Financial Statements of

FOCUS ON THE FAMILY (CANADA) ASSOCIATION

And Independent Auditors' Report thereon

Year ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of Focus on the Family (Canada) Association

Report on the Financial Statements

Opinion

We have audited the financial statements of Focus on the Family (Canada) Association (the "Association"), which comprise:

- the statement of financial position as at September 30, 2020
- the statements of operations for the year then ended
- the statements of changes in net assets for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at September 30, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 the 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 Association'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 Association 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 matter 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Langley, Canada

December 3, 2020

FOCUS ON THE FAMILY (CANADA) ASSOCIATION

Statement of Financial Position

September 30, 2020, with comparative information for 2019

		2020		2019
Assets				
Current assets:				
Cash	$	3,231,358	$	2,393,612
Investments at fair value (note 2)		1,921,879		1,695,293
Accounts receivable (note 3)		241,826		66,567
Inventories		163,945		172,403
Prepaid expenses and deposits		209,679		208,063
		5,768,687		4,535,938
Capital assets (note 4)		15,878,036		16,207,197
Cash surrender value of life insurance (note 5)		7,927		7,455
	$	21,654,650	$	20,750,590
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	$	498,125	$	536,804
Deferred revenue		404,424		351,385
Deferred contributions (note 7)		2,397,533		2,427,272
Current portion of obligations under capital lease		-		2,832
		3,300,082		3,318,293
Deferred capital contributions (note 8)		10,370,036		10,721,252
		13,670,118		14,039,545
Net assets:				
Unrestricted		2,276,532		1,077,932
Invested in capital assets (note 9)		5,508,000		5,483,113
Internally restricted - capital improvement fund (note 10)		200,000		150,000
		7,984,532		6,711,045
Commitments (note 13)				
Impact of COVID-19 (note 15)				
	$	21,654,650	$	20,750,590

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

FOCUS ON THE FAMILY (CANADA) ASSOCIATION

Statement of Operations

Year ended September 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Contributions	$ 8,065,216	$ 7,865,540
Sales, event registration fees and subscriptions	1,698,207	1,634,056
Other income	705,355	124,677
Amortization of deferred capital contributions (note 8)	361,216	373,315
	10,829,994	9,997,588
Expenses (note 12):		
Charitable programs:		
Books and resources	1,372,361	1,333,877
Care and counselling programs	2,455,549	2,374,347
Magazines and publications	1,275,204	1,437,288
Marriage and parenting events	212,334	300,151
Online ministry	669,035	743,664
Radio and television	1,262,591	1,562,272
	7,247,074	7,751,599
Fundraising	1,503,259	1,576,186
Supporting services	806,174	794,009
	9,556,507	10,121,794
Excess (deficiency) of revenue over expenses	$ 1,273,487	$ (124,206)

See accompanying notes to financial statements.

FOCUS ON THE FAMILY (CANADA) ASSOCIATION

Statement of Changes in Net Assets

Year ended September 30, 2020, with comparative information for 2019

	Unrestricted	Invested in capital assets	Internally restricted - capital improvement fund	2020 Total	2019 Total
Net assets, beginning of year	$1,077,932	$5,483,113	$ 150,000	$6,711,045	$6,835,251
Excess (deficiency) of revenue over expenses (note 9(b))	1,377,411	(103,924)	-	1,273,487	(124,206)
Net changes in invested in capital assets (note 9(c))	(128,811)	128,811	-	-	-
Interfund transfer (note 10)	(50,000)	-	50,000	-	-
Net assets, end of year	$ 2,276,532	$ 5,508,000	$ 200,000	$ 7,984,532	$ 6,711,045

See accompanying notes to financial statements.

FOCUS ON THE FAMILY (CANADA) ASSOCIATION

Statement of Cash Flows

Year ended September 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ 1,273,487	$ (124,206)
Items not involving cash:		
Amortization of capital assets	465,140	462,638
Amortization of deferred capital contributions	(361,216)	(373,315)
Unrealized gain on investments	(83,369)	(6,151)
Unrealized gain on life insurance	(472)	(473)
	1,293,570	(41,507)
Changes in non-cash operating working capital:		
Accounts receivable	(175,259)	4,550
Inventories	8,458	(777)
Prepaid expenses and deposits	(1,616)	(11,166)
Accounts payable and accrued liabilities	(38,679)	50,338
Deferred revenue	53,039	19,739
Deferred contributions	(29,739)	310,748
	1,109,774	331,925
Financing:		
Deferred capital contributions received	10,000	102,327
Repayment of obligations under capital lease	(2,832)	(4,925)
	7,168	97,402
Investing:		
Purchase of capital assets	(138,044)	(118,889)
Net proceeds on sale (purchase of) investments	(143,217)	136,008
Disposal of capital assets	2,065	-
	(279,196)	17,119
Increase in cash	837,746	446,446
Cash, beginning of year	2,393,612	1,947,166
Cash, end of year	$ 3,231,358	$ 2,393,612

See accompanying notes to financial statements.

Purpose of organization:

Focus on the Family (Canada) Association (the "Association") is incorporated in British Columbia, Canada, under the Societies Act (British Columbia), as a non-profit religious and educational organization dedicated to the preservation of the family. The Association is a registered charitable organization under the Canadian Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

On July 19, 2007, the Association was registered as an extra-provincial corporation in Alberta, Canada.

On May 28, 2013, the Association was registered as an extra-provincial corporation in Manitoba, Canada.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Revenue recognition:

The Association follows the deferral method of accounting for donations. This method recognizes unrestricted donations as revenue when received and externally restricted donations 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 the same basis as the amortization period for the related capital assets. Pledges are not recognized as revenue until received. Contributions for land are recognized as a direct increase in net assets.

Sales, event registration, subscriptions and other revenue are recognized when the services are provided or when the goods are delivered.

A substantial number of volunteers contribute a significant amount of their time each year. Contributed services are not recognized in the financial statements, because of the difficulty of determining the fair value.

Gifts-in-kind are valued at their estimated fair value at their time of contribution when a fair value can be determined and the Association would otherwise have purchased the items.

1. Significant accounting policies (continued):

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value. Cost includes purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price less the costs to sell.

Inventories consist of books, videos and other multimedia resources held for sale.

(c) Capital assets:

Purchased capital assets are recorded at cost, less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments that extend the estimated life or service potential of an asset are capitalized.

Capital assets are amortized on a straight-line basis as follows:

Building	40 years
Computer equipment	3 years
Computer software	10 years
Furniture and equipment	3 - 5 years
Leasehold improvements	10 years
Vehicles	5 years

The Association reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Association's ability to provide goods and services, or that the value of the future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement of operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

(d) Cash surrender value of life insurance:

The cash surrender value of life insurance is the cash value of the policies less any surrender charges that would apply if the policies were surrendered.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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 Association has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost 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 Association 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 Association 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.

(f) Foreign exchange:

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at year-end exchange rates. Transactions denominated in a foreign currency are translated at the exchange rate in effect at the time of the transaction. Exchange gains and losses resulting from translation are included in the statement of operations.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates include the estimated useful lives of capital assets for purposes of amortization, related revenue recognition for deferred capital contributions, and provision for accrued liabilities. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(h) Allocation of expenses:

The Association engages in various programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The Association also incurs general and administrative expenses that are common to the administration of the organization and each of its programs.

The Association allocates certain of its general and administrative expenses to its programs based on the proportion of employee headcount.

2. Investments at fair value:

Investments consist of:

	2020	2019
Equity	$ 1,260,355	$ 693,318
Fixed income	661,524	1,001,975
	$ 1,921,879	$ 1,695,293

Occasionally, the Association receives contributions in the form of equity investments. It is the Association's policy to sell these investments at the first available opportunity, and to dispose of them on an orderly basis.

3. Accounts receivable:

	2020	2019
Accrued wage subsidy	$ 171,820	$ -
Other receivables	70,006	66,567
	$ 241,826	$ 66,567

Included in other income for the year ended September 30, 2020 is government assistance related to the Canada Emergency Wage Subsidy of $495,907 (2019 - nil) from the Government of Canada to assist with the COVID-19 pandemic (note 15). As at September 30, 2020, $171,820 (2019 - nil) of funding related to the August and September claim periods have been included in accounts receivable.

4. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	$ 4,906,035	$ -	$ 4,906,035	$ 4,906,035
Building	13,780,828	3,166,361	10,614,467	10,938,422
Computer software	584,795	370,708	214,087	270,576
Furniture and equipment	636,560	521,398	115,162	30,410
Vehicles	83,383	68,533	14,850	26,154
Computer equipment	194,346	180,911	13,435	17,878
Leasehold improvements	-	-	-	17,722
	$ 20,185,947	$ 4,307,911	$ 15,878,036	$ 16,207,197

Amortization charged to expenses for the year was $465,140 (2019 - $462,638).

5. Life insurance policy:

The aggregate face value of the life insurance policy is $50,000 (2019 - $50,000) and will be recognized as revenue when received.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances for sales and payroll-related taxes totalling $18,407 (2019 - $16,703).

7. Deferred contributions:

Deferred contributions are donations received which are restricted by the donor for designated purposes and unspent at year-end.

	2020	2019
Balance, beginning of year	$ 2,427,272	$ 2,116,524
Contributions received	1,067,985	1,736,679
Contributions recognized	(1,097,724)	(1,425,931)
Balance, end of year	$ 2,397,533	$ 2,427,272

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets.

	2020	2019
Balance, beginning of year	$ 10,721,252	$ 10,992,240
Contributions received	10,000	102,327
Amortization of deferred capital contributions	(361,216)	(373,315)
Balance, end of year	$ 10,370,036	$ 10,721,252

9. Invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

	2020	2019
Capital assets	$ 15,878,036	$ 16,207,197
Amounts financed by:		
Unamortized deferred capital contributions (note 8)	(10,370,036)	(10,721,252)
Obligations under capital lease	-	(2,832)
	$ 5,508,000	$ 5,483,113

(b) Deficiency of revenue over expenses relating to invested in capital assets:

	2020	2019
Amortization of deferred capital contributions (note 8)	$ 361,216	$ 373,315
Amortization of capital assets (note 4)	(465,140)	(462,638)
	$ (103,924)	$ (89,323)

(c) Net changes in invested in capital assets:

	2020	2019
Purchase of capital assets	$ 138,044	$ 118,889
Amounts funded by deferred capital contributions (note 8)	(10,000)	(102,327)
Disposal of capital assets	(2,065)	-
Repayment of obligations under capital lease	2,832	4,925
Increase in invested in capital assets	$ 128,811	$ 21,487

10. Internally restricted - capital improvement fund:

During the year, the Board has transferred $50,000 (2019 - $50,000) from unrestricted net assets to the capital improvement fund. Expenditures from these internally restricted net assets are at the discretion of the Board and will be used for major capital expenditures and significant building repairs and maintenance. Funds to meet these requirements are included in cash.

11. Remuneration of employees:

For the fiscal year ended September 30, 2020, the Association paid total remuneration of $997,350 (2019 - $1,044,245) to ten employees, each of whom received total annual remuneration of $75,000 or greater. No amounts were paid to members of the Board of Directors.

12. Allocation of expenses:

Expenses are allocated by program and include direct expenses incurred by each program. In addition, indirect expenses including amortization, bank charges, property taxes, information technology, and repairs & maintenance are allocated to ministry activities as disclosed in the statement of operations as follows:

	2020	2019
Books and resources	$ 241,441	$ 237,250
Care and counselling programs	318,173	301,351
Magazines and publications	123,928	134,427
Marriage and parenting events	67,403	74,516
Online ministry	115,226	122,300
Radio and television	67,879	73,965
Fundraising	234,901	157,804
Supporting services	202,304	171,193
	$ 1,371,255	$ 1,272,806

13. Commitments:

The Association has entered into operating leases for office equipment. Minimum annual lease payments are approximately as follows:

2021	$ 2,000

14. Financial risk and concentration of risks:

(a) Currency risk:

The Association is exposed to currency risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Association incurs expenses and holds cash in US dollars. At year-end, cash held in US dollars converted to Canadian currency is $342,129 (2019 - $674,978). The Association does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by preparing budgets and monitoring its operating requirements to ensure it has sufficient funds to fulfill its obligations.

(c) Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to price risk with respect to its investments. The risk associated with investments is managed through the Association's established investment policy.

There has been no change to the risk exposures from the prior year other than the pervasive potential impact of COVID-19 (see note 15).

15. Impact of COVID-19:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the Association's future cash flows, and may have a significant impact on the Association's future operations. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Association, if any, is not practicable at this time.

16. Comparative figures:

Certain prior year comparative figures have been reclassified to conform with the presentation adopted in the current year.