REDEMPTION CHURCH DURHAM

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEX

INDEPENDENT AUDITOR'S REPORT

To the Members
Redemption Church Durham
BROOKLIN
Ontario

Qualified Opinion
We have audited the accompanying financial statements of Redemption Church Durham which comprise the statement of financial position as at December 31, 2018 and the statement of operations, statement of changes in net assets 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 December 31, 2018 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, Redemption Church Durham derives part of its revenues from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue and deferred revenue from this source was limited to the amounts recorded in the records of Redemption Church Durham and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and net assets.

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.

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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
March 15, 2019

REDEMPTION CHURCH DURHAM

STATEMENT OF FINANCIAL POSITION

As at December 31,		2018		2017
ASSETS				
Current				
Cash	$	**459,400**	$	333,968
Restricted cash		**171,678**		23,841
Term deposits (Note 2)		**9,236**		109,190
HST refundable		**9,941**		15,752
Prepaid expenses		**17,422**		6,877
	$	**667,677**	$	489,628
Capital Assets (Note 3)		**44,608**		45,112
Restricted Investments (Note 4)		**717,257**		698,347
	$	**1,429,542**	$	1,233,087

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**14,720**	$	15,420
NET ASSETS				
Unrestricted	$	**115,249**		75,667
Internally restricted		**410,638**		419,812
Externally restricted		**888,935**		722,188
	$	**1,414,822**	$	1,217,667
	$	**1,429,542**	$	1,233,087

Commitments (Note 5)

Approved by the Board:

______________________________ Director

______________________________ Director

See accompanying notes

REDEMPTION CHURCH DURHAM

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2018

	Balance - Beginning	Excess (Deficiency) of Revenues over Expenses	Transfers (Note 6)	Balance - Ending
Unrestricted				
General	**$ 75,667**	**$ 40,143**	**$ (561)**	**$ 115,249**
Internally Restricted				
Facilities	**$ 389,812**	**$ 20,826**	**$ -**	**$ 410,638**
Rebranding	**30,000**	**(25,293)**	**(4,707)**	**-**
	$ 419,812	**$ (4,467)**	**$ (4,707)**	**$ 410,638**
Externally Restricted				
Facilities	**$ 710,188**	**$ 164,980**	**$ -**	**$ 875,168**
Missions	**7,000**	**(7,268)**	**5,268**	**5,000**
Benevolent	**5,000**	**3,767**	**-**	**8,767**
	$ 722,188	**$ 161,479**	**$ 5,268**	**$ 888,935**
Total	**$ 1,217,667**	**$ 197,155**	**$ -**	**$ 1,414,822**
Prior Period				
Unrestricted	$ 82,725	$ 83,089	$ (90,147)	$ 75,667
Internally Restricted	321,673	11,498	86,641	419,812
Externally Restricted	480,523	238,159	3,506	722,188
	$ 884,921	$ 332,746	$ -	$ 1,217,667

See accompanying notes

REDEMPTION CHURCH DURHAM

STATEMENT OF OPERATIONS

For the year ended December 31,

	General	Facilities	Rebranding	Missions	Benevolent	Total 2018	Total 2017
REVENUES							
Contributions	$ 868,309	$ 164,980	$ -	$ 360	$ 6,302	$ 1,039,951	$ 1,138,255
Other receipts	6,447	20,826	-	-	-	27,273	14,308
	$ 874,756	$ 185,806	$ -	$ 360	$ 6,302	$ 1,067,224	$ 1,152,563
EXPENSES							
Salaries and benefits	$ 526,964	$ -	$ -	$ -	$ -	$ 526,964	$ 487,717
Facilities	97,522	-	-	-	-	97,522	89,264
Missions	51,047	-	-	7,628	-	58,675	76,331
Administration	40,786	-	25,293	-	-	66,079	41,346
Staff development and ministry	24,007	-	-	-	-	24,007	30,269
Other ministries	36,935	-	-	-	-	36,935	29,490
Worship	19,805	-	-	-	-	19,805	21,447
Amortization	12,005	-	-	-	-	12,005	12,453
Harvest Kids	9,100	-	-	-	-	9,100	8,422
Adult ministries	5,310	-	-	-		5,310	6,544
Youth	6,158	-	-	-	-	6,158	6,104
Integration	4,974	-	-	-	-	4,974	5,223
Benevolence	-	-	-	-	2,535	2,535	5,207
	$ 834,613	$ -	$ 25,293	$ 7,628	$ 2,535	$ 870,069	$ 819,817
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 40,143	$ 185,806	$ (25,293)	$ (7,268)	$ 3,767	$ 197,155	$ 332,746

See accompanying notes

REDEMPTION CHURCH DURHAM

STATEMENT OF CASH FLOWS

For the year ended December 31,	2018	2017
CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 197,155	$ 332,746
Items not affecting cash:		
Amortization	12,005	12,453
	$ 209,160	$ 345,199
Net change in non-cash working capital balances:		
HST refundable	5,811	(8,852)
Prepaid expenses	(10,545)	2,804
Accounts payable and accrued liabilities	(700)	(2,822)
	$ 203,726	$ 336,329
INVESTING ACTIVITIES		
Decrease in term deposits	$ 99,954	$ 99,955
Increase in restricted investments	(18,910)	(698,347)
Purchase of capital assets	(11,501)	(6,351)
	$ 69,543	$ (604,743)
INCREASE (DECREASE) IN CASH	$ 273,269	$ (268,414)
CASH - Beginning	357,809	626,223
CASH - Ending	$ 631,078	$ 357,809
Cash is allocated as follows:		
Unrestricted cash	$ 459,400	$ 333,968
Restricted cash	171,678	23,841
	$ 631,078	$ 357,809

See accompanying notes

NATURE OF OPERATIONS

Redemption Church Durham, formerly Harvest Bible Chapel Durham Region Inc., (the "Church") is federally incorporated without share capital and is a registered charity under the Income Tax Act. The Church qualifies for tax-exempt status. The purpose of the Church is to preach and advance the Christian faith through teaching and ministry and to evangelize at home and abroad.

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

The **General Fund** records all transactions relating to daily operating activities and special projects where a fund has not been established. In the case where receipts collected exceed spending, additional funds may be transferred to the internally or externally restricted funds as approved by the Elders.

The **Facilities Fund** records all restricted donations externally designated by donors for capital asset purchases. In addition, internally restricted transfers from the General Fund as approved by the Elders are included in the fund balance.

The **Rebranding Fund** records all internally restricted net asset transfers earmarked for strategic and rebranding efforts as approved by the Elders.

The **Missions and Benevolent Funds** record all restricted donations externally designated by donors for missions or benevolent efforts respectively. Benevolent spending is approved by the Elders. When revenues exceed expenses, the designated amounts remain in the appropriate Missions and Benevolent Fund for future use.

b) Revenue Recognition

The Church follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which there is no fund are recorded in accordance with the deferral method. Unrestricted contributions are recognized as revenues in the General Fund when received.

Other receipts, which consist of event, materials, and resource sales, are recognized as revenue when received.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

c) **Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used. Significant estimates include the estimated useful life of capital assets.

d) **Cash and Cash Equivalents**

Cash and cash equivalents consists of bank deposits.

e) **Capital Assets**

Capital Assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rates and methods:

	Rate	Method
Office equipment	20%	declining balance
Computer equipment	30%	declining balance
Motor vehicles	20%	declining balance
Audio and video equipment	20%	declining balance
Leasehold improvements	5 years	straight-line

f) **Impairment of Capital Assets**

When a capital assets no longer has any long-term service potential to the Church, the excess of its net carrying amount over any residual value is recognized as an expense in the General Fund.

g) **Contributed Services**

Volunteer services contributed to the Church in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their fair value.

h) **Financial Instruments**

The Church initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash, term deposits, and restricted investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

h) **Financial Instruments** - Continued

The Church 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 the 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 indicators of impairment in the current year.

2. **TERM DEPOSITS**

Term deposits consist of the following:

	2018	2017
GIC bearing interest at 0.5%, matured on March 24, 2018	$ -	$ 100,000
Cashable rolling GIC bearing interest at 0.5% (2017 - 0.5%) and maturing on January 9, 2019	**9,236**	9,190
	$ 9,236	$ 109,190

3. **CAPITAL ASSETS**

Capital assets consist of the following:

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Office equipment	**$ 19,905**	**$ 8,708**	**$ 11,197**	$ 9,398
Computer equipment	**26,146**	**13,640**	**12,506**	10,761
Motor vehicles	**15,232**	**8,383**	**6,849**	8,561
Audio and video equipment	**29,497**	**15,812**	**13,685**	15,278
Leasehold improvements	**3,714**	**3,343**	**371**	1,114
	$ 94,494	**$ 49,886**	**$ 44,608**	$ 45,112

4. **RESTRICTED INVESTMENTS**

Restricted investments are recorded at cost and consist of mutual fund investments with asset allocations as follows:

	2018	2017
Fixed Income	$ 637,747	$ 605,712
Other	45,115	63,541
Equity	34,395	29,094
	$ 717,257	$ 698,347

5. **COMMITMENTS**

The Church leases office space as well as public school facilities for Sunday services and ministry events. The agreements for these expire on April 30, 2020 and August 25, 2019. Future minimum annual rent payments (excluding taxes, maintenance and insurance) are as follows:

2019	$ 52,667
2020	11,719
	$ 64,386

6. **INTERFUND TRANSFERS**

Missions and Benevolent funds

During the year, the Board of Directors approved the transfer of $5,268 (2017 - $1,125) from the unrestricted General Fund to the Missions Fund to cover its deficiency of revenues over expenditures. $Nil (2017 - $3,000) was transferred from the unrestricted General fund to the Benevolent Fund.

Rebranding fund

During the year, the Board of Directors approved the closure of the Rebranding fund and transferred the remaining net assets from the Rebranding Fund to the unrestricted General Fund.

Internally restricted funds

In the prior year, the Board of Directors elected to internally restrict net assets from the General fund for future capital and other strategic expenditures. In 2017, $56,541 and $30,000 was transferred from the unrestricted General fund to the internally restricted Facilities Fund and the internally restricted Rebranding Fund respectively. No amounts were transferred in 2018.

7. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church’s exposure to and concentrations of risk at December 31, 2018:

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 Church is not exposed to significant credit risk. There has been no change is the assessment of credit risk from the prior year.

b) **Liquidity Risk**

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Church manages this risk by managing its working capital and by generating sufficient cash flow from operations. 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: interest rate risk, price risk, and currency risk. The Church is mainly exposed to interest rate risk and price risk as follows:

i) **Interest Rate Risk**

Interest rate risk 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 4, the Church is exposed to interest rate risk with respect to its term deposit holdings and fixed income investments. The exposure to this risk fluctuates as the deposit balances and related interest rates change from year to year.

ii) **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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Church is exposed to price risk through its investments in mutual fund instruments. The exposure to this risk fluctuates as the Church's investments change from year to year.