

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Financial Statements

Year Ended December 31, 2020

Draft for discussion purposes only

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of World Association for Christian Communication

Opinion

I have audited the financial statements of World Association for Christian Communication (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 ASNPO, 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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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Independent Auditor's Report to the Members of World Association for Christian Communication *(continued)*

- 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Mississauga, Ontario

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

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Statement of Financial Position

December 31, 2020

	2020 Total	2019 Total
ASSETS		
CURRENT		
Cash	\$ 843,913	\$ 511,226
Accounts receivable	23,691	17,342
Prepaid expenditure	17,273	21,436
Due from related party (Note 3)	74,920	68,620
Sales taxes receivable	51,568	17,271
	1,011,365	635,895
CAPITAL ASSETS (Note 4)	17,214	7,530
	\$ 1,028,579	\$ 643,425
LIABILITIES		
CURRENT		
Accounts payable	\$ 45,051	\$ 61,960
Government remittances payable	4,989	10,458
Deferred income (Note 5)	315,705	56,255
	365,745	128,673
NET ASSETS	662,834	514,752
	\$ 1,028,579	\$ 643,425

ON BEHALF OF THE BOARD

_____ *Mr. Stephen Brown - Treasurer*

_____ *Mr. Philip Lee - General Secretary*

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WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Statement of Changes in Net Assets

Year Ended December 31, 2020

	Operating	Property and equipment	2020 Total	2019 Total
NET ASSETS - BEGINNING OF YEAR	\$ 507,219	\$ 7,533	\$ 514,752	\$ 740,137
Excess (deficiency) of revenues over expenditures	148,082	-	148,082	(225,385)
Amortization	3,210	(3,210)	-	-
Purchase of capital assets	(12,894)	12,894	-	-
NET ASSETS - END OF YEAR	\$ 645,617	\$ 17,217	\$ 662,834	\$ 514,752

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WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Statement of Revenues and Expenditures

Year Ended December 31, 2020

	2020	2019
REVENUES		
Bread for the World - core budget grant	\$ 749,385	\$ 697,145
Bread for the World - DIP	120,748	642,793
Bread for the World - CAP	637,521	4,028
Cost recovery and other income	206,573	223,221
Aqueduct foundation grant	200,000	77,744
UNESCO (GAMAG IPDC Grant)	160,230	23,176
Evangelical Lutheran Church in America grant	70,504	107,158
Rental and hosting revenue	58,733	58,903
Project partner revenue	9,422	130,039
United Church of Canada grant	8,000	10,000
Government of Canada summer jobs program	4,370	3,268
Media subscription	1,236	1,012
Investment income	-	173,242
WACC UK core grant support	-	35,000
	<u>2,226,722</u>	<u>2,186,729</u>
EXPENDITURES		
Bread for the World - DIP	120,340	759,077
Bread for the World - CAP	636,449	4,028
Program support and overhead <i>(Note 6)</i>	645,963	757,271
Global monitoring projects	160,302	23,175
Management <i>(Note 6)</i>	132,080	154,840
Fundraising activities <i>(Note 6)</i>	121,382	142,298
Governance <i>(Note 6)</i>	92,573	108,525
Networking and public outreach	89,625	58,347
Advocacy and capacity building	70,504	107,158
Project partner expenditures	9,422	130,039
Donations	-	167,356
	<u>2,078,640</u>	<u>2,412,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 148,082</u>	<u>\$ (225,385)</u>

See notes to financial statements

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 148,082	\$ (225,385)
Item not affecting cash:		
Amortization of capital assets	3,210	16,148
	<u>151,292</u>	<u>(209,237)</u>
Changes in non-cash working capital:		
Accounts receivable	(6,349)	27,412
Sales taxes receivable	(34,297)	(10,810)
Prepaid expenditure	4,163	10,369
Accounts payable	(16,909)	(23,546)
Government remittances payable	(5,469)	(1,621)
Due from related party	(6,300)	(35,777)
Deferred revenue	259,450	(305,866)
	<u>194,289</u>	<u>(339,839)</u>
Cash flow from (used by) operating activities	<u>345,581</u>	<u>(549,076)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(12,894)	(7,927)
Disposal of long term investments	-	167,356
Cash flow from (used by) investing activities	<u>(12,894)</u>	<u>159,429</u>
INCREASE (DECREASE) IN CASH	332,687	(389,647)
Cash - beginning of year	<u>511,226</u>	<u>900,873</u>
CASH - END OF YEAR	<u>\$ 843,913</u>	<u>\$ 511,226</u>

See notes to financial statements

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

1. PURPOSE OF THE ORGANIZATION

World Association for Christian Communication (the "Organization") is a not-for-profit organization incorporated federally and continued under the Canada Not-for-profit Corporations Act. As a registered charity the Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Organization, with its international influence, promotes communication for all as a basic human right, essential to people's dignity and community. Rooted in the Christian faith, the Organization works with all those denied the right to communicate because of status, identity or gender. It advocates full access to information and communication, and promotes open and diverse media. It strengthens the network of communicators to advance peace, understanding and justice.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Fund accounting

World Association for Christian Communication follows the deferral method of accounting for contributions.

Revenues and expenditures related to program delivery and administrative activities are reported in the Operating Fund.

The Property and Equipment Fund reports the assets, liabilities, revenues, and expenditures related to World Association for Christian Communication's capital assets.

The Long Term Investment Fund reports the assets, liabilities, revenues, and expenditures related to World Association for Christian Communication's long term investments. This Fund was not in use during the year.

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

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WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

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

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer equipment and software	33%	declining balance method
Furniture and equipment	10 years	straight-line method
Leasehold improvements	term of the lease	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed services

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenditures are translated from foreign currencies at the exchange rates prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

Pension Cost

The Organization contributes to the Pension Plan of The United Church of Canada which is a multi-employer career average pay contributory pension plan. The plan covers substantially all of the Organization's employees. The pension expense for the year includes current service costs.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in short term investments and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

3. RELATED PARTIES

	2020	2019
<u>Related party transactions</u>		
World Association for Christian Communication UK ("WACC UK") (Member of WACC Canada)		
WACC UK core grant support	\$ -	\$ 35,000

As at January 1, 2019, WACC UK became the sole member of WACC Canada. No WACC UK core grant support in 2020 since WACC Canada became a subsidiary of WACC UK.

Management

(Employee relocation program)

Gain on sale of long term investments	-	173,242
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As part of its employee relocation program, the Organization provided down payments on the purchase of homes for certain employees. The homes were sold last year.

Aqueduct Foundation

(Aqueduct Foundation manages a fund that is controlled by the Organization)

Aqueduct foundation grant	200,000	77,744
Donation expense	-	(167,356)
	200,000	(89,612)

Aqueduct Foundation is a registered charity under the Income Tax Act and is the sole trustee of a Fund controlled by the Organization. The purpose of the Fund is to make annual grants of income and/or capital to qualified donees. Grants are distributed based on advice from the General Secretary and the Financial Controller of the Organization who are required to consult with the President and Treasurer or, if one of them is not available, the Vice President or Secretary before distributing the grant. See Note 11 below.

\$ 200,000	\$ 118,630
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These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due from (to) related parties

	2020	2019
Current portion due from related party		
Due from WACC UK	\$ 74,920	\$ 68,620

WACC UK is a member of the Organization and share a majority of the same board members. Balances due from WACC UK has no set terms of repayment, is non-interest bearing and is due on demand.

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment and software	\$ 87,676	\$ 87,676	\$ -	\$ -
Furniture and equipment	169,445	162,707	6,738	7,530
Leasehold improvements	202,472	191,996	10,476	-
	<u>\$ 459,593</u>	<u>\$ 442,379</u>	<u>\$ 17,214</u>	<u>\$ 7,530</u>

5. DEFERRED REVENUE

	2020	2019
Balance - Beginning of year	\$ 56,255	\$ 362,121
Add: Contributions received	1,034,287	507,244
Less: Amounts amortized into revenue	774,837	813,110
Balance - end of year	<u>\$ 315,705</u>	<u>\$ 56,255</u>

Deferred restricted revenue represents designated income not yet expended at year end.

6. SCHEDULE OF EXPENDITURES

	Program				2020	2019
	Support	Management	Governance	Fundraising	Total	Total
Administration	\$ 5,836	\$ 1,193	\$ 836	\$ 1,097	\$ 8,963	\$ 14,152
Amortization	\$ 2,090	\$ 427	\$ 300	\$ 393	3,210	16,148
Dues and subscription	\$ 2,150	\$ 440	\$ 308	\$ 404	3,302	2,483
Insurance	\$ 7,418	\$ 1,517	\$ 1,063	\$ 1,394	11,392	6,988
Interest and bank charges	\$ 3,815	\$ 780	\$ 547	\$ 717	5,858	7,303
Repair and maintainance	\$ 8,384	\$ 1,714	\$ 1,202	\$ 1,576	12,876	12,720
Professional fees	\$ 12,795	\$ 2,616	\$ 1,834	\$ 2,404	19,650	15,717
Contract services	\$180,999	\$ 37,009	\$ 25,939	\$ 34,011	277,959	244,612
Rent and utilities	\$ 47,246	\$ 9,660	\$ 6,771	\$ 8,878	72,555	104,731
Salaries and benefits	\$366,153	\$ 74,867	\$ 52,474	\$ 68,803	562,297	708,165
Telephone and internet	\$ 2,784	\$ 569	\$ 399	\$ 523	4,275	4,821
Travel and accomodation	\$ 6,291	\$ 1,286	\$ 902	\$ 1,182	9,662	25,092
Total expenditures	<u>\$645,963</u>	<u>\$ 132,080</u>	<u>\$ 92,573</u>	<u>\$ 121,382</u>	<u>\$ 991,998</u>	<u>\$ 1,162,934</u>

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

7. PENSION PLAN CONTRIBUTIONS

The most recent actuarial valuation of the plan, as at December 31, 2020, is still under audit as of the financial statement date.

8. COMMITMENTS

WACC is committed to annual rental payments of \$50,000 under its lease for premises (excluding operating costs), expiring August 31, 2022.

9. TRUST FUNDS

	<u>2020</u>	<u>2019</u>
WACC Latin America	\$ 828	\$ 828
WACC Asia	4,832	4,832
WACC Middle East	10,490	10,490
WACC Caribbean	7,308	7,308
	<u>\$ 23,458</u>	<u>\$ 23,458</u>

These funds are held in trust for WACC - Asia, Caribbean, Middle East and Latin America Regions and are held in separate bank accounts.

10. CONTINGENCY

The Organization has signed agreements of Cooperation with Protestant Agency for Diakonia and Development for Bread for the World - Protestant Development Service ("Bread for the World") for Development Initiative Programme and Communication for all programme. Under the terms of the agreements, the Organization carries out a number of projects in different parts of the world with identified project partners. The project partners are advanced funds and provide regular reporting back to the Organization. The Organization in turn reports to Bread for the World. In the event that reporting is not received by the Organization from the project partners, the Organization has to reimburse Bread for the World funds advanced to the project partners.

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

11. ECONOMIC INTEREST

The Centre for Communication Rights

The Organization has an economic interest in a Fund called The Centre for Communication Rights, which is controlled by the Organization and administered by the Aqueduct Foundation. The purpose of the Fund is to make annual grants of income and/or capital to qualified donees. The Fund is administered by the Aqueduct Foundation who is the sole trustee. Grants are distributed based on advice from the General Secretary and the Financial Controller of the Organization. They are required to consult with the President and Treasurer or if one of them is not available, the Vice President or Secretary before distributing the grant. Aqueduct Foundation is a registered charity under the Income Tax Act.

	2020	2019
Total Assets	<u>\$ 3,315,905</u>	<u>\$ 3,375,596</u>
Net Assets, end of year	<u>3,315,905</u>	<u>3,375,596</u>
<hr/>		
	2020	2019
Total Revenues	<u>183,756</u>	<u>633,075</u>
Total Expenditures	<u>243,447</u>	<u>156,401</u>
Excess (deficiency) of revenue over expenditures	<u>(59,691)</u>	<u>476,674</u>
Net Assets, beginning of year	3,375,596	2,898,922
Net Assets, end of year	<u>3,315,905</u>	<u>3,375,596</u>
<hr/>		
	2020	2019
Cash flow from operating activities	<u>(155,672)</u>	<u>186,017</u>
Cash flow from investing activities	<u>91,986</u>	<u>(182,452)</u>
Increase (decrease) in cash flow	(63,686)	3,565
Opening cash and cash equivalents balance	192,972	189,407
Closing cash and cash equivalents balance	<u>\$ 129,286</u>	<u>\$ 192,972</u>

WORLD ASSOCIATION FOR CHRISTIAN COMMUNICATION

Notes to Financial Statements

Year Ended December 31, 2020

12. ECONOMIC DEPENDENCE

The Organization derives a significant portion of its contributions from a funder which is subject to annual compliance requirements. As at December 31, 2020, 68% (2019 - 67%) of total revenue was derived from this funder.

13. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk. The Organization's receivables are mainly grants and accordingly, the risk of non-collectability is low. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Organization is exposed to minimal market risk.

Currency risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in foreign currency. The Organization does not use derivative instruments to reduce its exposure to foreign currency risk.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks or interest rate risk arising from these financial instruments.
