

# Harvest Bible Chapel Oakville

## Financial Statements

For the year ended December 31, 2017

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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, 2017 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, 2017, and assets and net assets at December 31, 2017.

**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, 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.

June 11, 2018  
Burlington, Ontario

*SB Partners LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**Harvest Bible Chapel Oakville**  
**Statement of Financial Position**  
**December 31, 2017**

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	<b>Assets</b>	
	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 798,370	\$ 881,737
Internally restricted cash and cash equivalents	630,528	549,868
Accounts receivable (Note 3)	158,822	623,826
Resource inventories	28,926	26,288
Prepaid expenses and deposits	76,498	67,172
Related party loans (Note 4)	4,620	39,325
	<b>1,697,764</b>	<b>2,188,216</b>
<b>Capital assets (Note 5)</b>	<b>26,825,732</b>	<b>27,565,224</b>
	<b>\$ 28,523,496</b>	<b>\$ 29,753,440</b>

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Approved on Behalf of the Board

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Members

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Members

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



<b>Liabilities</b>			
	<b>2017</b>	<b>2016</b>	
<b>Current liabilities</b>			
Restricted operating loan (Note 6)	\$ 271,762	\$ 1,227,633	
Accounts payable and accrued liabilities (Note 7)	521,811	614,121	
Related party loans (Note 8)	14,350	62,191	
Current portion of long-term debt	497,988	497,988	
	<b>1,305,911</b>	2,401,933	
<b>Deferred building campaign contributions related to capital assets (Note 9)</b>	<b>3,570,099</b>	3,668,595	
<b>Long-term debt (Note 10)</b>	<b>7,503,021</b>	8,000,972	
	<b>\$ 12,379,031</b>	\$ 14,071,500	
<b>Net Assets</b>			
Net assets invested in capital assets	\$ 15,254,624	\$ 15,397,669	
Net assets internally restricted (Note 11)	630,528	549,868	
Unrestricted net assets (deficit)	259,313	(265,597)	
	<b>16,144,465</b>	15,681,940	
	<b>\$ 28,523,496</b>	\$ 29,753,440	

*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, 2017**

	Invested in Capital Assets	Internally Restricted (Note 11)	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$15,397,669	\$ 549,868	\$(265,597)	\$ 15,681,940	\$ 15,196,737
Excess of receipts over expenditures	(778,773)	-	1,241,298	462,525	877,464
Deferred contributions used to purchase capital assets	(49,232)	-	49,232	-	-
Transfer to internally restricted	-	80,660	(80,660)	-	-
Repayment of mortgage payable	497,947	-	(497,947)	-	-
Purchase of capital assets	187,013	-	(187,013)	-	-
Transfer of funds invested in capital assets and unrestricted funds to Brantford	-	-	-	-	(62,751)
Transfer of funds invested in capital assets and unrestricted funds to Toronto West	-	-	-	-	(329,510)
<b>Balance, end of year</b>	<b>\$15,254,624</b>	<b>\$ 630,528</b>	<b>\$259,313</b>	<b>\$ 16,144,465</b>	<b>\$ 15,681,940</b>

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



## Harvest Bible Chapel Oakville

### Statement of Receipts and Expenditures

Year Ended December 31, 2017

	2017	2016
<b>Receipts</b>		
Offerings	\$ 8,708,609	\$ 7,881,958
Other income	19,973	36,008
Amortization of deferred capital contributions	147,728	149,432
	<b>8,876,310</b>	<b>8,067,398</b>
<b>Expenditures</b>		
Administration	409,453	390,896
Adult ministries	91,658	100,498
Amortization	926,501	910,695
Building and property	618,389	538,205
Family ministries	108,021	108,920
Hospitality	27,230	37,765
Interest on bank indebtedness	33,562	-
Interest on long-term debt	396,161	430,587
Ministry operations	3,798,498	3,378,569
Missions	1,922,718	1,234,989
Worship and production	81,594	58,810
	<b>8,413,785</b>	<b>7,189,934</b>
<b>Excess of receipts over expenditures for the year</b>	<b>\$ 462,525</b>	<b>\$ 877,464</b>

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



# Harvest Bible Chapel Oakville

## Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
<b>Cash flows from operating activities</b>		
Excess of receipts over expenditures for the year	\$ 462,525	\$ 877,464
Charges not involving cash		
Amortization	926,501	910,695
Amortization of deferred capital contributions	(147,728)	(149,432)
	<b>1,241,298</b>	1,638,727
Net change in accounts receivable	465,004	(461,789)
Net change in resource inventories	(2,638)	(7,356)
Net change in accounts payable and accrued liabilities	(92,310)	(195,691)
Net change in other operating working capital balances	(9,326)	(10,522)
	<b>1,602,028</b>	963,369
<b>Cash flows from financing activities</b>		
Net change in long-term debt	(13,136)	22,866
(Repayment of) proceeds on issuance of operating loan	(955,871)	1,227,633
Repayments of long-term debt	(497,947)	(497,500)
	<b>(1,466,954)</b>	752,999
<b>Cash flows from investing activities</b>		
Disbursement of funds to Brantford church	-	1,461
Disbursement of funds to Toronto West church	-	(265,946)
Purchase of capital assets	(187,013)	(2,157,040)
Increase in deferred building campaign contributions	49,232	84,910
	<b>(137,781)</b>	(2,336,615)
<b>Net decrease in cash and cash equivalents</b>	<b>(2,707)</b>	(620,247)
<b>Cash and cash equivalents, beginning of year</b>	<b>1,431,605</b>	2,051,852
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,428,898</b>	\$ 1,431,605
<b>Cash and cash equivalents consist of:</b>		
Cash and cash equivalents	\$ 798,370	\$ 881,737
Internally restricted cash and cash equivalents	630,528	549,868
	<b>\$ 1,428,898</b>	\$ 1,431,605

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



# Harvest Bible Chapel Oakville

## Notes to Financial Statements

Year Ended December 31, 2017

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### 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, 2017**

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**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. Accounts receivable**

	<b>2017</b>	<b>2016</b>
Accounts receivable	\$ 74,917	\$ 215,703
H.S.T. receivable	64,813	309,161
Other receivables	19,092	98,962
	<b>\$ 158,822</b>	<b>\$ 623,826</b>

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**Harvest Bible Chapel Oakville**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**4. Related party loans**

	<b>2017</b>	<b>2016</b>
Due from Harvest Bible Chapel Brantford	\$ 4,620	\$ 39,325

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The Church is related to Harvest Bible Chapel Brantford as it has the ability to exercise significant influence due to the existence of 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.

**5. Capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2017</b>	<b>2016</b>
Land	\$ 7,928,211	\$ -	\$ 7,928,211	\$ 7,928,211
Building and parking lots	22,223,635	3,898,565	18,325,070	19,087,397
Computer equipment	208,061	128,749	79,312	58,548
Furniture and fixtures	777,444	518,855	258,589	283,134
Sound equipment	918,147	691,388	226,759	196,804
Vehicles	28,238	20,447	7,791	11,130
	<b>\$ 32,083,736</b>	<b>\$ 5,258,004</b>	<b>\$ 26,825,732</b>	<b>\$ 27,565,224</b>

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**6. 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, 2017, 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 10.
- (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, 2017, there was \$271,762 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, 2017

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#### 6. 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, 2017.

#### 7. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	\$ 266,211	\$ 460,228
Payroll deductions payable	42,866	68,275
Payroll liability	111,638	-
Deferred income	101,096	85,618
	<u>\$ 521,811</u>	<u>\$ 614,121</u>

#### 8. Related party loans

	2017	2016
Due to Harvest Bible Chapel Toronto West	\$ 14,350	\$ 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 of 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.

#### 9. 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:

	2017	2016
Balance, beginning of year	\$ 3,668,595	\$ 3,653,572
Additional contributions received	49,232	164,455
Amounts amortized to revenue	(147,728)	(149,432)
Balance, end of year	<u>\$ 3,570,099</u>	<u>\$ 3,668,595</u>



## Harvest Bible Chapel Oakville

### Notes to Financial Statements

Year Ended December 31, 2017

10. Long-term debt	Current Requirements	2017	2016
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.91%, due December 2019	\$ 99,500	\$ 1,600,291	\$ 1,699,792
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.90%, due January 2021	99,500	1,599,357	1,699,792
TD Mortgage, repayable in monthly principal payments of \$8,332, plus interest at 5.05%, due January 2022	99,988	1,600,779	1,699,792
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 4.85%, due January 2018	99,500	1,600,291	1,699,792
TD Mortgage, repayable in monthly principal payments of \$8,292, plus interest at 5.14%, due January 2019	99,500	1,600,291	1,699,792
	\$ 497,988	8,001,009	8,498,960
Less: Current portion		(497,988)	(497,988)
		\$ 7,503,021	\$ 8,000,972

Subsequent to year-end, the Church renewed its mortgage that expired in January 2018 for a term of 12 months, bearing interest at a rate of 4.92% and monthly principal repayments of \$8,335.

Minimum required principal repayments are as follows:

2018	\$ 497,988
2019	3,300,571
2020	1,600,779
2021	1,401,779
2022	99,988
Thereafter	1,099,904
	\$ 8,001,009

The above mortgages have the same security and covenant requirements as described in Note 6.

### 11. Net assets internally restricted

The Church has designated these funds to be reserved for future expenditures, consistent with the objectives of its' ministry.



**Harvest Bible Chapel Oakville**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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**12. Invested in capital assets**

	<b>2017</b>	<b>2016</b>
Capital assets, net	\$ <b>26,825,732</b>	\$ 27,565,224
Less: amounts funded by deferred building campaign contributions related to capital assets	<b>(3,570,099)</b>	(3,668,595)
Less: amounts funded by long-term debt	<b>(8,001,009)</b>	(8,498,960)
	<b>\$ 15,254,624</b>	\$ 15,397,669

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**13. 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:

	<b>Premises</b>		<b>Equipment</b>	
<b>2018</b>	\$ 35,490		\$ 3,348	
<b>2019</b>	-		3,348	
<b>2020</b>	-		3,348	
<b>2021</b>	-		3,348	
<b>2022</b>	-		3,069	
	<b>\$ 35,490</b>		<b>\$ 16,461</b>	

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**14. 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.

**15. 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:

	<b>2017</b>	<b>2016</b>
Professional fees received from Harvest Bible Chapel Brantford (associated Church)	\$ <b>15,000</b>	\$ 15,000
Professional fees received from Harvest Bible Chapel Toronto West (associated Church)	\$ <b>15,000</b>	\$ 15,000



## Harvest Bible Chapel Oakville

### Notes to Financial Statements

Year Ended December 31, 2017

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#### 16. 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.





To the Members of  
Harvest Bible Chapel Oakville

**Additional Comments of Auditors for the Year Ended December 31, 2017**

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, 2017 and hence is excluded from the opinion expressed in our report dated June 11, 2018 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 11, 2018  
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, 2017

(Unaudited - see additional comments of Auditors)

	Oakville	Kelowna	Ottawa	Total
<b>Receipts</b>				
Offerings	\$8,231,690	\$ 341,123	\$ 136,328	<b>\$8,709,141</b>
Other income	19,951	22	-	<b>19,973</b>
Amortization of deferred capital contributions	147,728	-	-	<b>147,728</b>
	<b>8,399,369</b>	<b>341,145</b>	<b>136,328</b>	<b>8,876,842</b>
<b>Expenditures</b>				
Administration	374,206	22,251	12,997	<b>409,454</b>
Adult ministries	91,538	(253)	373	<b>91,658</b>
Amortization	904,520	14,008	7,973	<b>926,501</b>
Building and property	518,419	49,416	50,554	<b>618,389</b>
Family ministries	104,004	1,253	2,765	<b>108,022</b>
Hospitality	22,629	2,013	2,588	<b>27,230</b>
Interest on bank indebtedness	33,562	-	-	<b>33,562</b>
Interest on long-term debt	396,161	-	-	<b>396,161</b>
Ministry operations	3,534,441	157,918	106,139	<b>3,798,498</b>
Missions	1,912,055	10,326	337	<b>1,922,718</b>
Worship and production	68,480	2,950	10,464	<b>81,894</b>
	<b>7,960,015</b>	<b>259,882</b>	<b>194,190</b>	<b>8,414,087</b>
<b>Excess of receipts over expenditures for the year</b>	<b>\$ 439,354</b>	<b>\$ 81,263</b>	<b>\$ (57,862)</b>	<b>\$ 462,755</b>

