
REDEMPTION CHURCH DURHAM
FINANCIAL STATEMENTS
DECEMBER 31, 2023

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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, 2023 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, 2023 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

In common with many not-for-profit organizations, Redemption Church Durham derives revenue from the general public in the form of contributions the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years.

Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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.

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

April 24, 2024

REDEMPTION CHURCH DURHAM

STATEMENT OF FINANCIAL POSITION

As at December 31,

2023

2022

ASSETS

Current

Cash and cash equivalents	\$ 1,535,285	\$ 1,388,592
Restricted cash and cash equivalents	582,012	1,108,437
HST refundable	23,095	30,765
Prepaid expenses	17,045	22,152
	<u>\$ 2,157,437</u>	<u>\$ 2,549,946</u>

Capital Assets (Note 2)

60,661 68,473

Restricted Investments (Note 3)

410,880 398,880

\$ 2,628,978 \$ 3,017,299

LIABILITIES

Current

Accounts payable and accrued liabilities	<u>\$ 13,430</u>	<u>\$ 11,270</u>
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NET ASSETS

Unrestricted	\$ 100,000	\$ 100,000
Internally restricted	1,522,656	1,398,712
Externally restricted	<u>992,892</u>	<u>1,507,317</u>
	<u>\$ 2,615,548</u>	<u>\$ 3,006,029</u>
	<u>\$ 2,628,978</u>	<u>\$ 3,017,299</u>

Commitments (Note 4)

Approved by the Board:

_____ Director

_____ Director

See accompanying notes

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REDEMPTION CHURCH DURHAM

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2023

	Balance - Beginning	Excess (Deficiency) of Revenues over Expenses	Transfers (Note 5)	Balance - Ending
Unrestricted				
General	\$ 100,000	\$ 93,150	\$ (93,150)	\$ 100,000
Internally Restricted				
Facilities	\$ 1,336,712	\$ 31,808	\$ 90,541	\$ 1,459,061
Missions	50,000	1,595	-	51,595
Benevolent	12,000	(2,609)	2,609	12,000
	<u>\$ 1,398,712</u>	<u>\$ 30,794</u>	<u>\$ 93,150</u>	<u>\$ 1,522,656</u>
Externally Restricted				
Facilities	\$ 975,267	\$ 17,625	\$ -	\$ 992,892
Red Deer	532,050	(532,050)	-	-
	<u>\$ 1,507,317</u>	<u>\$ (514,425)</u>	<u>\$ -</u>	<u>\$ 992,892</u>
Total	<u>\$ 3,006,029</u>	<u>\$ (390,481)</u>	<u>\$ -</u>	<u>\$ 2,615,548</u>
Prior Year				
Unrestricted	\$ 100,000	\$ 252,058	\$ (252,058)	\$ 100,000
Internally Restricted	1,154,051	(7,397)	252,058	1,398,712
Externally Restricted	1,266,720	240,597	-	1,507,317
	<u>\$ 2,520,771</u>	<u>\$ 485,258</u>	<u>\$ -</u>	<u>\$ 3,006,029</u>

See accompanying notes

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REDEMPTION CHURCH DURHAM

STATEMENT OF OPERATIONS

For the year ended December 31,

	General	Facilities	Missions	Benevolent	Red Deer	Total 2023	Total 2022
REVENUES							
Contributions	\$ 1,164,721	\$ 19,938	\$ 1,595	\$ 2,635	\$ 8,049	\$ 1,196,938	\$ 1,686,772
Investment income	-	31,808	-	-	-	31,808	20,244
Other	7,413	-	-	-	-	7,413	7,620
	<u>\$ 1,172,134</u>	<u>\$ 51,746</u>	<u>\$ 1,595</u>	<u>\$ 2,635</u>	<u>\$ 8,049</u>	<u>\$ 1,236,159</u>	<u>\$ 1,714,636</u>
EXPENSES							
Salaries and benefits	\$ 625,254	\$ -	\$ -	\$ -	\$ -	\$ 625,254	\$ 636,849
Facilities	129,075	2,313	-	-	-	131,388	168,094
Missions	106,079	-	-	-	-	106,079	157,022
Administration	55,973	-	-	-	63	56,036	73,017
Other ministries	48,806	-	-	-	-	48,806	59,755
Worship	28,036	-	-	-	-	28,036	32,873
Staff development and ministry	20,287	-	-	-	-	20,287	31,183
Redemption Kids	17,922	-	-	-	-	17,922	18,181
Amortization	15,919	-	-	-	-	15,919	15,033
Adult ministries	12,279	-	-	-	-	12,279	8,490
Youth	10,989	-	-	-	-	10,989	6,055
Integration	5,354	-	-	-	-	5,354	7,176
Benevolence	-	-	-	5,244	-	5,244	15,445
Loss on disposal of capital assets	3,011	-	-	-	-	3,011	205
	<u>\$ 1,078,984</u>	<u>\$ 2,313</u>	<u>\$ -</u>	<u>\$ 5,244</u>	<u>\$ 63</u>	<u>\$ 1,086,604</u>	<u>\$ 1,229,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:							
	\$ 93,150	\$ 49,433	\$ 1,595	\$ (2,609)	\$ 7,986	\$ 149,555	\$ 485,258
Disbursement to Red Deer (Note 6)	-	-	-	-	540,036	540,036	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES							
	<u>\$ 93,150</u>	<u>\$ 49,433</u>	<u>\$ 1,595</u>	<u>\$ (2,609)</u>	<u>\$ (532,050)</u>	<u>\$ (390,481)</u>	<u>\$ 485,258</u>

See accompanying notes

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REDEMPTION CHURCH DURHAM

STATEMENT OF CASH FLOWS

For the year ended December 31,

2023

2022

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

OPERATING ACTIVITIES

Excess (Deficiency) of revenues over expenses	\$ (390,481)	\$ 485,258
Items not affecting cash:		
Amortization	15,919	15,033
Loss on disposal of capital assets	3,011	205
	<u>\$ (371,551)</u>	<u>\$ 500,496</u>
Net change in non-cash working capital balances:		
HST refundable	7,670	(3,950)
Prepaid expenses	5,107	(11,054)
Accounts payable and accrued liabilities	2,160	(4,112)
	<u>\$ (356,614)</u>	<u>\$ 481,380</u>

INVESTING ACTIVITIES

Increase in restricted investments	(12,000)	(5,674)
Purchase of capital assets	(11,118)	(32,994)
	<u>\$ (23,118)</u>	<u>\$ (38,668)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

\$ (379,732) \$ 442,712

CASH AND CASH EQUIVALENTS - Beginning

2,497,029 2,054,317

CASH AND CASH EQUIVALENTS - Ending

\$ 2,117,297 \$ 2,497,029

Cash and cash equivalents are allocated as follows:

Unrestricted cash and cash equivalents	\$ 1,535,285	\$ 1,388,592
Restricted cash and cash equivalents	582,012	1,108,437
	<u>\$ 2,117,297</u>	<u>\$ 2,497,029</u>

REDEMPTION CHURCH DURHAM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NATURE OF OPERATIONS

Redemption Church Durham, (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

Resources are classified into funds according to the activities or objectives specified as follows:

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 **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. In addition, internally restricted transfers from the General Fund as approved by the Elders are included in the fund balances.

The **Red Deer Fund** is an externally restricted fund recording externally restricted revenues and certain expenses for a new Redemption church plant in Red Deer Alberta. In an agreement with Redemption Church Calgary, the church initiating the Red Deer plant, Redemption Church Durham agreed to provide administrative services including payroll support and the collection and receipting of donations earmarked on behalf of Redemption Church Red Deer. The balance of the Red Deer Fund was transferred to Redemption Church Red Deer during 2023.

REDEMPTION CHURCH DURHAM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Investment income is comprised of interest, dividends, and capital gains and is recognized as earned.

Other income, consisting of event, materials, and resource sales, is recognized as revenue when received.

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 and other highly liquid bond accounts.

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:

	<u>Rate</u>	<u>Method</u>
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 tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

REDEMPTION CHURCH DURHAM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

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 originated or exchanged in arm's length transactions at fair value and subsequently measures all of its financial assets and liabilities at amortized cost.

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

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. CAPITAL ASSETS

Capital assets consist of the following:

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 20,505	\$ 16,615	\$ 3,890	\$ 4,863
Computer equipment	37,538	22,507	15,031	15,276
Motor vehicles	15,232	12,988	2,244	2,805
Audio and video equipment	72,468	32,972	39,496	45,529
Leasehold improvements	3,714	3,714	-	-
	<u>\$ 149,457</u>	<u>\$ 88,796</u>	<u>\$ 60,661</u>	<u>\$ 68,473</u>

REDEMPTION CHURCH DURHAM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

3. RESTRICTED INVESTMENTS

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

	2023	2022
Fixed Income	\$ 269,027	\$ 244,863
Equity	76,823	75,990
Mutual and exchange traded funds	<u>65,030</u>	<u>78,027</u>
	<u>\$ 410,880</u>	<u>\$ 398,880</u>

4. COMMITMENTS

The Church leases office space. The lease agreement expires on April 30, 2025. Future minimum annual rent payments (excluding taxes, maintenance and insurance) are as follows:

2024	\$ 41,525
2025	<u>13,842</u>
	<u>\$ 55,367</u>

5. INTERFUND TRANSFERS

The Elders, at their discretion, elected to internally restrict net assets from the General fund for future capital and other strategic expenditures. During the year, \$90,541 (2022 - \$222,798) was transferred from the unrestricted General fund to the internally restricted Facilities Fund.

During the year, the Elders approved the transfer of \$2,609 (2022 - \$Nil) from the General Fund to the internally restricted portion of the Benevolent Fund to cover the current year's deficiency of revenues over expenses in the Benevolent Fund.

During the prior year, the Board of Directors elected to internally restrict net assets from the General fund for missions and benevolent expenditures. In 2022, \$20,732 and \$8,528 was transferred from the unrestricted General fund to the internally restricted Missions Fund and internally restricted Benevolent Fund respectively.

6. DISBURSEMENT TO RED DEER

During the year, \$540,036 was disbursed to the Redemption Red Deer Church upon the Red Deer Church's ability to maintain ongoing self-sufficient operations.

REDEMPTION CHURCH DURHAM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, 2023:

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 in 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 Note 3, the Church is exposed to interest rate risk with respect to its 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.