 Entity'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 the Entity to cease to continue as a going concern.



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- 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

November 18, 2021

# PEOPLES MINISTRIES INC.

## Consolidated Statement of Financial Position

August 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 6)	\$ 4,947,222	\$ 2,374,188
Restricted cash (notes 3 and 6)	936,319	908,358
Accounts receivable	212,879	112,830
Prepays and deposits	1,000	-
	6,097,420	3,395,376
Capital assets (note 2)	2,312,676	2,295,351
	\$ 8,410,096	\$ 5,690,727

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 533,372	\$ 486,324
Deferred missions revenue (note 5)	936,319	808,358
Deferred revenue (note 1(b))	184,346	678,695
	1,654,037	1,973,377
Accrued pension liability (note 11)	335,000	300,000
Deferred capital contributions (note 7)	815,047	949,711
	2,804,084	3,223,088
Net assets:		
Invested in capital assets	1,497,629	1,517,803
Restricted for endowment (note 9)	-	100,000
Unrestricted	4,108,383	849,836
	5,606,012	2,467,639
Commitments (note 10)		
Contingency (note 12)		
	\$ 8,410,096	\$ 5,690,727

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



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# PEOPLES MINISTRIES INC.

## Consolidated Statement of Revenue and Expenses

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
The Peoples Church (note 13)	\$ 6,351,527	\$ 4,725,414
Living Truth	2,794,153	2,874,718
Global Mission	2,256,100	2,898,146
	11,401,780	10,498,278
Expenses:		
The Peoples Church	4,164,457	4,287,168
Living Truth	1,842,850	2,284,223
Global Mission	2,256,100	2,898,146
	8,263,407	9,469,537
Excess of revenue over expenses	\$ 3,138,373	\$ 1,028,741

See accompanying notes to consolidated financial statements.

# PEOPLES MINISTRIES INC.

## Consolidated Statement of Changes in Net Assets

Year ended August 31, 2021, with comparative information for 2020

	2021			2020	
	Invested in capital assets (note 8)	Restricted for endowments	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,517,803	\$ 100,000	\$ 849,836	\$ 2,467,639	\$ 1,438,898
Excess (deficiency) of revenue over expenses	(339,760)	-	3,478,133	3,138,373	1,028,741
Release of endowment (note 9)	-	(100,000)	100,000	-	-
Net change in investment in capital assets (note 8)	319,586	-	(319,586)	-	-
Balance, end of year	\$ 1,497,629	\$ -	\$ 4,108,383	\$ 5,606,012	\$ 2,467,639

See accompanying notes to consolidated financial statements.



# PEOPLES MINISTRIES INC.

## Consolidated Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,138,373	\$ 1,028,741
Item not involving cash:		
Amortization of capital assets	578,284	569,381
Amortization of deferred capital contributions	(238,524)	(219,455)
Unrealized foreign exchange gain on cash and cash equivalents	(447)	(683)
Defined benefit pension expense	35,000	-
Net decrease in operating working capital	(420,389)	(30,625)
	3,092,297	1,347,359
Investing activities:		
Increase in restricted cash	(27,961)	(8,011)
Acquisition of capital assets	(595,609)	(93,413)
	(623,570)	(101,424)
Financing activities:		
Deferred capital contributions received	103,860	159,673
Unrealized foreign exchange gain on cash and cash equivalents	447	683
Increase in cash and cash equivalents	2,573,034	1,406,291
Cash and cash equivalents beginning of year	2,374,188	967,897
Cash and cash equivalents, end of year	\$ 4,947,222	\$ 2,374,188

See accompanying notes to consolidated financial statements.

# PEOPLES MINISTRIES INC.

## Notes to Consolidated Financial Statements

Year ended August 31, 2021

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Peoples Ministries Inc. (the "Entity") is an evangelical community committed to strategic global evangelization, the value and potential of people and excellence in all its ministries. The Entity is incorporated as a corporation without share capital in the Province of Ontario. The Entity is a registered charity under the Income Tax Act (Canada) (the "Act") and accordingly, is exempt from income taxes, provided certain requirements of the Act are met.

### 1. Significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

#### (a) Basis of consolidation:

The consolidated financial statements include the accounts of the wholly owned subsidiary, Peoples Investments Corp. ("PIC"), the Peoples Ministries ("UK") and the Peoples Ministries ("USA"). The principal purpose of PIC is to sell, in conjunction with the Entity, mortgage investment certificates to Entity members and hold the security on behalf of the investors. There are currently no mortgage investment certificate issued or outstanding. The Entity was related to UK and USA because it had representation on the Boards of Directors. UK and USA were established with similar objectives to raise funds for the use of the Entity and are incorporated in England and Colorado as registered Charities with the Companies House and the Internal Revenue Service, respectively.

#### (b) Revenue recognition:

The Entity follows the deferral method of accounting for contributions. Unspent contributions with external restrictions are recorded as deferred revenue.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in net assets.

Investment income is recognized as revenue when earned.

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 1. Significant accounting policies (continued):

### (c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are amortized using the following method and annual rates:

Asset	Basis	Rate
Buildings	Straight line	4 - 10%
Equipment and furniture	Straight line	20%
Computer equipment	Straight line	33%

Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Entity's ability to provide services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

### (d) Restricted cash and short-term investments:

Cash and cash equivalents consist of cash on deposit and investments in fixed income securities.

Cash and cash equivalents related to internally and externally restricted items and endowments are classified as restricted cash and investments.

Investments are subject to the risk that values will fluctuate due to the changes in market interest rates and changes in foreign exchange rates.

Returns on investments are subject to risk factors specific to general economic conditions. The fair value represents the maximum exposure to market/credit risk. This risk is mitigated by investing in a portfolio that is widely diversified by industry.

### (e) Employee future benefits:

The Entity provides retirement benefits for substantially all of its employees under a defined contribution plan. The cost of pension benefits for this plan is recognized based on the contributions required to be made during the period.

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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## 1. Significant accounting policies (continued):

The Entity also has a defined benefit pension plan to provide pension benefits to a retired individual. The Entity uses the immediate recognition approach to account for its defined benefit plan. The benefits are based on years of service and the employee's final average indexed earnings during either the last three years, or the best three years before the date of retirement. The Entity accrued its obligations under the defined benefit plan as the employee rendered the services necessary to earn the retirement benefits. The actuarial determination of the accrued benefit obligations for pension benefits uses the projected benefit method prorated on service.

The measurement date of the defined benefit plan assets and accrued benefit obligation is December 31. The most recent actuarial valuation of the pension plan for funding purposes was performed as of December 31, 2020 and the next required valuation will be as of December 31, 2023. In years between valuations, the Entity uses a roll-forward technique to estimate the accrued benefit obligation at the fiscal year end. The Entity recognizes the accrued benefit obligation, net of the fair value of the plan assets, adjusted for any valuation allowance, in the statement of financial position at the end of the year. The cost of the Pension Plan, comprising: (i) changes in the accrued benefit obligation; (ii) the actual return on plan assets, and (iii) the change in the valuation allowance is recorded in income. Actuarial gains (losses) on plan assets and past service costs arising from plan amendments are recognized into income.

### (f) Asset retirement obligation:

The Entity recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of assets. The Entity concurrently recognizes a corresponding increase in the carrying amount of the related long-lived assets that is depreciated over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to passage of time are recognized in income as operating expenses using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

At August 31, 2021, the Entity determined there were no significant future asset retirement obligations.

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 1. Significant accounting policies (continued):

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Entity has elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (h) Volunteer services:

The Entity benefits from substantial services in the form of volunteer time. Since these invaluable donated services are not purchased by the Entity, they are not recorded in these financial statements.

### (i) Allocation of expenses:

Certain general management and administrative expenses are allocated to Global Mission and Living Truth based on estimates of usage. Rent and utilities are allocated based on square footage and administrative staff based on time spent.

General management and administrative expenses are allocated as follows:

	2021			2020		
Global Mission	\$	51,000	100%	\$	46,750	100%
Living Truth		-	-		-	-
	\$	51,000		\$	46,750	

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 1. Significant accounting policies (continued):

### (j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates.

## 2. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 384,259	\$ -	\$ 384,259	\$ 384,257
Buildings	6,540,649	5,221,064	1,319,585	1,707,224
Equipment and furniture	630,437	399,680	230,757	154,194
Computer equipment	178,777	64,778	113,999	49,676
Construction in progress	264,076	-	264,076	-
	\$ 7,998,198	\$ 5,685,522	\$ 2,312,676	\$ 2,295,351

## 3. Restricted cash:

The restricted cash balance of \$936,319 (2020 - \$908,358) is comprised of contributions for endowments and amounts restricted for missions payable.

## 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$84,601 (2020 - \$88,536), which includes amounts payable for payroll related taxes.

## 5. Deferred missions revenue:

Deferred missions revenue represents the unspent amount of donations received to be distributed to missionaries and other projects specified by donors. Upon payment, these donations are recorded as revenue.

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 5. Deferred missions revenue (continued):

	2021	2020
Balance, beginning of year	\$ 808,358	\$ 800,347
Amortization of deferred missions revenue	(234,393)	(424,064)
Deferred missions contributions	362,354	432,075
	\$ 936,319	\$ 808,358

## 6. Bank facilities:

- (a) The Entity has bank operating facilities with chartered banks in Canada. The cash balances in these accounts at year end are \$5,883,541 (2020 - \$3,282,546). Included in cash and cash equivalents is cash set aside to fund deferred revenue in the amount of \$184,346 (2020 - \$319,749).
- (b) The Entity has a credit facility with the TD Commercial bank which includes an operating loan facility with a maximum amount of \$1,000,000. The operating loan bears interest at prime plus 1.0% and is due on demand. This amount is secured by a general security agreement and a first charge on property at 374 Sheppard Avenue East in the amount of \$2,000,000. The Entity has drawn nil (2020 - nil) under the operating loan at year end, and nil (2020 - nil) is outstanding under bank operating lines.

Interest expense on the loan amounted to nil (2020 - nil).

## 7. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expense.

	2021	2020
Balance, beginning of year	\$ 949,711	\$ 1,009,493
Contributions received	103,860	159,673
Amounts amortized to revenue	(238,524)	(219,455)
	\$ 815,047	\$ 949,711

The balance of unamortized deferred capital contributions includes unspent contributions of nil (2020 - \$172,162).

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 2,312,676	\$ 2,295,351
Amounts financed by deferred capital contributions, less unspent contributions	(815,047)	(777,548)
	\$ 1,497,629	\$ 1,517,803

(b) Changes in net assets invested in capital assets is calculated as follows:

	2021	2020
Excess of expense over revenue:		
Amortization of deferred contributions related to capital assets	\$ 238,524	\$ 219,455
Amortization of capital assets	(578,284)	(569,381)
	\$ (339,760)	\$ (349,926)
	2021	2020
Net change in investment in capital assets:		
Capital assets acquired	\$ 595,609	\$ 93,413
Amounts funded by deferred capital contributions	(276,023)	(93,413)
	\$ 319,586	\$ -

## 9. Restrictions on net assets:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions. During the year the funds were released by the donor for operational or capital use and have been transferred to unrestricted.



# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 10. Commitments:

The Entity leases equipment under long-term operating leases and has various future commitments to which it has pledged funds. The annual future lease expense and other commitments are approximately as follows:

2022	\$	47,000
2023		20,000
2024		20,000
	\$	87,000

## 11. Employee future benefits:

Employer contributions made to the defined contribution plan during the year was \$93,434 (2020 - \$97,251).

Pension expense for the defined benefit plan during the year was \$35,000 (2020 - nil). The accrued liability at August 31 was as follows:

	2021	2020
Accrued benefit obligation	\$ 867,000	\$ 832,000
Fair value of plan assets	532,000	532,000
Accrued benefit liability	\$ 335,000	\$ 300,000

## 12. Contingency:

The Entity has been named as a defendant in a legal action claiming damages in the amount of \$5,000,000. Litigation counsel for the Entity have not expressed any opinion as to the likelihood of the outcome. The claim is in preliminary stages and no estimate can be made as to the amount (if any) to be provided as a provision for loss in these financial statements.

# PEOPLES MINISTRIES INC.

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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## **13. Risk management:**

During 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption in Canada to our fundraising efforts. In addition, the Entity applied for and collected the Canadian Emergency Wage Subsidy totalling nil (2020 - \$259,216), which was provided to the Entity as government assistance and recorded as revenue.

## **14. Comparative information:**

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.



KPMG LLP  
Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan ON L4K 0J3  
Canada  
Tel 905-265-5900  
Fax 905-265-6390

## INDEPENDENT AUDITORS' REPORT

To the Members of Peoples Ministries Inc.

### ***Qualified Opinion***

We have audited the consolidated schedules of details of revenue and expense (Schedule 1 - The Peoples Church, Schedule 2 - Living Truth, and Schedule 3 - Global Mission) of Peoples Ministries Inc. (the Entity) for the year ended August 31, 2021 (Hereinafter referred to as the "schedules").

In our opinion, except for the possible effects of the matter described in the **"Basis for Qualified Opinion"** paragraph, the accompanying schedules for the year ended August 31, 2021 of the Entity are prepared in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Qualified Opinion***

In common with many charitable organizations, the Entity derives revenue from contributions, 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the contribution revenues and excess (deficiency) of revenue over expenses reported in the consolidated schedules for the years ended August 31, 2021 and August 31, 2020

Our opinion on the schedules for the year ended August 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.

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 Schedules"** section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the schedules 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.

***Responsibilities of Management and Those Charged with Governance for the Schedules***

Management is responsible for the preparation of the schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditors' Responsibilities for the Audit of the Schedules***

Our objectives are to obtain reasonable assurance about whether the schedules 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 the schedules.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the schedules, 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

#### **DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada