HARVEST BIBLE CHAPEL BARRIE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(UNAUDITED)

SMITH, SYKES, LEEPER & TUNSTALL LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

LICENSED PUBLIC ACCOUNTANTS

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HARVEST BIBLE CHAPEL BARRIE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Board of Directors of:
Harvest Bible Chapel Barrie

We have reviewed the accompanying financial statements of **Harvest Bible Chapel Barrie** that comprise the balance sheet as at **December 31, 2018**, and the statement of receipts and disbursements, statement of changes in net assets and changes in cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on the financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of **Harvest Bible Chapel Barrie** 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.

Smith, Sykes, Leeper & Tunstall LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Barrie, Ontario.
June 11, 2019.

HARVEST BIBLE CHAPEL BARRIE
BALANCE SHEET
DECEMBER 31, 2018
(UNAUDITED)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 168,959	$ 543,330
Internally restricted cash - Future Fund (Note 9)	355,395	98,219
Amounts receivable	913	9,220
Resource centre inventory	2,379	2,360
Prepaid expenses	33,111	21,551
HST recoverable	45,158	104,244
	605,915	**778,924**
Property, plant and equipment (Note 3)	6,460,695	6,414,954
	$ 7,066,610	**$ 7,193,878**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 67,132	$ 154,763
Deferred contributions (Note 4)	23,165	23,516
Current portion of long-term debt (Note 5)	304,363	282,781
	394,660	**461,060**
Long-term debt (Note 5)	3,618,128	3,922,490
TOTAL LIABILITIES	**4,012,788**	**4,383,550**
Deferred capital contributions related to property, plant and equipment (Note 6)	1,930,886	1,670,604
NET ASSETS		
Invested in property, plant and equipment (Note 8)	607,318	539,079
Internally restricted - Future Fund	355,395	98,219
Unrestricted	160,223	502,426
	1,122,936	**1,139,724**
	$ 7,066,610	**$ 7,193,878**

Approved on Behalf of the Board,

_____, Board member.

_____, Board member.

The accompanying notes are an integral part of these financial statements.

HARVEST BIBLE CHAPEL BARRIE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	2018				2017
	Invested in property, plant and equipment	(Note 9) Internally Restricted	Unrestricted	Total	Total
Net assets, beginning of the year	$ 539,079	$ 98,219	$ 502,426	1,139,724	1,110,381
Excess (deficiency) of receipts over disbursements	(60,363)	3,783	$ 39,792	(16,788)	29,343
Net change in investment in property, plant and equipment (Note 8)	128,602	0	(128,602)	0	0
Interfund transfers (Note 8)	0	253,393	(253,393)	0	0
NET ASSETS, END OF THE YEAR	**$ 607,318**	**$ 355,395**	**$ 160,223**	**$ 1,122,936**	**$ 1,139,724**

The accompanying notes are an integral part of these financial statements.

HARVEST BIBLE CHAPEL BARRIE
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	2018	2017
RECEIPTS		
General fund	$ 1,457,108	$ 1,428,024
Designated and other contributions	188,249	276,154
Resource centre income	6,170	8,102
Interest and other income	3,783	5,099
	1,655,310	**1,717,379**
DISBURSEMENTS		
Administration	56,284	62,265
Adult ministries	38,452	46,574
Children and youth ministries (Note 7)	37,401	47,364
Compensation	846,313	721,196
Global and local ministries	72,198	132,171
Operations	119,333	181,719
Facilities	92,973	163,984
Designated funds	56,464	72,170
Worship ministries	33,038	32,414
Interest on long-term debt	251,700	179,917
	1,604,156	**1,639,774**
Excess of receipts over disbursements from operations	**51,154**	**77,605**
OTHER ITEMS		
(Loss) on the sale of property, plant and equipment	(7,579)	0
Amortization of deferred capital contributions	(317,090)	(247,896)
Amortization of property, plant and equipment	377,453	296,158
NET CHANGE FROM OTHER ITEMS	**(67,942)**	**(48,262)**
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	**(16,788)**	**29,343**

The accompanying notes are an integral part of these financial statements.

HARVEST BIBLE CHAPEL BARRIE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	2018	2017
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of receipts over disbursements for the year	$ (16,788)	$ 29,343
Items not requiring an outlay of cash:		
Amortization of property, plant and equipment	377,453	296,158
Loss on sale of asset	7,579	0
Amortization of deferred capital contributions	(317,090)	(247,896)
	51,154	**77,605**
Changes in operating working capital		
Amounts receivable	8,307	(2,191)
Resource centre inventory	(19)	(2,360)
Prepaid expenses	(11,561)	(17,070)
HST recoverable	59,086	(104,244)
Accounts payable and accrued expenses	(87,629)	45,388
Deferred contributions	(352)	23,516
Current portion of long-term debt	21,582	282,781
	(10,586)	**225,820**
CASH PROVIDED BY OPERATIONS	**40,568**	**303,425**
FINANCING		
(Repayment of) increase in long-term debt	(304,363)	1,422,490
Deferred capital contributions	577,372	1,918,500
Net assets assumed on merging association	0	1,116,516
CASH PROVIDED BY FINANCING	**273,009**	**4,457,506**
INVESTING		
Debt settled on merging association	0	(942,273)
Net book value of property, plant and equipment from merging association	0	(91,687)
Additions to property, plant and equipment	(436,553)	(3,085,916)
Proceeds on disposal of Property, plant and equipment	5,781	0
CASH (USED FOR) INVESTING	**(430,772)**	**(4,119,876)**
NET CHANGE IN CASH POSITION	**(117,195)**	**641,055**
Cash position, beginning of the year	641,549	494
CASH POSITION, END OF THE YEAR	**$ 524,354**	**$ 641,549**
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash position represented by:		
Cash	$ 168,959	$ 543,330
Restricted cash	355,395	98,219
	$ 524,354	**$ 641,549**

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) and include the following significant accounting policies:

General -

Harvest Bible Chapel Barrie operates a Church incorporated under the laws of the Province of Ontario March 9, 2016, and is registered as a charitable organization under the Income Tax Act. The Church is not subject to income taxes and is prohibited from distributing any of its surplus to or for the personal benefit of its members.

Use of estimates -

The preparation of the financial statements in conformity with Canadian Accounting Standards for Not-For-Profit Organizations 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 and assumptions include the estimated useful lives of property, plant and equipment (including deferred capital contributions); and the valuation allowances for accounts receivable. Actual results could differ from those estimates.

Cash -

Cash includes highly liquid investments.

Resource centre inventory -

Resource centre inventory is stated at the lower of cost and market value. Market value is considered the replacement value or estimated realizable value, whichever is lower.

Financial instruments -

The Church initially measures its financial assets and liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income. Financial assets and liabilities measured at amortized cost include cash, restricted cash, accounts receivable, HST recoverable, accounts payable, accrued expenses and long-term debt. The Church's financial instruments subsequently measured at fair value include cash denominated in a foreign currency.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Any reversal is recognized in net income. There are no impairments in the current year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition -

The Church follows the deferral method of accounting for donations.

- Unrestricted donations are recognized as revenue when received.
- Externally restricted donations are deferred and taken into revenue when the the funds are spent.
- Donations restricted for the purchase of capital assets are deferred and amortized into revenue at an amount equal to the amortization of that group of capital assets.
- Externally restricted donations used to purchase land are recorded as a direct increase in net assets invested in capital assets.
- Donated equipment and supplies are only recorded as revenue when the estimated fair market value of the items donated can be supported within the policy set out by the Charities Directorate of the Canada Revenue Agency.

Resource centre income comprises mainly of book sales and is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and when the risks and rewards of ownership have been transferred to the purchaser.

Interest income is recognized as revenue is earned and collection is reasonably assured.

Contributed services -

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

The accompanying notes are an integral part of these financial statements.

2. FINANCIAL RISK AND CONCENTRATION OF RISK

The Church is exposed to the following risks related to its financial assets and liabilities:

Credit risk -

Credit risk arises from the possibility that the entities from which the Church receives funds may experience financial difficulty and be unable to fulfil their contractual obligations. The Church's main credit risks relate to accounts receivable which are due from the Canada Revenue Agency regarding HST rebates and amounts due from related parties. The Church does not provide credit in the normal course of business. Management is of the opinion that credit risk is not a significant risk and there has been no change in the risk exposure from 2017.

Liquidity risk -

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly in respect of its long-term debt, accounts payable and accrued expenses. The Church expects to meet these obligations as they come due by generating sufficient cash flow from operations. The risk exposure has decreased from 2017 due to the decrease in long-term debt.

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: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Unfavourable changes in the applicable exchange rate may result in a decrease in any foreign exchange gain or an increase in any foreign exchange loss. The Church is exposed to foreign currency risk as industry related supplies may only be available from foreign vendors. There has been no change to the risk exposures from 2017.

The Organization does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. Management is of the opinion that interest rate risk is not a significant risk. The risk exposure from 2017 has decreased due to the decrease in long-term debt.

The accompanying notes are an integral part of these financial statements.

2. FINANCIAL RISK AND CONCENTRATION OF RISK (CONTINUED)

Other price risk -

Other 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management is of the opinion that the Church is not exposed to significant other price risk. There has been no change in the risk exposure from 2017.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2018	Net 2017
Buildings	$ 5,656,701	$ 562,704	$ 5,093,997	$ 5,023,204
Computer equipment	116,341	106,674	9,667	21,482
Land	1,140,945	0	1,140,945	1,140,945
Equipment	487,338	271,252	216,086	229,323
	$ 7,401,325	$ 940,630	$ 6,460,695	$ 6,414,954

Property, plant and equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Buildings	- 6% declining balance
Computer equipment	- 55% declining balance
Equipment	- 20% declining balance

The accompanying notes are an integral part of these financial statements.

4. DEFERRED CONTRIBUTIONS

The deferred contributions funds that were received but have not been disbursed for the designated purpose. These funds consist of the following:

	2018	2017
Cove Youth Initiative	4,501	0
Hope Fund	$ 6,768	$ 20,077
International Pastor Training	11,896	(201)
HBC Naples	0	3,640
	$ 23,165	$ 23,516

5. LONG-TERM DEBT

The long-term debt consists of the following:	2018	2017
First mortgage, Christian Stewardship Services, bearing interest at 5.00% per annum, repayable in monthly principal and interest payments of $7,270, secured by the land and building with a carrying value of $6,234,942, due December, 2021.	$ 1,196,754	$ 1,224,034
First mortgage, Stewards Canada, bearing interest at 5.00% per annum, repayable in monthly principal and interest payments of $7,270, secured by the land and building with a carrying value of $6,234,942, due December, 2021.	1,200,227	1,226,735
Second mortgage, construction loan from Christian Stewardship Services, bearing interest at 8.00% per annum, repayable in monthly principal and interest payments of $15,000, secured by the land and building with a carrying value of $6,234,942, due September, 2020.	757,090	872,527
Second mortgage, construction loan from Stewards Canada, bearing interest at 8.00% per annum, repayable in monthly principal and interest payments of $15,000, secured by the land and building with a carrying value of $6,234,942, due December, 2020.	768,420	881,975
	3,922,491	4,205,271
Less: current portion	304,363	282,781
	$ 3,618,128	$ 3,922,490

The accompanying notes are an integral part of these financial statements.

5. LONG-TERM DEBT (CONTINUED)

The minimum annual payments over the next three years with respect to the long-term debt are as follows:

2019	$ 304,363
2020	1,336,909
2021	2,281,219
	$ 3,922,491

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions include unamortized portions of restricted contributions used to purchase capital assets. These amounts are being amortized on the same basis as the capital assets to which they relate. The changes for the year are as follows:

	2018	2017
Beginning balance	$ 1,670,604	$ 0
Amount transferred from deferred contributions	577,372	1,918,500
Amortization of deferred capital contributions	(317,090)	(247,896)
	$ 1,930,886	$ 1,670,604

7. HIGH FIVE RECEIPTS AND DISBURSEMENTS SHOWN NET

Included in children and youth ministries is the net recovery (cost) of the High Five Day Camp. The following are the gross amounts for the related item.

	2018	2017
Gross receipts	$ 46,630	$ 39,480
Disbursements	45,288	48,579
Excess (deficiency) of receipts over disbursements	$ 1,342	$ (9,099)

The accompanying notes are an integral part of these financial statements.

8. NET ASSETS INVESTED IN PROPERTY, PLANT AND EQUIPMENT

The net assets invested in property, plant and equipment consists of the following:

	2018	2017
Net book value of property, plant and equipment	$ 6,460,695	$ 6,414,954
Long-term debt	(3,922,491)	(4,205,271)
Unamortized deferred contributions	(1,930,886)	(1,670,604)
Net assets invested in property, plant and equipment	$ 607,318	$ 539,079

Excess of receipts over disbursements from operations:

Amortization of property, plant and equipment	$ (377,453)	$ (296,158)
Amortization of deferred capital contributions	317,090	247,896
	$ (60,363)	$ (48,262)

The changes in net assets invested in property, plant and equipment is calculated as follows:

Purchase of property, plant and equipment	$ 436,553	$ 3,085,916
Disposal of capital assets	(13,360)	0
Deferred capital contributions received	(577,372)	(1,918,500)
Net new debt acquired in the year	0	(1,800,000)
Debt payments from operations	282,781	94,730
Use of internally restricted cash to purchase property, plant and equipment (net asset transfer)	0	(800,539)
Change in net assets invested in property, plant and equipment	$ 128,602	$(1,338,393)

9. INTERNALLY RESTRICTED - FUTURE FUND

The Church has restricted funds for future expenditures. Currently funds are set aside for the Future Fund. Cash has been restricted for this purpose as follows:

Internally restricted net assets - Future Fund	355,395	98,219

The accompanying notes are an integral part of these financial statements.