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**LANGHAM PARTNERSHIP OF CANADA FOR  
GLOBAL CHRISTIAN EDUCATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of  
Langham Partnership of Canada for Global Christian Education, Inc.  
SCARBOROUGH  
Ontario

### *Qualified Opinion*

We have audited the accompanying financial statements of Langham Partnership of Canada for Global Christian Education, Inc. which comprise the statement of financial position as at June 30, 2019 and the statement of operations, statement of changes in fund balances and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 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 for Qualified Opinion*

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

As is common with many charitable organizations, Langham Partnership of Canada for Global Christian Education, Inc. derives part of its revenues in the form of receiptable and non-receiptable offerings, which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of Langham Partnership of Canada for Global Christian Education, Inc. and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenses, assets, and fund balances.

### *Other Matter*

These financial statements contain an amendment to the previously issued financial statements dated December 9, 2019 as described in Note 9.

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

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Norton McMullen LLP*

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

January 13, 2020

**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**

As at June 30,

2019

2018

	General	Majority World Scholars Fund	Total	Total
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents - unrestricted (Note 2)	\$ 211,698	\$ -	\$ 211,698	\$ 79,393
Cash and cash equivalents - restricted (Note 2)	175,382	-	175,382	243,724
Short-term investments (Note 3)	165,000	-	165,000	200,000
HST refundable	2,728	-	2,728	882
Interest receivable	3,407	-	3,407	1,849
Prepaid expenses	2,068	-	2,068	310
	<u>\$ 560,283</u>	<u>\$ -</u>	<u>\$ 560,283</u>	<u>\$ 526,158</u>
<b>Investments - Restricted (Note 3)</b>	<u>-</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
	<u>\$ 560,283</u>	<u>\$ 175,000</u>	<u>\$ 735,283</u>	<u>\$ 526,158</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 4,764	\$ -	\$ 4,764	\$ 3,800
Deferred contributions (Note 4)	9,292	-	9,292	1,100
	<u>\$ 14,056</u>	<u>\$ -</u>	<u>\$ 14,056</u>	<u>\$ 4,900</u>

**FUND BALANCES**

General Fund - unrestricted	\$ 380,137	\$ -	\$ 380,137	\$ 278,635
General Fund - internally restricted (Note 5)	166,090	-	166,090	242,623
Majority World Scholars Fund	-	175,000	175,000	-
	<u>\$ 546,227</u>	<u>\$ 175,000</u>	<u>\$ 721,227</u>	<u>\$ 521,258</u>
	<u>\$ 560,283</u>	<u>\$ 175,000</u>	<u>\$ 735,283</u>	<u>\$ 526,158</u>

**Commitments (Note 6)**

**Subsequent Event (Note 8)**

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**STATEMENT OF CHANGES IN FUND BALANCES**

For the year ended June 30,

**2019**

**2018**

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	General	Majority World Scholars Fund	Total	Total
<b>BALANCE - Beginning</b>	\$ 521,258	\$ -	\$ 521,258	\$ 410,416
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>24,969</u>	<u>175,000</u>	<u>199,969</u>	<u>110,842</u>
<b>BALANCE - Ending</b>	<u>\$ 546,227</u>	<u>\$ 175,000</u>	<u>\$ 721,227</u>	<u>\$ 521,258</u>

See accompanying notes

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**STATEMENT OF OPERATIONS**

For the year ended June 30,

2019

2018

	General	Majority World Scholars Fund	Total	Total
<b>REVENUES</b>				
Contributions	\$ 143,267	\$ 175,000	\$ 318,267	\$ 114,538
Bequests	145,667	-	145,667	174,598
Interest income	7,623	-	7,623	1,849
Book sales	1,351	-	1,351	-
Event income	335	-	335	-
	<u>\$ 298,243</u>	<u>\$ 175,000</u>	<u>\$ 473,243</u>	<u>\$ 290,985</u>
<b>EXPENSES</b>				
Programs				
Bursaries	\$ 64,798	\$ -	\$ 64,798	\$ 34,303
Preaching	37,462	-	37,462	31,930
Literature	22,763	-	22,763	26,500
Administrative				
Salaries and benefits	78,934	-	78,934	45,194
International dues	16,129	-	16,129	17,199
Fundraising and meetings	14,374	-	14,374	4,091
Communication support	13,508	-	13,508	6,754
Office and general	12,009	-	12,009	6,236
Professional fees	4,226	-	4,226	3,786
Rent	3,720	-	3,720	1,640
Bank charges and fees	2,846	-	2,846	2,510
Book purchases	1,449	-	1,449	-
Insurance	1,056	-	1,056	-
	<u>\$ 273,274</u>	<u>\$ -</u>	<u>\$ 273,274</u>	<u>\$ 180,143</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 24,969</u>	<u>\$ 175,000</u>	<u>\$ 199,969</u>	<u>\$ 110,842</u>

See accompanying notes

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**STATEMENT OF CASH FLOWS**

For the year ended June 30,

2019

2018

**CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):**

**OPERATING ACTIVITIES**

Excess of revenues over expenses	\$ <u>199,969</u>	\$ <u>110,842</u>
Net change in non-cash working capital balances:		
HST refundable	\$ (1,846)	\$ (882)
Interest receivable	(1,558)	(1,849)
Prepaid expenses	(1,758)	(310)
Accounts payable and accrued liabilities	964	90
Deferred contributions	<u>8,192</u>	<u>1,100</u>
	\$ <u>3,994</u>	\$ <u>(1,851)</u>
	\$ <b>203,963</b>	\$ 108,991

**INVESTING ACTIVITIES**

Purchase of short-term investments, net of redemptions	<u>(140,000)</u>	<u>(200,000)</u>
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**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	\$ <b>63,963</b>	\$ (91,009)
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**CASH AND CASH EQUIVALENTS - Beginning**

	<u>323,117</u>	<u>414,126</u>
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**CASH AND CASH EQUIVALENTS - Ending**

	<u>\$ 387,080</u>	<u>\$ 323,117</u>
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Cash and cash equivalents consist of the following:

Unrestricted cash and cash equivalents	\$ 211,698	\$ 79,393
Restricted cash and cash equivalents	<u>175,382</u>	<u>243,724</u>
	<u>\$ 387,080</u>	<u>\$ 323,117</u>

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**PURPOSE OF THE ORGANIZATION**

Langham Partnership of Canada for Global Christian Education, Inc. (the "Organization") is incorporated without share capital under the laws of Ontario and is engaged in raising funds in Canada to help equip the Church in the Majority World. The Organization is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes.

The mission of the Organization is to pursue its vision by equipping a new generation of Bible teachers in these three areas:

**Scholars:** Provide financial support for evangelical students from the Majority World to pursue doctoral studies in leading seminaries and universities around the world and to prepare them for positions of academic and ministry leadership.

**Literature:** Provide evangelical resources in multiple languages through grants and distribution, and foster the indigenous creation of resources through sponsored editing and writing and publisher development.

**Preaching:** Partner with national leaders to nurture indigenous preaching movements for pastors and lay preachers in the Majority World. This partnership provides practical on-site support for preachers by organizing training seminars, providing resources, encouraging preachers' groups and building local movements committed to expository preaching.

**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

**a) Fund Accounting**

Resources are classified into funds according to the activity or objective specified as follows:

**i) General Fund**

The General Fund accounts for operations and programs of the Organization. Unrestricted contributions and other revenues are reported in this fund.

**Unrestricted**

The balance of unrestricted funds represents the accumulated excess of unrestricted contributions over related expenses.

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**i) General Fund - Continued**

**Internally Restricted**

The internally restricted funds include amounts internally restricted by the Board of Directors for special ministry purposes. These funds cannot be used without the prior approval of the Board of Directors.

**ii) Majority World Scholars Fund**

The Majority World Scholars Fund is an externally restricted fund to provide scholarships for Langham Scholars studying in doctoral programs in theology at Majority World seminaries.

**b) Revenue Recognition**

The Organization follows the restricted fund method of accounting for contributions. Externally restricted contributions are recognized as revenue in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the General Fund. Restricted contributions for which there is no fund are accounted for using the deferral method.

Interest income is recognized as revenue when earned. Book sales are recognized as revenue when sales proceeds are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Event income is recognized as revenue when events are held.

**c) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in the Organization's bank account, and short-term cashable GICs that are readily convertible to known amounts of cash.

**d) Short-Term Investments**

Short-term investments in guaranteed investment certificates (GIC's) are recorded at cost. A provision for write-down is made when the decline in the value of a particular investment is considered other than temporary.

**e) Contributed Services**

Volunteers contribute significant hours each year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

f) **Financial Instruments**

**Measurement of Financial Instruments**

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 measured at amortized cost include cash and cash equivalents, short-term investments, and interest receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

**Impairment**

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in excess of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	2019	2018
Cash	\$ 167,080	\$ 53,117
Cashable GIC, maturing March 2020, bearing interest at bank prime less 1.8% per annum	220,000	-
Cashable GIC, matured March 2019, bearing interest at 1.2% per annum	-	120,000
Cashable GIC, matured March 2019, bearing interest at 1.2% per annum	-	50,000
Cashable GIC, matured June 2019, bearing interest at 1.5% per annum	-	100,000
	<u>\$ 387,080</u>	<u>\$ 323,117</u>

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**3. SHORT-TERM INVESTMENTS**

Short-term investments consist of the following:

	2019	2018
GIC, maturing March 2020, bearing interest at 2.5% per annum	\$ 340,000	\$ -
GIC, matured March 2019, bearing interest at 2.0% per annum	-	200,000
	<u>\$ 340,000</u>	<u>\$ 200,000</u>
Less: Amounts restricted for Majority World Scholars Fund	175,000	-
	<u>\$ 165,000</u>	<u>\$ 200,000</u>

**4. DEFERRED CONTRIBUTIONS**

Deferred contributions consist of the following:

	2019	2018
Scholarships	\$ 8,027	\$ -
Preaching	1,165	700
Literature	<u>100</u>	<u>400</u>
	<u>\$ 9,292</u>	<u>\$ 1,100</u>

**5. INTERNALLY RESTRICTED GENERAL FUND**

In 2018, the Board decided to set aside funds from a prior bequest with the intent to fund the expenses associated with the National Director's position over the next few years. An amount of \$76,534 (2018 - \$37,376) was transferred from the internally restricted funds. The balance in internally restricted general fund as of June 30, 2019 is \$166,090.

**6. COMMITMENTS**

The Organization has entered into a lease agreement for its premises, which expires January 21, 2021 with one option to renew for one further year. Future minimum annual rental payments for each of the next two years are as follows:

2020	\$ 3,718
2021	<u>2,070</u>
	<u>\$ 5,788</u>

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**LANGHAM PARTNERSHIP OF CANADA FOR GLOBAL CHRISTIAN EDUCATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**7. FINANCIAL INSTRUMENTS**

**Risks and Concentrations**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at June 30, 2019:

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization is not exposed to significant credit risk.

b) **Liquidity Risk**

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Organization manages this risk by generating sufficient cash flow from operations and other fundraising initiatives to ensure prompt discharge of its obligations. There has been no change in the assessment of liquidity risk from the prior year.

c) **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. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Organization is mainly exposed to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Notes 2 and 3, the Organization is exposed to interest rate risk with respect to its cashable GIC's and non-cashable GIC. The exposure to this risk is mitigated by the fact that the GIC's have fixed rates of return.

**8. SUBSEQUENT EVENT**

Subsequent to June 30, 2019, the Board of Langham Partnership Canada committed to Langham Partnership United Kingdom & Ireland that it would, if requested, loan up to \$50,000 as a partial contribution toward the purchase cost of a warehouse property in Carlisle, England, for the use of Langham Literature. This offer can be taken up any time up to November 17, 2021, and thereafter will be reviewed by the Board.

**9. AMENDMENT TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

Subsequent to the issuance of the audited financial statements dated December 9, 2019, the Organization received a signed direction from the donor of the \$175,000 restricted contribution to restrict the use of the money to the Majority World Scholars Fund.