

Financial Statements of

CALVARY TEMPLE WINNIPEG INC.

December 31, 2017

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, 2017, 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, 2017, and surplus (deficit) as 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 Calvary Temple Winnipeg 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

February 20, 2018
Winnipeg, Manitoba

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CALVARY TEMPLE WINNIPEG INC.
General Fund
Statement of Operations and Deficit
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
RECEIPTS		
Church tithes and offerings	\$ 2,658,533	\$ 2,496,085
Bequests	6,770	28,192
Media ministries	31,086	47,039
Designated offerings	49,756	58,758
Fees, interest and other	415,127	298,416
	3,161,272	2,928,490
DISBURSEMENTS		
Advertising and promotion	481	653
Building expenses - see Schedule 1	396,445	371,637
Conference and travel	10,830	15,258
Donations and grants	42,840	81,664
Dues and subscriptions	16,415	13,861
Gifts and farewells	11,072	16,283
Hospitality	13,190	15,222
Media ministries	109,241	110,636
Mileage	18,271	17,090
Other operating expenses - see Schedule 1	126,606	140,396
Program costs - see Schedule 1	348,407	367,406
Salaries and benefits - see Schedule 1	1,553,141	1,624,368
Scholarships and sponsorships	1,888	2,638
Sick and needy	28,737	27,366
Speakers, singers, musicians	36,312	55,542
Tithe	246,787	229,559
Transportation	51,239	52,284
	3,011,902	3,141,863
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS BEFORE DEPRECIATION		
	149,370	(213,373)
DEPRECIATION		
	(107,662)	(104,262)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS		
	41,708	(317,635)
DEFICIT, BEGINNING OF YEAR		
	(628,341)	(310,706)
DEFICIT, END OF YEAR		
	\$ (586,633)	\$ (628,341)

CALVARY TEMPLE WINNIPEG INC.
Building Fund
Statement of Operations and Surplus
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
RECEIPTS		
Church offerings	\$ 251,519	\$ 33,554
Camp building offerings	-	405,293
Parking lot rentals and fees	79,000	62,646
	<u>330,519</u>	<u>501,493</u>
DISBURSEMENTS		
Interest on long-term debt	67,561	35,079
Property taxes	69,327	103,726
	<u>136,888</u>	<u>138,805</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS BEFORE DEPRECIATION	<u>193,631</u>	<u>362,688</u>
DEPRECIATION		
Parking lots	44,178	43,369
Buildings and building improvements	178,939	138,982
	<u>223,117</u>	<u>182,351</u>
(DEFICIENCY) EXCESS OF RECEIPTS OVER DISBURSEMENTS BEFORE UNDERNOTED	<u>(29,486)</u>	<u>180,337</u>
GAIN ON DISPOSAL OF FIXED ASSETS (Note 9)	-	386,297
(DEFICIENCY) EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>(29,486)</u>	<u>566,634</u>
SURPLUS, BEGINNING OF YEAR	7,608,451	7,041,817
SURPLUS, END OF YEAR	<u>\$ 7,578,965</u>	<u>\$ 7,608,451</u>

CALVARY TEMPLE WINNIPEG INC.
Missionary Fund
Statement of Operations and Surplus
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
RECEIPTS		
Designated	\$ 134,887	\$ 202,938
Undesignated	319,060	307,991
	453,947	510,929
DISBURSEMENTS		
Shared Funding (PAOC)		
Chaloner, Stephen and Heather	30,000	45,000
Courey, David - Belgium	18,000	18,100
Davies, Dan and Donna - Liberia	-	6,000
Desrosiers, Darrell and Sharon	-	10,000
Dewit, Peter and Patricia - France	24,450	24,800
ERDO	8,000	12,000
Guskjolen, Jim and Colleen	12,000	9,500
Hilsden, Wayne and Anne - Israel	7,026	8,678
Kerr, John and Ruth - Zambia	9,996	10,086
Kohls, Paul & Lynn - Kenya	9,650	7,950
ERDO - Disaster Relief	13,458	10,978
ERDO PAOC	985	560
ERDO - It's Not Your Birthday	-	3,960
Other PAOC designations	3,026	675
Shared Funding (Other) - see Schedule 2	126,125	103,883
Family Business		
Alfred Flett Ministries	13,650	25,454
Cuba	25,610	26,542
Jamaica	2,000	32,874
New immigrant	6,541	12,320
Canadian Food Grains Bank	-	12,513
James Okot mission trips	23,766	34,410
WGE - Andrew Friesen	24,260	39,545
Africa Seeds	-	18,827
Jill Wiebe, Baby Watoto	-	1,350
Other Family Business	5,952	2,359
Tambov mission trip	-	3,064
Panama	-	5,802
Other Designations - see Schedule 2	57,942	60,777
	422,437	548,007
EXCESS (DEFICIENCY) OF RECEIPTS		
OVER DISBURSEMENTS	31,510	(37,078)
SURPLUS, BEGINNING OF YEAR	52,948	90,026
SURPLUS, END OF YEAR	\$ 84,458	\$ 52,948

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

December 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash	\$ 5,560	\$ 4,885
Short-term investments (Note 4)	7,600	10,542
Accounts receivable	121,901	91,799
Prepaid expenses	3,070	10,183
	<u>138,131</u>	<u>117,409</u>
FIXED ASSETS (Note 5)	8,872,271	9,172,188
	\$ 9,010,402	\$ 9,289,597
LIABILITIES		
CURRENT		
Bank indebtedness (Note 3)	\$ 9,633	\$ -
Accounts payable and accrued liabilities	148,090	203,956
Government remittances payable	21,952	34,272
Current portion of long-term debt (Note 7)	103,896	103,896
	<u>283,571</u>	<u>342,124</u>
ACCRUED BENEFIT OBLIGATION (Note 6)	32,057	44,285
LONG-TERM DEBT (Note 7)	1,617,984	1,870,130
	<u>1,933,612</u>	<u>2,256,539</u>
(DEFICIT) SURPLUS		
GENERAL	(586,633)	(628,341)
BUILDING	7,578,965	7,608,451
MISSIONARY	84,458	52,948
	<u>7,076,790</u>	<u>7,033,058</u>
	\$ 9,010,402	\$ 9,289,597

APPROVED BY THE BOARD

..... Director

..... Director

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

Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess (deficiency) of receipts over disbursements		
General fund	\$ 41,708	\$ (317,635)
Building fund	(29,486)	566,634
Missionary fund	31,510	(37,078)
Items not affecting cash		
Depreciation - general fund	107,662	104,262
Depreciation - building fund	223,117	182,351
Gain on disposal of fixed assets	-	(386,297)
	374,511	112,237
Changes in non-cash operating working capital items		
Accounts receivable	(30,102)	179,927
Prepaid expenses	7,113	(7,546)
Accounts payable and accrued liabilities	(55,866)	(384,086)
Government remittances payable	(12,320)	10,994
Accrued benefit obligation	(12,228)	(22,416)
	271,108	(110,890)
FINANCING ACTIVITIES		
Bank indebtedness(net)	9,633	-
Proceeds from long-term debt	-	2,000,000
Repayment of long-term debt	(252,146)	(25,974)
	(242,513)	1,974,026
INVESTING ACTIVITIES		
Short-term investments, net	2,942	(64)
Acquisition of fixed assets	(30,862)	(2,763,518)
Proceeds on disposal of fixed assets	-	386,297
	(27,920)	(2,377,285)
NET INCREASE (DECREASE) IN CASH POSITION	675	(514,149)
CASH POSITION, BEGINNING OF YEAR	4,885	519,034
CASH POSITION, END OF YEAR	\$ 5,560	\$ 4,885

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2017

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, 2017

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, 2017

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. BANK INDEBTEDNESS

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, 2017, the Church had availed itself of \$Nil (2016- \$124,039) of the operating line of credit with the resulting bank indebtedness of \$9,633 being the net of outstanding cheques and deposits. At December 31, 2017, the outstanding balance of the VISA cards was \$9,918 (2016 - \$10,054). The instalment loan is described in Note 7.

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2017

4. SHORT-TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
Dr. J. Eustace Purdie Scholarship	\$ 1,455	\$ 4,433
Christian Service Brigade Scholarship Fund	2,488	2,474
Undesignated	3,657	3,635
	<u>\$ 7,600</u>	<u>\$ 10,542</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>2017</u>			<u>2016</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 3,227,227	-	\$ 3,227,227	\$ 3,227,227
Buildings	6,706,768	3,240,878	3,465,890	3,607,468
Building improvements	979,632	322,517	657,115	691,699
Rental property - parking lots	1,820,937	653,855	1,167,082	1,211,260
Furniture and fixtures	793,163	563,835	229,328	255,066
Sound and television equipment	1,400,549	1,334,296	66,253	94,646
Computer equipment	368,497	354,487	14,010	20,014
Vehicles	270,595	225,229	45,366	64,808
	<u>\$ 15,567,368</u>	<u>\$ 6,695,097</u>	<u>\$ 8,872,271</u>	<u>\$ 9,172,188</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.

Based on a December 31, 2012 valuation the plan had a going concern deficit of which the Church's proportionate share was \$141,819. As at December 31, 2017 the Church has made special payments of \$109,762 towards this shortfall leaving \$32,057 payable.

As of the most recent valuation at December 31, 2016, the plan was over 86% funded on a solvency basis. This valuation determined that the pension plan no longer had a going concern deficit, eliminating the need for further special payments. The Church has decided to continue to reflect the \$32,057 as a liability until written confirmation is received that no further payments are required related to this amount.

CALVARY TEMPLE WINNIPEG INC.
Notes to the Financial Statements
December 31, 2017

6. ACCRUED BENEFIT OBLIGATION (continued)

For the year ended December 31, 2017, matching contributions of \$62,809 (2016 - \$61,206) were made to the plan plus \$12,228 (2016 - \$22,415; 2015 - \$22,051; 2014 - \$Nil; 2013 - \$9,648; 2012 - \$43,419) in special payments for total of \$75,037 (2016 - \$83,621).

7. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
CIBC, interest at prime plus .5%, maturing December 2035, repayable in monthly payments of \$8,658 plus interest	\$ 1,721,880	\$ 1,974,026
Current portion of long-term debt	(103,896)	(103,896)
	<u>\$ 1,617,984</u>	<u>\$ 1,870,130</u>

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

2018	\$ 103,896
2019	103,896
2020	103,896
2021	103,896
2022	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

During 2016, \$200,216 of construction expenses were incurred 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 the sale of the parking lot initiated in 2014. Both of these amounts were funded by the purchaser as part of the original transaction and therefore recorded as additional gain on disposal of fixed assets in that year. There was no additional activity in 2017.

CALVARY TEMPLE WINNIPEG INC.
Schedule of Disbursements - General Fund
Year Ended December 31, 2017

Schedule 1

	<u>2017</u>	<u>2016</u>
BUILDING EXPENSES		
Heat, light, water	\$ 139,406	\$ 135,805
Insurance	36,914	35,386
Repairs and maintenance	220,125	200,446
	\$ 396,445	\$ 371,637
OTHER OPERATING EXPENSES		
Audit, accounting and legal	\$ 10,735	\$ 9,749
Computer	34,925	40,337
Equipment contracts, repairs and maintenance	804	256
Interest and bank charges	17,713	20,451
Postage and supplies	9,590	11,508
Printing and stationery	11,884	23,296
Telephone and facsimile	40,955	34,799
	\$ 126,606	\$ 140,396
PROGRAM COSTS		
Administration	\$ 28,955	\$ 30,603
Events and hospitality	66,584	55,711
Library	5,441	6,378
Music and sound	22,196	50,857
Television editing	2,697	3,309
Total adult ministries	52,895	59,177
Total children's ministries	149,399	142,935
Youth ministries	20,240	18,436
	\$ 348,407	\$ 367,406
SALARIES AND BENEFITS		
Pastors' salaries	\$ 683,368	\$ 731,329
Church salaries	505,531	492,805
Contracts	160,814	163,872
C.P.P. and E.I.	65,166	70,589
Group benefits	75,454	104,568
Pension plan (Note 6)	62,808	61,205
	\$ 1,553,141	\$ 1,624,368

CALVARY TEMPLE WINNIPEG INC.
Schedule of Disbursements - Missionary Fund
Year Ended December 31, 2017

Schedule 2

	<u>2017</u>	<u>2016</u>
Shared Funding (Other)		
Alfred Flett Ministries	\$ 6,000	\$ 6,000
Junghans, Tammy	12,000	13,000
Project of Hope - Jamaica	21,000	6,000
Heyer, Aimee - Angola	6,125	6,050
Emmanuel, Christo - India	9,000	6,117
International Teams - Gary Cymbaluk	6,000	6,500
Mozambique Bible College	33,000	33,000
OM Canada - Shoaib and Mariam Ebadi	-	11,250
Tambov, Russia	18,000	15,966
Feser, Jeremy & Christine - Tanzania	6,000	-
Pipke, Bill & Shirley	9,000	-
	\$ 126,125	\$ 103,883
Other Designations		
CHAI Centre	\$ 6,000	\$ 3,750
Greg Wood, Children's Camp International	6,000	8,113
Watoto Choir	-	3,657
Missions Canada - Dejong, Calvary	3,000	9,020
Missions Canada - Postal, Jeremy	9,000	7,750
Other	33,942	28,487
	\$ 57,942	\$ 60,777