

Harvest Bible Chapel Oakville

Financial Statements

For the year ended December 31, 2016

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To the Members of
Harvest Bible Chapel Oakville

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Harvest Bible Chapel Oakville, which comprise the statement of financial position as at December 31, 2016 and the statements of receipts and expenditures, changes in net assets and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary to those revenues, and excess of receipts over expenditures for the year ended December 31, 2016, and assets and net assets at December 31, 2016.

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 Oakville as at December 31, 2016 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.

June 8, 2017
Burlington, Ontario

SB Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

Harvest Bible Chapel Oakville
Statement of Financial Position
December 31, 2016

Assets	2016	2015 (Note 20)
Current assets		
Cash and cash equivalents	\$ 881,737	\$ 1,967,914
Restricted cash and cash equivalents (Note 3)	-	83,938
Internally restricted cash and cash equivalents	549,868	-
Accounts receivable (Note 4)	623,826	162,037
Resource inventories	26,288	18,932
Prepaid expenses and deposits	67,172	56,650
Related party loans (Note 5)	39,325	-
	2,188,216	2,289,471
Capital assets (Note 6)	27,565,224	26,446,655
	\$ 29,753,440	\$ 28,736,126

Approved on Behalf of the Board

 Members

 Members

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



Liabilities		
	2016	2015 (Note 20)
Current liabilities		
Restricted operating loan (Note 7)	\$ 1,227,633	\$ -
Accounts payable and accrued liabilities (Note 8)	614,121	809,812
Related party loans (Note 9)	62,191	-
Current portion of long-term debt	497,988	497,500
	2,401,933	1,307,312
Deferred building campaign contributions (Note 10)	-	79,545
Deferred building campaign contributions related to capital assets (Note 11)	3,668,595	3,653,572
Long-term debt (Note 12)	8,000,972	8,498,960
	\$ 14,071,500	\$ 13,539,389
Net Assets		
Net assets invested in capital assets	\$ 15,397,669	\$ 13,796,623
Net assets internally restricted (Note 13)	549,868	-
Unrestricted net assets (deficit)	(265,597)	1,400,114
	15,681,940	15,196,737
	\$ 29,753,440	\$ 28,736,126

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



Harvest Bible Chapel Oakville
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Invested in Capital Assets	Internally Restricted (Note 13)	Unrestricted	2016 Total	2015 Total (Note 20)
Balance, beginning of year	\$13,796,623	\$ -	\$1,400,114	\$ 15,196,737	\$ 15,014,329
Excess of receipts over expenditures	(761,263)	-	1,638,727	877,464	182,408
Deferred contributions used to purchase capital assets	(164,455)	-	164,455	-	-
Transfer to internally restricted	-	549,868	(549,868)	-	-
Repayment of mortgage payable	497,500	-	(497,500)	-	-
Purchase of capital assets	2,157,040	-	(2,157,040)	-	-
Transfer of funds invested in capital assets and unrestricted funds to Brantford (Note 19)	(64,212)	-	1,461	(62,751)	-
Transfer of funds invested in capital assets and unrestricted funds to Toronto West (Note 19)	(63,564)	-	(265,946)	(329,510)	-
Balance, end of year	\$15,397,669	\$ 549,868	\$(265,597)	\$ 15,681,940	\$ 15,196,737

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



Harvest Bible Chapel Oakville
Statement of Receipts and Expenditures
Year Ended December 31, 2016

	2016	2015 (Note 20)
Receipts		
Offerings	\$ 7,881,958	\$ 6,824,749
Other income	36,008	43,603
Amortization of deferred capital contributions	149,432	150,537
	8,067,398	7,018,889
Expenditures		
Administration	390,896	306,853
Adult ministries	100,498	73,084
Amortization	910,695	913,401
Building and property	538,205	518,249
Family ministries	108,920	111,263
Hospitality	37,765	28,789
Interest on long-term debt	430,587	449,054
Ministry operations	3,378,569	3,022,593
Missions	1,234,989	1,369,840
Worship and production	58,810	72,340
	7,189,934	6,865,466
Excess of receipts over expenditures for the year before discontinued operations	877,464	153,423
Discontinued operations (Note 19)	-	28,985
Excess of receipts over expenditures for the year	\$ 877,464	\$ 182,408

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



Harvest Bible Chapel Oakville

Statement of Cash Flows

Year Ended December 31, 2016

	2016	2015 (Note 20)
Cash flows from operating activities		
Excess of receipts over expenditures for the year	\$ 877,464	\$ 182,408
Charges not involving cash		
Amortization	910,695	964,538
Amortization of deferred capital contributions	(149,432)	(150,537)
	1,638,727	996,409
Net change in accounts receivable	(461,789)	1,528
Net change in resource inventories	(7,356)	3,150
Net change in accounts payable and accrued liabilities	(195,691)	282,467
Net change in other operating working capital balances	(10,522)	(7,571)
	963,369	1,275,983
Cash flows from financing activities		
Net change in long-term debt	22,866	94,090
Proceeds on issuance of operating loan	1,227,633	-
Repayments of long-term debt	(497,500)	(497,500)
	752,999	(403,410)
Cash flows from investing activities		
Disbursement of funds to Brantford church	1,461	-
Disbursement of funds to Toronto West church	(265,946)	-
Purchase of capital assets	(2,157,040)	(180,732)
Increase in deferred building campaign contributions	84,910	102,292
	(2,336,615)	(78,440)
Net increase (decrease) in cash and cash equivalents	(620,247)	794,133
Cash and cash equivalents, beginning of year	2,051,852	1,257,719
Cash and cash equivalents, end of year	\$ 1,431,605	\$ 2,051,852
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 881,737	\$ 1,967,914
Restricted cash and cash equivalents	-	83,938
Internally restricted cash and cash equivalents	549,868	-
	\$ 1,431,605	\$ 2,051,852

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



Harvest Bible Chapel Oakville

Notes to Financial Statements

Year Ended December 31, 2016

1. Purpose of organization

Harvest Bible Chapel Oakville (the "Church") is registered as a charitable organization under the Canadian Income Tax Act.

The focus of the ministry at Harvest Bible Chapel Oakville is to glorify God through the fulfillment of the Great Commission (Matthew 28:19-20) in the spirit of the Great Commandment (Matthew 22:37-39). This is fulfilled as disciples of Jesus Christ are made. God is glorified as we manifest His presence in doing so (2 Timothy 2:2; 1 Corinthians 10:31).

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with banks.

Resource inventories

Inventories are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

Financial instruments

The Church's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt. Financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

Capital assets

Capital assets are recorded at cost. Amortization is provided as follows:

Building and parking lots	4% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	3 year straight-line
Sound equipment	30% declining balance
Vehicles	30% declining balance

One-half the normal rate of amortization is provided for in the year of acquisition.

Revenue recognition

The Church follows the deferral method of accounting for contributions. Restricted donations received are recognized as revenue in the period in which the related expenses are incurred. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.



Harvest Bible Chapel Oakville
Notes to Financial Statements
Year Ended December 31, 2016

2. Significant accounting policies (cont'd.)

Deferred capital contributions

Deferred capital contributions consist of restricted donations which are received for the purpose of future expansion of the Church. These contributions are deferred until the future purchase of capital assets occurs, at which point they are transferred to deferred capital contributions related to capital assets and amortized at a rate corresponding to the amortization of the related capital assets.

Contributed services

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

Income taxes

The Church is a not-for-profit organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Church must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

Use of estimates

The preparation of financial statements 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 revenues and expense during the period. Actual results could differ from those estimates.

3. Restricted cash and cash equivalents

Included in cash and cash equivalents balances is \$Nil (2015 - \$83,938) in cash, which has been donated towards the construction of the new Church facility.

4. Accounts receivable

	2016	2015
Accounts receivable	\$ 215,703	\$ 81,057
H.S.T. receivable	309,161	76,551
Other receivables	98,962	4,429
	\$ 623,826	\$ 162,037



Harvest Bible Chapel Oakville
Notes to Financial Statements
Year Ended December 31, 2016

5. Related party loans

	2016	2015
Due from Harvest Bible Chapel Brantford	\$ 39,325	\$ -

The Church is related to Harvest Bible Chapel Brantford as it has the ability to exercise significant influence due to the existence common members on the Elder Boards.

Related party loans are unsecured, non-interest bearing, and have no set terms of repayment. Management anticipates that the amounts due from related parties will be repaid during the next fiscal year.

6. Capital assets

	Cost	Accumulated Amortization	2016	2015
Land	\$ 7,928,211	\$ -	\$ 7,928,211	\$ 7,928,211
Building and parking lots	22,222,466	3,135,069	19,087,397	17,846,268
Computer equipment	162,569	104,021	58,548	74,768
Furniture and fixtures	741,797	458,663	283,134	293,717
Leasehold improvements	-	-	-	25,600
Sound equipment	813,446	616,642	196,804	275,639
Vehicles	28,238	17,108	11,130	2,452
	\$ 31,896,727	\$ 4,331,503	\$ 27,565,224	\$ 26,446,655

7. Operating loan

The Church has a credit facility agreement with TD Bank. Under this agreement, the Church has available the following borrowing facilities:

- (a) A bank operating loan (maximum of \$300,000), due on demand, bearing interest at bank prime plus 0.85% per annum. As at December 31, 2016, there have been no funds drawn on this facility.
- (b) Letter of guarantee in the amount of \$210,055, due on demand.
- (c) A commercial mortgage (maximum of \$8,905,250), the terms of the commercial mortgage are described in note 12.
- (d) A bank operating loan (maximum of \$1,250,000), due on demand, bearing interest at bank prime plus 0.85% per annum. In the absence of a demand, this facility is to be fully repaid and cancelled by September 30, 2018. As at December 31, 2016, there was \$1,227,633 drawn on this facility. Funds drawn on this facility are restricted to be used to finance capital expenditures.



Harvest Bible Chapel Oakville

Notes to Financial Statements

Year Ended December 31, 2016

7. Operating loan (cont'd.)

This facility is secured by a General Security Agreement; a continuing collateral mortgage representing a first charge on property located at 500 Great Lakes Blvd., Oakville in the principal amount of \$15,000,000; assignment of fire and liability insurance in the minimum amount of \$11,000,000; and evidence of business insurance in the minimum amount of \$5,000,000.

The Church is required to meet a debt service coverage ratio under this agreement. The Church is in compliance with this covenant as of December 31, 2016.

8. Accounts payable and accrued liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 460,228	\$ 718,987
Payroll deductions payable	68,275	59,416
Deferred income	85,618	31,409
	<hr/>	
	\$ 614,121	\$ 809,812

9. Related party loans

	2016	2015
Due to Harvest Bible Chapel Toronto West	\$ 62,191	\$ -

The Church is related to Harvest Bible Chapel Toronto West as it has the ability to exercise significant influence due to the existence common members on the Elder Boards.

Related party loans are unsecured, non-interest bearing, and have no set terms of repayment. Management anticipates that the amounts due to related parties will be repaid during the next fiscal year.

10. Deferred building campaign contributions

Deferred building campaign contributions represent unspent resources restricted for the purchase of capital assets. Changes in the deferred building campaign contributions balance are as follows:

	2016	2015
Balance, beginning of year	\$ 79,545	\$ 58,604
Additional contributions received	84,910	102,292
Amounts used to fund capital asset purchases	(164,455)	(81,351)
	<hr/>	
Balance, end of year	\$ -	\$ 79,545



Harvest Bible Chapel Oakville

Notes to Financial Statements

Year Ended December 31, 2016

11. Deferred building campaign contributions related to capital assets

Deferred building campaign contributions related to capital assets represent restricted contributions used to purchase capital assets. Changes in the deferred building campaign contributions related to capital assets balance are as follows:

	2016	2015
Balance, beginning of year	\$ 3,653,572	\$ 3,722,758
Amounts used to fund capital asset purchases	164,455	81,351
Amounts amortized to revenue	(149,432)	(150,537)
Balance, end of year	\$ 3,668,595	\$ 3,653,572

12. Long-term debt

	Current Requirements	2016	2015
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.91%, due December 2019	\$ 99,500	\$ 1,699,792	\$ 1,799,292
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.90%, due January 2021	99,500	1,699,792	1,799,292
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.37%, due January 2017	99,988	1,699,792	1,799,292
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.85%, due January 2018	99,500	1,699,792	1,799,292
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 5.14%, due January 2019	99,500	1,699,792	1,799,292
	\$ 497,988	8,498,960	8,996,460
Less: Current portion		(497,988)	(497,500)
		\$ 8,000,972	\$ 8,498,960

Subsequent to year-end, the Church renewed its mortgage that expired in January 2017 for a term of 60 months, bearing interest at a rate of 5.05% and monthly principal repayments of \$8,332.



Harvest Bible Chapel Oakville
Notes to Financial Statements
Year Ended December 31, 2016

12. Long-term debt (cont'd.)

Minimum required principal repayments are as follows:

2017	\$	497,988
2018		1,998,779
2019		1,799,779
2020		1,600,779
2021		1,401,779
Thereafter		1,199,856

\$ 8,498,960

The above mortgages have the same security and covenant requirements as described in Note 7.

13. Net assets internally restricted

The Church has designated these funds to be reserved for future Missions expenditures.

14. Invested in capital assets

	2016	2015
Capital assets, net	\$ 27,565,224	\$ 26,446,655
Less: amounts funded by deferred building campaign contributions related to capital assets	(3,668,595)	(3,653,572)
Less: amounts funded by long-term debt	(497,988)	(577,045)
	\$ 23,398,641	\$ 22,216,038

15. Operating lease commitments

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

	Premises		Equipment	
2017	\$	37,173	\$	10,403
2018		-		9,468
2019		-		9,468
2020		-		3,945

\$ 37,173 \$ 33,284

16. Contingent liabilities

The church has a letter of guarantee to the City of Oakville for \$210,055. This guarantee is due on demand and is a security deposit related to the 500 Great Lakes property.



Harvest Bible Chapel Oakville

Notes to Financial Statements

Year Ended December 31, 2016

17. Related party transactions

During the year, the Church entered into transactions with related parties in the normal course of operations. These transactions, accounted for at their exchange amount, which is the amount of consideration established and agreed to by the related parties, are as follows:

	2016	2015
Professional fees received from Harvest Bible Chapel Brantford (associated Church)	\$ 15,000	\$ -
Professional fees received from Harvest Bible Chapel Toronto West (associated Church)	\$ 15,000	\$ -

18. Financial instruments

The Church's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, restricted operating loan and accounts payable and accrued liabilities.

Liquidity risk

The Church's exposure to liquidity risk is dependent on purchasing commitments and obligations for raising of funds to meet commitments and sustain operations. The Church controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant credit, interest, market, or currency risks.



Harvest Bible Chapel Oakville

Notes to Financial Statements

Year Ended December 31, 2016

19. Discontinued operations

As of January 1, 2016 the Church's Brantford and Toronto West plants branched out on their own as Harvest Bible Chapel Brantford ("Brantford") and Harvest Bible Chapel Toronto West ("Toronto West") respectively.

As of January 1, 2016, the Church transferred Brantford's capital assets to Brantford at their net book value of \$64,212. Brantford's accumulated deficit in unrestricted net assets of \$1,461 at January 1, 2016 was also transferred.

As of January 1, 2016, the Church transferred Toronto West's capital assets to Toronto West at their net book value of \$63,564. Toronto West's accumulated surplus in unrestricted net assets of \$265,946 at January 1, 2016 was also transferred.

Net assets as of January 1, 2016:

	Toronto West	Brantford	Total
Cash and cash equivalents	336,786	23,368	360,154
Related party loans	(16,706)	367	(16,339)
Prepaid expenses and deposits	2,248	1,078	3,326
Capital assets (net book value)	63,564	64,212	127,776
Accounts payable and accrued liabilities	(56,382)	(26,274)	(82,656)
Net assets invested in capital assets	63,564	64,212	127,776
Unrestricted net assets (deficit)	265,946	(1,461)	264,485

The comparative figures for 2015 pertaining to the discontinued operations are as follows:

	Toronto West	Brantford	Total
Receipts			
Offerings	662,179	486,822	1,149,001
Other income	190	10	200
	662,369	486,832	1,149,201
Expenditures			
Administration	41,704	45,730	87,434
Adult ministries	4,280	17,699	21,979
Amortization	27,676	23,461	51,137
Building and property	133,969	76,032	210,001
Family ministries	4,038	12,083	16,121
Hospitality	6,009	5,287	11,296
Ministry operations	307,787	272,477	580,264
Missions	86,636	34,083	120,719
Worship and production	8,129	13,136	21,265
	620,228	499,988	1,120,216
Excess (deficiency) of receipts over expenditures for the year	42,141	(13,156)	28,985



Harvest Bible Chapel Oakville
Notes to Financial Statements
Year Ended December 31, 2016

20. Comparative information

The comparative figures for 2015 have been reclassified where necessary to conform with the 2016 financial statement presentation.





To the Members of
Harvest Bible Chapel Oakville

Additional Comments of Auditors for the Year Ended December 31, 2016

The accompanying schedule of receipts and expenditures by church is presented as supplementary information only to display the results of each individual church. In this respect, it does not form part of the financial statements of Harvest Bible Chapel Oakville for the year ended December 31, 2016 and hence is excluded from the opinion expressed in our report dated June 8, 2017 to the Members on such financial statements. The information in this schedule has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the Church and, in our opinion, is fairly presented in all respects material to those financial statements.

June 8, 2017
Burlington, Ontario

SB Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

Harvest Bible Chapel Oakville

Schedule of Receipts and Expenditures by Church

Year Ended December 31, 2016

(Unaudited - see additional comments of Auditors)

	Oakville	Kelowna	Total
Receipts			
Offerings	\$ 7,598,110	\$ 283,848	\$ 7,881,958
Other income	35,077	931	36,008
Amortization of deferred capital contributions	149,432	-	149,432
	7,782,619	284,779	8,067,398
Expenditures			
Administration	364,937	25,959	390,896
Adult ministries	100,153	345	100,498
Amortization	893,267	17,428	910,695
Building and property	493,959	44,246	538,205
Family ministries	107,070	1,850	108,920
Hospitality	37,319	446	37,765
Interest on bank indebtedness	430,587	-	430,587
Ministry consolidation	(10,000)	10,000	-
Ministry operations	3,239,089	139,480	3,378,569
Missions	1,226,419	8,570	1,234,989
Worship and production	49,801	9,009	58,810
	6,932,601	257,333	7,189,934
Excess of receipts over expenditures for the year	\$ 850,018	\$ 27,446	\$ 877,464

