

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Fund Balances	5
Consolidated Statement of Revenues and Expenditures	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: ERDO (Emergency Relief and Development Overseas)

Opinion

We have audited the accompanying financial statements of ERDO (Emergency Relief and Development Overseas) and its controlled entities, which comprise the consolidated statement of financial position as at September 30, 2019 and the consolidated statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of ERDO (Emergency Relief and Development Overseas) as at September 30, 2019 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 of 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 ERDO (Emergency Relief and Development Overseas) 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 consolidated 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 consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities-consolidated. This description forms part of our auditor's report.



Guelph, Ontario
January 29, 2020

Chartered Professional Accountants
Licensed Public Accountants

Page 3

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 561,279	\$ 446,494
Restricted cash	565,867	858,684
Restricted term deposits (note 5)	4,375,000	4,075,000
Accounts receivable	44,010	119,034
Prepaid expenses	<u>7,626</u>	<u>32,771</u>
	5,553,782	5,531,983
CFGB ACCOUNT (note 6)	888,339	687,932
INTANGIBLE ASSETS (note 7)	<u>-</u>	<u>8,442</u>
	<u>\$ 6,442,121</u>	<u>\$ 6,228,357</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 8)	\$ 187,355	\$ 107,125
Due to the PAOC (notes 4 and 8)	<u>28,512</u>	<u>83,638</u>
	<u>215,867</u>	<u>190,763</u>
FUND BALANCES		
OPERATIONS - UNRESTRICTED	397,044	356,898
INTERNALLY RESTRICTED	599,261	599,261
EXTERNALLY RESTRICTED - DESIGNATED FUNDS	4,341,610	4,393,503
CFGB ACCOUNT (note 6)	<u>888,339</u>	<u>687,932</u>
	<u>6,226,254</u>	<u>6,037,594</u>
	<u>\$ 6,442,121</u>	<u>\$ 6,228,357</u>

APPROVED BY THE BOARD OF DIRECTORS:



Len Hummel - Audit and Finance
Committee Chair



Murray Cornelius - Board Chair

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Operations	Internally restricted	Designated funds	CFGB Account (note 6)	Total 2019	Total 2018
FUND BALANCES, beginning of year	\$ 356,898	\$ 599,261	\$ 4,393,503	\$ 687,932	\$ 6,037,594	\$ 5,788,520
Excess (deficiency) of revenue over expenditures for the year	29,926	-	308,327	(149,593)	188,660	249,074
Interfund transfers (note 11)	<u>10,220</u>	<u>-</u>	<u>(360,220)</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 397,044</u>	<u>\$ 599,261</u>	<u>\$ 4,341,610</u>	<u>\$ 888,339</u>	<u>\$ 6,226,254</u>	<u>\$ 6,037,594</u>

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

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Operations (note 4)	Designated funds	CFGB Account (note 6)	Total 2019	Total 2018
REVENUE					
Child sponsorships	\$ 703,333	\$ 3,850,911	\$ -	\$ 4,554,244	\$ 4,402,989
Donations	866,140	2,112,600	-	2,978,740	2,870,195
Cash and grain contributions	-	-	435,117	435,117	387,074
GAC grants and other	62,840	79,560	1,871,448	2,013,848	2,219,235
Incoming transfers within CFGB account	-	-	778,127	778,127	565,743
Bequests	-	65,858	-	65,858	60,556
Other	173,572	27,514	-	201,086	133,137
	<u>1,805,885</u>	<u>6,136,443</u>	<u>3,084,692</u>	<u>11,027,020</u>	<u>10,638,929</u>
EXPENDITURES					
Child sponsorships disbursed	187,956	3,913,421	-	4,101,377	3,926,380
Crisis response	61,573	1,282,004	-	1,343,577	523,402
Community development	30,387	632,691	-	663,078	977,597
CFGB projects (including GAC grants)	-	-	2,733,879	2,733,879	2,934,118
Outgoing transfers within CFGB account	-	-	500,406	500,406	637,306
	<u>279,916</u>	<u>5,828,116</u>	<u>3,234,285</u>	<u>9,342,317</u>	<u>8,998,803</u>
Resource development (note 9)	891,496	-	-	891,496	836,546
Support services (note 9)	604,547	-	-	604,547	554,506
	<u>1,775,959</u>	<u>5,828,116</u>	<u>3,234,285</u>	<u>10,838,360</u>	<u>10,389,855</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>\$ 29,926</u>	<u>\$ 308,327</u>	<u>\$ (149,593)</u>	<u>\$ 188,660</u>	<u>\$ 249,074</u>

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

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 188,660	\$ 249,074
Items not involving cash		
Amortization of capital and intangible assets	8,442	13,571
Income from CFGB's ERDO-PAOC equity account, net of transfers from ERDO	<u>149,592</u>	<u>461,741</u>
	346,694	724,386
Net change in working capital		
Accounts receivable	75,024	35,282
Prepaid expenses	25,145	1,833
Due to the PAOC	(55,126)	46,011
Accounts payable and accrued liabilities	<u>80,231</u>	<u>(25,081)</u>
	<u>471,968</u>	<u>782,431</u>
INVESTING ACTIVITIES		
Transfers from ERDO to CFGB account	(350,000)	-
Changes in restricted cash	292,817	364,391
Changes in restricted term deposits	<u>(300,000)</u>	<u>(1,100,000)</u>
	<u>(357,183)</u>	<u>(735,609)</u>
CHANGE IN CASH DURING THE YEAR	114,785	46,822
CASH, BEGINNING OF YEAR	<u>446,494</u>	<u>399,672</u>
CASH, END OF YEAR	<u>\$ 561,279</u>	<u>\$ 446,494</u>

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

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. PURPOSE OF ORGANIZATION

ERDO (Emergency Relief and Development Overseas), or 'the organization', was established to provide compassionate response internationally to basic human needs where there is poverty, disaster and injustice. Its primary activities are:

- Crisis response;
- A child sponsorship program, known as ChildCARE Plus;
- Community development

Funds for some crisis response and community development programs are generated by Canadian farm-based growing projects and the organization's partnership with Canadian Foodgrains Bank Association Inc. (CFGB). This partnership gives access to funds from Global Affairs Canada (GAC), which enhances the capacity for effective food assistance and food security overseas.

The organization is governed by an elected board of directors. The board directs and monitors organizational performance and is responsible for its strategic direction, policy decisions and financial accountability. The board reports to its corporate members on an annual basis to ensure the agreed upon organizational outcomes are being fulfilled.

2. CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements include ERDO, SIPHO, ERDO Foundation and ERDO Services Inc., together operating as ERDO (Emergency Relief and Development Overseas). ERDO, SIPHO and ERDO Foundation are not for profit corporations without share capital, incorporated under the laws of Canada in 2003 and registered as Canadian charities with the Canada Revenue Agency. As such, they are exempt from income taxes under the Income Tax Act (Canada). ERDO Services Inc. is a not for profit corporation without share capital, incorporated under the laws of Canada in 2003.

Historically, ERDO operated as a department of the Pentecostal Assemblies of Canada (PAOC) - International Missions Division. Effective December 1, 2005, ERDO began to operate as a corporate entity distinct from the PAOC and its related assets were transferred from the PAOC to ERDO. These consolidated financial statements include the results of ERDO's operations for the year ended September 30, 2019. Currently, SIPHO, ERDO Foundation and ERDO Services Inc. are inactive.

ERDO's international program work involves the receipt of designated donations, followed by the design and implementation of effective program responses to facilitate the disbursement of those donations. Depending on timing, amounts from one fiscal period can be carried over for disbursement in a subsequent fiscal period, producing a surplus in one period followed by a deficit in a subsequent period.

The partnership interest in CFGB joint arrangement is accounted for using the equity method.

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not for profit organizations (ASNPO) (Part III of the Chartered Professional Accountants of Canada (CPA Canada) Handbook, as issued by the Canadian Accounting Standards Board). The consolidated financial statements include the following significant accounting policies:

(a) **FUND ACCOUNTING**

The organization's funds are comprised of the following:

- The operations fund consists of donations, other revenues and related expenditures pertaining to the operations of the organization, which are not included in designated funds or in the CFGB fund. The fund also reports the assets, revenue and expenditures related to ERDO's capital and intangible assets.
- The internally restricted fund accounts for activities for which the use of the funds is restricted by the board. The internally restricted fund may only be used for strategic initiatives with specific approval from the board of directors.
- Designated funds include donations designated by contributors for specific projects, child sponsorships and gifts for children and related program expenditures.
- CFGB Account reports cash and grain contributions, as well as GAC grants and other revenue and related program expenditures pertaining to the organization's partnership with the CFGB.

(b) **REVENUE RECOGNITION**

ERDO follows the restricted fund method of accounting for contributions. Child sponsorships, donations, and bequests are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

GAC grants relating to CFGB are recognized as received or receivable when the related funds are expended.

(c) **RESTRICTED CASH AND TERM DEPOSITS**

Restricted cash and term deposits consist of funds in the internally restricted and the designated fund balances.

(d) **INTANGIBLE ASSETS**

Intangible assets acquired individually or as a part of a group of other assets are initially recognized and measured at cost. The amortization methods and estimated useful lives of intangible assets are reviewed annually. ERDO's intangible assets consist of computer software. Amortization commences in the year the asset is purchased or put in use and the cost is amortized over the estimated useful lives on a straight line basis as follows:

Computer software	3 year straight-line
-------------------	----------------------

The organization follows a minimum capitalization threshold of \$5,000.

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) IMPAIRMENT OF LONG-LIVED ASSETS

An impairment charge is recognized for long-lived assets whenever an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and the carrying value.

(f) FOREIGN OPERATIONS, ASSETS AND MEASUREMENT UNCERTAINTY

The organization has consistently followed the policy of expensing all costs for overseas operations, and property and equipment, through its overseas project expenditures, unless these amounts represent advances that are to be repaid to the organization. This policy is based on the practice that such assets, while generally redeployable under the direction of the organization's board, are not always accessible for redeployment due to foreign property titling regulations and international fund transfer and foreign currency exchange limitations. While the organization may specifically assign title to national overseas partners, it generally retains control of title while considering an orderly transfer of assets to stable national overseas partners. Accordingly, these assets and operations are not included in the consolidated financial statements.

(g) CONTRIBUTED SERVICES

The value of contributed services is not reflected in these consolidated financial statements as the fair value of these services cannot be reasonably estimated.

(h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Transaction costs relating to financial assets and liabilities not carried at fair value are capitalized and amortized on a straight-line basis over the useful life of the related financial instrument.

(i) USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates as additional information becomes available in the future.

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

4. RELATED PARTY TRANSACTIONS

Due to (from) the PAOC

The organization is related to the PAOC through the membership level of the organization. In addition, two of the members of the board of directors of the organization are also Executive Officers of the PAOC. The organization has a covenant/partnership agreement with the PAOC that identifies mutually agreed on goals and defines a scope of services provided by the PAOC.

The amounts due to the PAOC are unsecured, non-interest bearing, with no set terms of repayment. The payable balance as at September 30, 2019 (payable balance as at September 30, 2018) represents the net of donations collected by the PAOC on behalf of ERDO and the amounts owed to the PAOC for expenses incurred on behalf of ERDO.

Included in expenditures is \$177,294 (September 2018 - \$190,782) paid by the organization to the PAOC in fulfillment of the services agreed on in the partnership agreement.

Term deposits held with Pentecostal Financial Services Group

There are \$2.85 million (September 2018 - \$2.85 million) of term deposits held with Pentecostal Financial Services Group (PFSG), a wholly owned subsidiary of PAOC. PFSG is the financial arm of the PAOC that assists churches to fund their capital projects. PFSG obtains its funding through fixed income promissory notes that are offered to investors. These on-demand fixed income promissory notes have maturity dates ranging from October 31, 2020 to February 1, 2023 and interest rates ranging from 2.52% to 4.00%.

The above transactions are recorded at their exchange amount, which is the amount agreed on by the two parties.

5. RESTRICTED TERM DEPOSITS

Restricted term deposits are comprised of the following:

	2019	2018
Pentecostal Financial Services Group (note 4)	\$ 2,850,000	\$ 2,850,000
Restricted term deposits, maturity dates ranging from October 17, 2019 to January 28, 2020, interest ranging from 1.70% to 1.95%	<u>1,525,000</u>	<u>1,225,000</u>
	<u>\$ 4,375,000</u>	<u>\$ 4,075,000</u>

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

6. CANADIAN FOODGRAINS BANK ASSOCIATION INC.

The organization is one of 15 members in Canadian Foodgrains Bank (CFGB). ERDO has a 7.54% equity interest in the internally restricted member funds held in CFGB at September 30, 2019 (September 30, 2018 - 4.60%). CFGB, with support from its partners and GAC, provides support to developing countries. The amount in the CFGB account is maintained under the guidance and control of the mandate of CFGB as a registered Canadian charity in partnership with the Canadian government for international food assistance. As part of the operating agreement, should the organization ever cease to be a member, the balance with CFGB is non-refundable and remains with CFGB, to be directed to other equity partners as project needs arise.

The objective is to create an equity account for each member which is used for food programming and projects that would suit the organization's purposes alongside the PAOC Mission's focus. For approved food assistance programming based on compliance with government standards, the organization typically receives matching funds from GAC. This requires the organization to invest other resources in necessary staffing as CFGB equity cannot be used for the organization's own staffing or organizational costs.

The CFGB account represents residual funds held by CFGB for the organization. The balance and results of operations related to CFGB were extracted from the September 30, 2019 internal records of CFGB. CFGB has a year end of March 31 and the most recent auditor report offered an unqualified opinion. The accounting policies followed by CFGB are consistent with the accounting policies followed by ERDO, except for the revenue recognition of GAC grants, which are recorded as revenue when the related funds are expended.

7. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Computer software	\$ <u>74,625</u>	\$ <u>74,625</u>	\$ <u>-</u>	\$ <u>8,442</u>

8. GOVERNMENT REMITTANCES PAYABLE

At year end, the organization had remittances payable to the government of \$23,489 (September 2018 - \$21,500), where \$nil (September 2018 - \$19,900) is included in due from/to PAOC and \$23,489 (September 2018 - \$1,600) is included in accounts payable and accrued liabilities.

9. ALLOCATION OF EXPENSES

The organization is engaged in providing international assistance programs. The costs of each program include the costs of personnel and other expenses that relate to providing the programs. In addition, the organization allocates the amortization and administration service costs from the PAOC (note 4) based on the head count of ERDO employees who are directly involved in providing the program services.

	2019	2018
Resource development		
Amortization of capital and intangible assets	\$ 8,442	\$ 11,390
Administration services	<u>87,804</u>	<u>92,862</u>
	<u>\$ 96,246</u>	<u>\$ 104,252</u>
Support services		
Amortization of capital and intangible assets	\$ 0	\$ 1,174
Administration services	<u>41,762</u>	<u>47,278</u>
	<u>\$ 41,762</u>	<u>\$ 48,452</u>

ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

10. FINANCIAL RISK MANAGEMENT

The main risks to which the organization's financial instruments are exposed are as follows:

Foreign exchange risk

Foreign exchange risk arises from the difference between the Canadian dollar and the operating currency of the foreign country in which the organization carries out its activities. The risk in this area is considered to be low. At year end, the organization had an exchange gain of \$114,425 (2018 - \$220,395) on the USD bank account balance.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk primarily through its term deposits with various financial institutions and PFSG (note 5). Management considers the credit risk to be low as the organization only places its investments with reputable and financially stable organizations.

Liquidity risk

The organization believes it has low to moderate liquidity risk given the makeup of its accounts payable and accrued liabilities.

Interest rate risk

The term deposits bear interest at a fixed rate and, as such, are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. Management believes the risk is low.

11. INTERFUND TRANSFERS

The organization had material interfund transfers during the period which resulted in \$350,000 being transferred from the designated fund to the CFGB fund for equity contributions to the program and \$10,220 being transferred from the designated fund to the operations fund. In the prior year, \$12,500 was transferred from the designated fund to the operations fund.