

Financial Statements of

CALVARY TEMPLE WINNIPEG INC.

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Calvary Temple Winnipeg Inc.

We have audited the accompanying financial statements of Calvary Temple Winnipeg Inc., which comprise the statement of financial position as at December 31, 2016, and the statement of operations and deficit for the General Fund, statements of operation and surplus for the Building Fund and Missionary Fund, and statement of cash flows for the year then ended, and the notes to the financial statements.

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 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 not-for-profit organizations, Calvary Temple Winnipeg Inc., derives revenue from donations and fundraising activities 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 Calvary Temple Winnipeg Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of receipts over disbursements, or cash flows from operations for the year ended December 31, 2016, and surplus (deficit) as 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 Calvary Temple Winnipeg Inc. 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.



Chartered Professional Accountants

February 21, 2017
Winnipeg, Manitoba

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CALVARY TEMPLE WINNIPEG INC.
General Fund
Statement of Operations and Deficit
Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
RECEIPTS		
Church tithes and offerings	\$ 2,496,085	\$ 2,578,125
Bequests	28,192	132,616
Media ministries	47,039	42,755
Designated offerings	58,758	75,505
Fees, interest and other	298,416	318,951
	2,928,490	3,147,952
DISBURSEMENTS		
Advertising and promotion	653	1,096
Building expenses - see Schedule 1	371,637	379,472
Conference and travel	15,258	18,218
Donations and grants	81,664	78,255
Dues and subscriptions	13,861	12,549
Gifts and farewells	16,283	10,709
Hospitality	15,222	13,817
Media ministries	110,636	135,699
Mileage	17,090	19,288
Other operating expenses - see Schedule 1	140,396	122,600
Program costs - see Schedule 1	367,406	352,103
Salaries and benefits - see Schedule 1	1,624,368	1,527,526
Scholarships and sponsorships	2,638	1,888
Sick and needy	27,366	48,120
Speakers, singers, musicians	55,542	51,011
Tithe	229,559	239,934
Transportation	52,284	61,911
	3,141,863	3,074,196
(DEFICIENCY) EXCESS OF		
RECEIPTS OVER DISBURSEMENTS		
BEFORE DEPRECIATION	(213,373)	73,756
DEPRECIATION	(104,262)	(96,936)
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(317,635)	(23,180)
DEFICIT, BEGINNING OF YEAR	(310,706)	(287,526)
DEFICIT, END OF YEAR	\$ (628,341)	\$ (310,706)

CALVARY TEMPLE WINNIPEG INC.
Building Fund
Statement of Operations and Surplus
Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
RECEIPTS		
Church offerings	\$ 33,554	\$ 25,712
Camp building offerings	405,293	173,382
Parking lot rentals and fees	62,646	14,440
	<u>501,493</u>	<u>213,534</u>
DISBURSEMENTS		
Interest on long-term debt	35,079	-
Property taxes	103,726	25,424
	<u>138,805</u>	<u>25,424</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS BEFORE DEPRECIATION	<u>362,688</u>	<u>188,110</u>
DEPRECIATION		
Parking lots	43,369	21,789
Buildings and building improvements	138,982	83,452
	<u>182,351</u>	<u>105,241</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS BEFORE UNDERNOTED	<u>180,337</u>	<u>82,869</u>
GAIN ON DISPOSAL OF FIXED ASSETS (Note 9)	<u>386,297</u>	<u>967,480</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>566,634</u>	<u>1,050,349</u>
SURPLUS, BEGINNING OF YEAR	<u>7,041,817</u>	<u>5,991,468</u>
SURPLUS, END OF YEAR	<u>\$ 7,608,451</u>	<u>\$ 7,041,817</u>

CALVARY TEMPLE WINNIPEG INC.
Missionary Fund
Statement of Operations and Surplus
Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
RECEIPTS		
Designated	\$ 202,938	\$ 251,947
Undesignated	307,991	342,090
	510,929	594,037
DISBURSEMENTS		
Shared Funding (PAOC)		
Chaloner, Stephen and Heather	45,000	50,004
Courey, David	18,100	9,000
Davies, Dan and Donna - Liberia	6,000	6,000
Desrosiers, Darrell and Sharon	10,000	24,000
Dewit, Peter and Patricia	24,800	24,695
ERDO	12,000	12,000
Guskjolen, Jim and Colleen	9,500	6,000
Hilsden, Wayne and Anne	8,678	8,113
Kerr, John and Ruth	10,086	10,336
Kohls, Paul & Lynn - Nairobi	7,950	5,500
ERDO - Disaster Relief	10,978	13,358
ERDO PAOC	560	1,080
ERDO - It's Not Your Birthday	3,960	2,475
Other PAOC designations	675	7,635
Shared Funding (Other) - see Schedule 2	103,883	132,004
Family Business		
Alfred Flett Ministries	25,454	23,204
Cuba	26,542	19,692
Jamaica	32,874	15,948
New immigrant	12,320	1,215
Canadian Food Grains Bank	12,513	-
James Okot mission trips	34,410	15,728
WGE - Andrew Friesen	39,545	42,233
Africa Seeds	18,827	-
Jill Wiebe, Baby Watoto	1,350	6,710
Other Family Business	2,359	1,400
Tambov mission trip	3,064	-
Panama	5,802	-
Other Designations - see Schedule 2	60,777	91,416
	548,007	529,745
(DEFICIENCY) EXCESS OF		
RECEIPTS OVER DISBURSEMENTS	(37,078)	64,292
SURPLUS, BEGINNING OF YEAR	90,026	25,734
SURPLUS, END OF YEAR	\$ 52,948	\$ 90,026

CALVARY TEMPLE WINNIPEG INC.**Statement of Financial Position**

December 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash	\$ 4,885	\$ 519,034
Short-term investments (Note 4)	10,542	10,478
Accounts receivable	91,799	271,726
Prepaid expenses	10,183	2,637
	<u>117,409</u>	<u>803,875</u>
FIXED ASSETS (Note 5)	9,172,188	6,695,283
	<u>\$ 9,289,597</u>	<u>\$ 7,499,158</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 203,956	\$ 588,042
Government remittances payable	34,272	23,278
Current portion of long-term debt (Note 7)	103,896	-
	<u>342,124</u>	<u>611,320</u>
ACCRUED BENEFIT OBLIGATION (Note 6)	44,285	66,701
LONG-TERM DEBT (Note 7)	1,870,130	-
	<u>2,256,539</u>	<u>678,021</u>
(DEFICIT) SURPLUS		
GENERAL	(628,341)	(310,706)
BUILDING	7,608,451	7,041,817
MISSIONARY	52,948	90,026
	<u>7,033,058</u>	<u>6,821,137</u>
	<u>\$ 9,289,597</u>	<u>\$ 7,499,158</u>

APPROVED BY THE BOARD

..... Director

..... Director

CALVARY TEMPLE WINNIPEG INC.**Statement of Cash Flows**

Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
(Deficiency) excess of receipts over disbursements		
General fund	\$ (317,635)	\$ (23,180)
Building fund	566,634	1,050,349
Missionary fund	(37,078)	64,292
Items not affecting cash		
Depreciation - general fund	104,262	96,936
Depreciation - building fund	182,351	105,241
Gain on disposal of fixed assets	(386,297)	(967,480)
	<u>112,237</u>	<u>326,158</u>
Changes in non-cash operating working capital items		
Deposit on parking lot	-	300,000
Accounts receivable	179,927	(238,631)
Prepaid expenses	(7,546)	-
Accounts payable and accrued liabilities	(384,086)	456,032
Government remittances payable	10,994	1,692
Accrued benefit obligation	(22,416)	(22,050)
	<u>(110,890)</u>	<u>823,201</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	2,000,000	-
Repayment of long-term debt	(25,974)	-
	<u>1,974,026</u>	<u>-</u>
INVESTING ACTIVITIES		
Short-term investments, net	(64)	(83)
Acquisition of fixed assets	(2,763,518)	(3,562,577)
Proceeds on disposal of fixed assets	386,297	967,480
	<u>(2,377,285)</u>	<u>(2,595,180)</u>
NET DECREASE IN CASH POSITION	(514,149)	(1,771,979)
CASH POSITION, BEGINNING OF YEAR	519,034	2,291,013
CASH POSITION, END OF YEAR	\$ 4,885	\$ 519,034

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2016

1. PURPOSE OF THE ORGANIZATION

The Church is incorporated under the Corporations Act of Manitoba as Calvary Temple Winnipeg Inc. The Church is a registered charity under the Income Tax Act and is therefore exempt from income taxes.

The Church's purposes are to maintain a place of worship, to evangelize locally and abroad, and to establish other departments as needed for the furtherance of the work of the Lord.

All property of the Church is held under the trusteeship of the members of the Official Board acting as Trustees for the Members of the Church.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Fund accounting

Calvary Temple Winnipeg Inc. follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Church's program delivery and administrative activities.

The Building Fund reports restricted resources related to the expansion of the church and camp buildings and the operation of the parking lot.

The Missionary Fund reports restricted resources related to various missionary activities.

b) Revenue recognition

Receipts related to church tithes and offerings and bequests are recognized in the appropriate fund upon receipt of the offering. Investment income on short-term investments is recognized as revenue in the General Fund when earned. The Church recognizes parking lot rentals and fees in the Building Fund when persuasive evidence of an arrangement exists, service has been provided, the price is fixed or determinable and collection is reasonably assured.

c) Contributed services

A large number of people have volunteered significant amounts of their time to Calvary Temple Winnipeg Inc. No objective basis is available to measure the value of this significant contribution and no amount has been reflected in these financial statements for these services.

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fixed assets

Fixed assets have been recorded at cost. Depreciation, which is based on the cost less the residual value over the useful life of the asset, is computed using the declining balance basis at the following annual rates.

Buildings	4%
Building improvements	5%
Rental property - parking lots	4%
Furniture and fixtures	20%
Sound and television equipment	30%
Computer equipment	30%
Vehicles	30%

In the year of acquisition, fixed assets are depreciated at one-half the annual rate of depreciation.

e) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Church becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Church recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Pension plan

The Church accrues its obligations under the defined benefit pension plan as the employees render the services necessary to earn the pension benefits. More specifically, the Church accounts for its defined benefit pension plans using the immediate recognition approach. Under the immediate recognition approach, the Church determines the accrued benefit obligation based on an actuarial valuation report prepared for funding purposes. The Church recognizes the net amount of the accrued benefit obligation and the fair value of plan assets in the statement of financial position. Actuarial gains and losses are included in the cost of the plan for the year.

g) 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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Significant estimates include the estimated useful life of fixed assets and the carrying value of the accrued benefit obligation. Actual results could differ from these estimates.

3. LINE OF CREDIT

The Church has arranged for the following credit facilities with the Canadian Imperial Bank of Commerce ("CIBC"): an operating line of credit to a maximum of \$250,000 bearing interest at prime plus .50%, a non-revolving demand instalment loan of \$2,000,000 bearing interest at prime plus .50%, and corporate VISA cards with a limit of \$25,000. These facilities are secured by a general security agreement providing a first charge over all present and future assets of the Church, present and future collateral mortgage for \$2,500,000 giving CIBC a first charge over 400 & 440 Hargrave Street, Winnipeg and assignment of insurance over 400 & 440 Hargrave Street, Winnipeg. At December 31, 2016, the Church had availed itself of \$124,039 (2015- \$Nil) of the operating line of credit with the resulting cash balance being net of outstanding cheques and deposits. At December 31, 2016, the outstanding balance of the VISA cards was \$10,054 (2015 - \$6,691). The instalment loan is described in Note 7.

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2016

4. SHORT-TERM INVESTMENTS

	<u>2016</u>	<u>2015</u>
Dr. J. Eustace Purdie Scholarship	\$ 4,433	\$ 4,411
Christian Service Brigade Scholarship Fund	2,474	2,457
Undesignated	3,635	3,610
	<u>\$ 10,542</u>	<u>\$ 10,478</u>

The short-term investments consist of guaranteed investment certificates. The Dr. J. Eustace Purdie Scholarship provides two annual scholarships to ministerial students attending the Horizon College & Seminary in Saskatoon, Saskatchewan. The Christian Service Brigade Scholarship Fund was established to provide high school graduates with tuition assistance for post-secondary Christian education.

5. FIXED ASSETS

	<u>2016</u>			<u>2015</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 3,227,227	\$ -	\$ 3,227,227	\$ 3,227,230
Buildings	6,703,991	3,096,523	3,607,468	1,398,535
Building improvements	979,632	287,933	691,699	736,494
Rental property - parking lots	1,820,937	609,677	1,211,260	1,054,056
Furniture and fixtures	765,079	510,013	255,066	76,184
Sound and television equipment	1,400,549	1,305,903	94,646	103,960
Computer equipment	368,497	348,483	20,014	28,592
Vehicles	270,595	205,787	64,808	70,232
	<u>\$ 15,536,507</u>	<u>\$ 6,364,319</u>	<u>\$ 9,172,188</u>	<u>\$ 6,695,283</u>

6. ACCRUED BENEFIT OBLIGATION

The Pentecostal Assemblies of Canada maintains a multiple-employer defined benefit pension plan on behalf of the Church for the benefit of the Church's employees. The plan is subject to an actuarial valuation every three years and a summary of the plan's financial position is communicated to the participating organizations at that time.

The 2012 valuation disclosed that the pension plan continued to have a going concern deficit which required additional contribution funding (special payments). In 2012, the Church's proportionate share of this going concern deficit was \$141,819. Originally the Church was given five years to make up the shortfall and made special payments in 2012 and early 2013. In 2013, the Ontario Government offered relief in the form of the ability to spread the special payment over ten years. As at the most recent plan valuation at December 31, 2013, the plan was over 85% funded on a solvency basis.

For the year ended December 31, 2016, matching contributions of \$61,206 (2015 - \$56,579) were made to the plan plus \$22,415 (2015 - \$22,051; 2014 - \$Nil; 2013 - \$9,648; 2012 - \$43,419) in special payments for total of \$83,621 (2015 - \$78,631).

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2016

7. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
CIBC, interest at prime plus .5%, maturing December 2035, repayable in monthly payments of \$8,658 plus interest	\$ 1,974,026	\$ -
Current portion of long-term debt	(103,896)	-
	<u>\$ 1,870,130</u>	<u>\$ -</u>

The scheduled principal payments required in each of the next five years are as follows:

2017	\$ 103,896
2018	103,896
2019	103,896
2020	103,896
2021	103,896

8. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Church's cash flows, financial position and revenue. The risk arises from differences in the timing and amount of cash flows related to the Church's short-term investments. The Church is exposed to interest rate risk related to changes in market interest rates on the line of credit (see Note 3) and the long-term debt (see Note 7). The Church does not use derivative instruments to reduce exposure to interest risk.

9. PARKING LOT SALE

In 2014, the Church sold one of its parking lots to an unrelated party for \$2,783,125. This parking lot had a net book value of \$209,547 resulting in a gain of \$2,573,578, which was recorded on the Statement of Operations and Surplus of the Building Fund in 2014.

As part of the consideration on the sale, the Church received a piece of property that has been developed into an alternate parking lot, determined to have had a fair value of \$743,125, a deposit in the amount of \$300,000 that the purchaser made on behalf of the Church to acquire a second property also to be developed into an alternate parking lot, and \$300,000 cash held in trust.

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2016

9. PARKING LOT SALE (continued)

Also as part of the consideration on the sale, the purchaser was responsible for payment of reasonable demolition and construction expenses on the development of the second property received on sale of the parking lot.

During 2015 the Church disbursed cash in the amount of \$1,791,000, in addition to releasing the \$300,000 deposit, to acquire the second property, which has been developed into an alternate parking lot.

During 2015, \$967,480 of demolition and construction expenses were incurred on the second property and reflected in land costs. These amounts were funded by the above noted purchaser as part of the original transaction and therefore recorded as additional gain on disposal of fixed assets. Included in the prior year accounts receivable is \$218,827 relating to this transaction.

During the current year, \$200,216 of construction expenses were incurred on the second property and reflected in land costs. In addition, \$186,081 was received to compensate for both lost parking revenues and incremental property taxes paid as a result of this transaction. Both of these amounts were funded by the above noted purchaser as part of the original transaction and therefore recorded as additional gain on disposal of fixed assets.

The alternate parking lot was completed in the spring of the current year.

No further activity is anticipated with regards to this transaction

CALVARY TEMPLE WINNIPEG INC.
Schedule of Disbursements - General Fund
Year Ended December 31, 2016

Schedule 1

	<u>2016</u>	<u>2015</u>
BUILDING EXPENSES		
Heat, light, water	\$ 135,805	\$ 145,642
Insurance	35,386	32,917
Repairs and maintenance	200,446	200,913
	\$ 371,637	\$ 379,472
OTHER OPERATING EXPENSES		
Audit, accounting and legal	\$ 9,749	\$ 10,136
Computer	40,337	21,003
Equipment contracts, repairs and maintenance	256	-
Interest and bank charges	20,451	21,434
Postage and supplies	11,508	12,413
Printing and stationery	23,296	22,657
Telephone and facsimile	34,799	34,957
	\$ 140,396	\$ 122,600
PROGRAM COSTS		
Administration	\$ 30,603	\$ 30,725
Events and hospitality	55,711	62,344
Library	6,378	6,725
Music and sound	50,857	28,470
Television editing	3,309	3,478
Total adult ministries	59,177	71,690
Total children's ministries	142,935	134,780
Youth ministries	18,436	13,891
	\$ 367,406	\$ 352,103
SALARIES AND BENEFITS		
Pastors' salaries	\$ 731,329	\$ 668,460
Church salaries	492,805	462,135
Contracts	163,872	168,872
C.P.P. and E.I.	70,589	66,259
Group benefits	104,568	105,221
Pension plan (Note 6)	61,205	56,579
	\$ 1,624,368	\$ 1,527,526

CALVARY TEMPLE WINNIPEG INC.
Schedule of Disbursements - Missionary Fund
Year Ended December 31, 2016

Schedule 2

	<u>2016</u>	<u>2015</u>
Shared Funding (Other)		
Alfred Flett Ministries	\$ 6,000	\$ 5,004
Funk, Debbie	-	12,000
Junghans, Tammy	13,000	12,000
Project of Hope - Jamaica	6,000	6,000
Heyer, Aimee - Angola	6,050	11,000
Emmanuel, Christo - India	6,117	11,000
International Teams - Gary Cymbaluk	6,500	5,500
Mozambique	33,000	36,500
OM Canada - Shoaib and Mariam Ebadi	11,250	15,000
Tambov, Russia	15,966	18,000
	\$ 103,883	\$ 132,004
Other Designations		
CHAI Centre	\$ 3,750	\$ 3,300
Greg Wood, Children's Camp International	8,113	2,430
Union Gospel Mission	-	12,000
Watoto Choir	3,657	5,223
Missions Canada - Dejong, Calvary	9,020	6,000
Missions Canada - Postal, Jeremy	7,750	-
Operation Ezra	-	41,747
Other	28,487	20,716
	\$ 60,777	\$ 91,416