

HARVEST BIBLE CHAPEL YORK REGION INC.

2017 FINANCIAL STATEMENTS

NETHERCOTT & COMPANY

Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HARVEST BIBLE CHAPEL YORK REGION INC.

We have audited the accompanying financial statements of HARVEST BIBLE CHAPEL YORK REGION INC., which comprise the statement of financial position as at December 31, 2017, and the statement of income, expenditure and fund balances and statement of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian accounting standards for not-for-profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Church derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary for recorded donations, the excess of income over expenses, cash flows from operating activities for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and fund balances as at January 1 and December 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly, because of the possible effects of this scope limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of HARVEST BIBLE CHAPEL YORK REGION INC. as at December 31, 2017, 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.



Chartered Professional Accountants
Licensed Public Accountants

North York, Ontario
April 25, 2018

**HARVEST BIBLE CHAPEL YORK REGION INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	2017			2016
	GENERAL	CAPITAL	TOTAL	TOTAL
ASSETS				
CURRENT				
Cash	\$ 963,098	\$ -	\$ 963,098	\$ 594,158
HST recoverable	24,604	-	24,604	30,261
Prepaid expense	11,056	-	11,056	10,881
	998,758	-	998,758	635,300
HOUSING LOANS RECEIVABLE	-	-	-	20,000
CAPITAL ASSETS (Note 3)	-	1,629,376	1,629,376	1,655,680
	<u>\$ 998,758</u>	<u>\$ 1,629,376</u>	<u>\$ 2,628,134</u>	<u>\$ 2,310,980</u>

LIABILITIES AND FUND BALANCES

CURRENT				
Accounts payable and accrued	\$ 102,284	\$ -	\$ 102,284	\$ 89,521
FUND BALANCES	896,474	1,629,376	2,525,850	2,221,459
	<u>\$ 998,758</u>	<u>\$ 1,629,376</u>	<u>\$ 2,628,134</u>	<u>\$ 2,310,980</u>

APPROVED BY THE BOARD:

T. Rammanan
Director

[Signature]
Director

**HARVEST BIBLE CHAPEL YORK REGION INC.
STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017			2016
	GENERAL	CAPITAL	TOTAL	TOTAL
INCOME				
Contributions:				
Regular	\$ 1,588,202	\$ -	\$ 1,588,202	\$ 1,393,946
Newmarket campus	344,138	-	344,138	265,437
Special	183,720	-	183,720	240,935
Newmarket special	37,881	-	37,881	22,130
Designated - building	5,951	-	5,951	7,297
Miscellaneous	1,750	-	1,750	2,036
	<u>2,161,642</u>	<u>-</u>	<u>2,161,642</u>	<u>1,931,781</u>
EXPENDITURE				
Salaries and benefits (Schedule 1)	716,701	-	716,701	753,186
Church ministries (Schedule 1)	192,288	-	192,288	176,674
Mission support	194,473	-	194,473	235,319
Occupancy (Schedule 1)	89,604	-	89,604	83,233
Administration (Schedule 1)	86,149	-	86,149	86,527
Newmarket campus (Schedule 2)	382,019	-	382,019	298,672
Amortization -Markham Campus	-	164,546	164,546	156,823
-Newmarket campus	-	31,471	31,471	31,471
	<u>1,661,234</u>	<u>196,017</u>	<u>1,857,251</u>	<u>1,821,905</u>
NET INCOME (EXPENDITURE) BEFORE TRANSFERS	500,408	(196,017)	304,391	109,876
Inter-fund transfers	(169,713)	169,713	-	-
NET INCOME (EXPENDITURE) FOR YEAR	330,695	(26,304)	304,391	109,876
Fund balances, beginning of year	<u>565,779</u>	<u>1,655,680</u>	<u>2,221,459</u>	<u>2,111,583</u>
FUND BALANCES, END OF YEAR	<u>\$ 896,474</u>	<u>\$ 1,629,376</u>	<u>\$ 2,525,850</u>	<u>\$ 2,221,459</u>

**HARVEST BIBLE CHAPEL YORK REGION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH PROVIDED BY (USED FOR)		
Operating activities		
Net income (expenditure) for year	\$ 304,391	\$ 109,876
Items not affecting cash		
Amortization	<u>196,017</u>	<u>188,294</u>
	500,408	298,170
Changes in working capital from the following:		
HST recoverable	5,657	22,406
Prepaid expense	(175)	(379)
Housing loans receivable	20,000	8,000
Accounts payable and accrued	<u>12,763</u>	<u>66,577</u>
	538,653	394,774
Investing activities		
Purchase of capital assets	<u>(169,713)</u>	<u>(171,642)</u>
INCREASE IN CASH FOR YEAR	368,940	223,132
Cash, beginning of year	<u>594,158</u>	<u>371,026</u>
CASH, END OF YEAR	<u>\$ 963,098</u>	<u>\$ 594,158</u>

**HARVEST BIBLE CHAPEL YORK REGION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. ORGANIZATION AND PURPOSE

HARVEST BIBLE CHAPEL YORK REGION INC. (the Church) is incorporated as a not-for-profit corporation without share capital under PART II of the Canada Corporations Act and is registered with Canada Revenue Agency as a charitable organization thereby enabling the issuance of charitable receipts for donations received.

The mission of the Church is to preach and advance the teaching of the Christian faith and the religious tenets, doctrines, observances and culture associated with that faith, to establish, maintain and support a house of worship for that purpose and to support missions and missionaries.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

The Church follows the restricted fund method of accounting for contributions.

Basis of Accounting

The church follows the accrual basis of accounting.

Revenue Recognition

Contributions are recognized as revenue of the appropriate fund when received, or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital Assets

The capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution.

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Building	40 years
Furniture and equipment	5 years
Newmarket equipment	5 years
Newmarket vehicle	5 years

Contributed Services

These financial statements record revenue and expenses actually received and expended by the church. They do not reflect or represent the economic value of volunteer activities at large in carrying out the purposes and projects of the church.

**HARVEST BIBLE CHAPEL YORK REGION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount 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 reporting period. Actual results could differ from these estimates.

Financial Instruments

The Church measures its financial assets and financial liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value, if any, are recognized in the statement of operations.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accruals.

3. CAPITAL ASSETS

Capital assets are comprised of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 139,660	\$ -	\$ 139,660	\$ 139,660
Building	2,676,610	1,443,105	1,233,505	1,221,414
Furniture and equipment	488,155	296,048	192,107	199,032
Newmarket equipment	123,241	72,783	50,458	75,107
Newmarket vehicle	34,114	20,468	13,646	20,467
	<u>\$ 3,461,780</u>	<u>\$ 1,832,404</u>	<u>\$ 1,629,376</u>	<u>\$ 1,655,680</u>

4. MANAGEMENT OF RISK

Exposure and concentration of risks

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church's exposure to and concentration of risk at December 31, 2017.

**HARVEST BIBLE CHAPEL YORK REGION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. MANAGEMENT OF RISKS (continued)

(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's only receivable is for HST. Therefore the Church's management does not consider credit risk to be significant. There has been no change in the assessment of credit risk from the previous year.

(b) Liquidity Risk

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church expects to meet its obligations by managing its working capital and generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the previous 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 Church currently does not have any investments and maintains a nominal balance in its foreign currency account. Accordingly, the Church is not exposed to significant market risk.

6. SUBSEQUENT EVENT

Effective January 1, 2018 the Newmarket Campus is operating as a separate registered charity. The net assets held for them at December 31, 2017 will be transferred to them effective January 1, 2018. These include a housing loan receivable of \$12,000, capital assets with a net book value of \$64,104 and cash of \$68,323

**HARVEST BIBLE CHAPEL YORK REGION INC.
SCHEDULES OF EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2017**

SCHEDULE 1

	<u>2017</u>	<u>2016</u>
SALARIES AND BENEFITS		
Salaries	\$ 654,127	\$ 702,647
Employee benefits	57,895	48,839
Honorariums	4,679	1,700
	<u>716,701</u>	<u>753,186</u>
 CHURCH MINISTRIES		
Conferences and development	36,333	42,589
General ministries	46,120	21,951
Worship	21,928	28,677
Benevolence	11,417	14,471
Church supplies	10,430	13,715
Youth, Harvest Kids and Awana	39,095	33,405
Travel	11,374	7,079
HST and other	15,591	14,787
	<u>192,288</u>	<u>176,674</u>
 OCCUPANCY		
Repairs and maintenance	56,824	46,340
Utilities	22,351	26,050
Insurance	10,429	10,843
	<u>89,604</u>	<u>83,233</u>
 ADMINISTRATION		
Communications and equipment	57,300	56,356
Office supplies	10,095	8,050
Telephone	12,716	16,134
Accounting and legal	6,978	8,600
Bank charges	11,060	9,387
	<u>98,149</u>	<u>98,527</u>
Less: administration charge to Newmarket campus	<u>(12,000)</u>	<u>(12,000)</u>
	<u>\$ 86,149</u>	<u>\$ 86,527</u>

**HARVEST BIBLE CHAPEL YORK REGION INC.
 SCHEDULES OF EXPENDITURE
 FOR THE YEAR ENDED DECEMBER 31, 2017**

SCHEDULE 2

	<u>2017</u>	<u>2016</u>
NEWMARKET CAMPUS		
Salaries and benefits	\$ 166,004	\$ 142,806
Church ministries	37,823	23,279
Development, hospitality and travel	20,516	17,848
Mission support	27,500	-
Facilities and operations	89,547	89,216
Administration	40,629	25,523
	<u>\$ 382,019</u>	<u>\$ 298,672</u>