

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Classis Hamilton of the Christian Reformed Church

We have audited the accompanying financial statements of Classis Hamilton of the Christian Reformed Church, which comprise the balance sheet as at December 31, 2016 and the statements of revenues and expenses, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 organization's preparation 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 organization'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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Classis Hamilton of the Christian Reformed Church as at December 31, 2016 and of 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.

Hamilton, Ontario
March 30, 2017

DBK Accounting Professional Corporation

DBK Accounting Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**BALANCE SHEET
DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and bank	\$ 121,345	\$ 147,560
GST/HST recoverable	1,039	2,597
Accounts receivable	28,826	19,060
Prepaid expenses	<u>1,738</u>	<u>1,303</u>
	152,948	170,520
Other Assets		
Loans receivable (note 4)	<u>139,374</u>	<u>102,708</u>
	<u>\$ 292,322</u>	<u>\$ 273,228</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,238	\$ 5,338
FUND BALANCES		
Externally Restricted Funds (page 4)	<u>286,084</u>	<u>267,890</u>
	<u>\$ 292,322</u>	<u>\$ 273,228</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<i>Opening Balance</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Excess (Deficit)</i>	<i>Closing Balance</i>
CLASSIS EXPENSE FUND					
Fund balance, <i>beginning</i>	<u>40,779</u>				
Revenues (page 5)		<u>36,005</u>			
Expenses (page 5)			<u>45,839</u>	<u>(9,834)</u>	
Fund balance (deficit), <i>ending</i>					<u>30,945</u>
SUSTAINING PASTORAL EXCELLENCE					
Fund balance, <i>beginning</i>	<u>9,326</u>				
Revenues (page 5)		<u>-</u>			
Expenses (page 5)			<u>9,326</u>	<u>(9,326)</u>	
Fund balance, <i>ending</i>					<u>-</u>
MCMASTER CAMPUS MINISTRY					
Fund balance, <i>beginning</i>	<u>74,379</u>				
Revenues (page 6)		<u>124,654</u>			
Expenses (page 6)			<u>146,791</u>	<u>(22,137)</u>	
Fund balance, <i>ending</i>					<u>52,242</u>
CLASSICAL CANDIDACY COMMITTEE					
Fund balance, <i>beginning</i>	<u>104,354</u>				
Ministry shares		60,350			
Interest income		<u>3,191</u>			
		<u>63,541</u>			
Candidate benefits			4,503		
Loans forgiven			<u>2,551</u>		
			<u>7,054</u>	<u>56,487</u>	
Fund balance, <i>ending</i>					<u>160,841</u>
SHALOM MANOR CHAPLAINCY					
Fund balance, <i>beginning</i>	<u>244</u>				
Ministry shares		<u>40,399</u>			
Grants			<u>40,381</u>	<u>18</u>	
Fund balance, <i>ending</i>					<u>262</u>
FUTURE CHURCH PLANTING					
Fund balance	<u>38,808</u>	<u>5,331</u>	<u>3,000</u>	<u>2,331</u>	<u>41,139</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<i>Opening Balance</i>	<i>Revenues</i>	<i>Expenses</i>	<i>Excess (Deficit)</i>	<i>Closing Balance</i>
QUAD CLASSIS RETREAT					
Fund balance, <i>beginning</i>	\$ _____ -				
Revenues		\$ <u>9,309</u>			
Expenses			\$ <u>8,654</u>	\$ <u>655</u>	
Fund balance, <i>ending</i>					\$ <u>655</u>
FUND TOTALS					
Fund balances, <i>beginning</i>	\$ <u>267,890</u>				
Total revenues		\$ <u>279,239</u>			
Total expenses			\$ <u>261,045</u>		
Excess of revenues over expenses				\$ <u>18,194</u>	
Fund balances, <i>ending</i>					\$ <u>286,084</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES - CLASSIS EXPENSE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Revenues		
Classis ministry shares	\$ 34,586	\$ 45,298
Interest income	<u>1,419</u>	<u>1,535</u>
	36,005	46,833
Expenses		
Conferences and professional development	1,205	2,209
Insurance	1,645	1,506
Meeting expenses	99	20
Office, postage and general	2,128	1,935
Professional fees	4,973	4,677
Salaries, benefits and honoraria	30,136	36,106
Travel	4,453	5,401
Youth Ministry	<u>1,200</u>	<u>-</u>
	<u>45,839</u>	<u>51,854</u>
Excess (deficiency) of revenues over expenses	<u>\$ (9,834)</u>	<u>\$ (5,021)</u>

STATEMENT OF REVENUES AND EXPENSES - SUSTAINING PASTORAL EXCELLENCE

Revenues		
Christian Reformed Church grants	\$ -	\$ 6,195
Expenses		
Books	-	1,011
Conferences and professional development	5,037	-
Grant refund to Christian Reformed Church	3,740	-
Meals and hospitality	<u>549</u>	<u>489</u>
	<u>9,326</u>	<u>1,500</u>
Excess (deficiency) of revenues over expenses	<u>\$ (9,326)</u>	<u>\$ 4,695</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES - MCMASTER CAMPUS MINISTRY
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Revenues		
Classis ministry shares	\$ 108,629	\$ 108,625
Grants from churches and other organizations	9,967	11,160
Conference fees	<u>6,058</u>	<u>7,439</u>
	124,654	127,224
Expenses		
Assistant to chaplains	5,500	4,900
Conference fees and professional development	6,558	13,053
Meals and hospitality	3,914	3,839
Office, postage and general	1,050	913
Salaries and benefits	125,479	97,151
Travel	<u>4,290</u>	<u>3,807</u>
	<u>146,791</u>	<u>123,663</u>
Excess (deficiency) of revenues over expenses	<u>\$ (22,137)</u>	<u>\$ 3,561</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Cash provided (used) by:		
Operating activities		
Excess of revenues over expenses for the year	\$ 18,194	\$ 70,772
Net change in non-cash working capital balances		
Change in GST/HST recoverable	1,558	(577)
Change in accounts receivable	(9,766)	4,752
Change in prepaid expenses	(435)	(665)
Change in accounts payable and accrued liabilities	<u>900</u>	<u>(4,966)</u>
	<u>(7,743)</u>	<u>(1,456)</u>
	10,451	69,316
Investing activities		
Increase in loans receivable	<u>(36,666)</u>	<u>(66,365)</u>
Increase (decrease) in cash	(26,215)	2,951
Cash, <i>beginning of year</i>	<u>147,560</u>	<u>144,609</u>
Cash, <i>end of year</i>	\$ <u><u>121,345</u></u>	\$ <u><u>147,560</u></u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

1. Purpose of the Organization

The organization was incorporated as a corporation without share capital under the Ontario Corporations Act on October 28, 2008. The corporation is a registered charity and is therefore exempt from payment of income taxes as provided under the Income Tax Act.

Its purpose is to advance and teach the religious tenets, doctrines, observances and culture associated with the Christian Reformed faith.

2. Summary of Significant Accounting Policies

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

(a) Fund Accounting

The organization follows the restricted fund method of accounting for donations.

The Classical Candidacy Committee accounts for the assistance provided to seminary students.

The Classis Expense Fund accounts for the organization's administrative activities.

The Restricted Fund reports revenues and expenses related to the various Christian Reformed Church ministries and causes. This includes the The McMaster Campus Ministry.

(b) Revenue Recognition

Restricted donations related to general operations are recognized as revenue of the Classis Expense Fund in the year in which the related expenses are incurred. All other restricted donations are recognized as revenue of the appropriate restricted fund.

Donations are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income and conference fees are recognized as revenue in the period it is earned.

(c) Capital Assets

Furniture and equipment acquisitions are expensed fully in the year of purchase and thus not recorded on the balance sheet. No capital assets were purchased in 2015 or in 2016.

(d) Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect revenues and expenses during the reporting periods in addition to the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

(e) Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, GST/HST recoverable, accounts receivable and loans receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

At the end of reporting period, the organization assesses whether there are any indications that a financial asset may be impaired. When there is an indication of impairment, the carrying amount of the asset is reduced and the amount of the reduction is recognized as an impairment loss in the statement of revenues and expenses.

(f) Volunteer Services

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

(g) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rate prevailing at the date in which the transaction took place. Foreign exchange gains and losses are included in the statement of revenues and expenses.

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. Financial Instruments

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest or credit risks arising from these financial instruments.

Liquidity Risk

Liquidity risk arises through excess financial obligations over available financial assets at any point in time. The organization's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The organization achieves this by maintaining sufficient cash and cash equivalents.

Foreign Currency Risk

The organization is exposed to foreign exchange risk in United States dollars. The organization is exposed to this risk when an obligation in a foreign currency to another organization or individual, is different at the time of settlement than it was at time that the obligation was determined. The organization reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on its obligations and attempts to maintain adequate foreign currency balances in its bank to discharge its related foreign currency obligations. In the opinion of management the foreign exchange risk exposure to the organization is low and is not material. As at year end, the organization had \$918US in cash.

4. Loans Receivable

	<u>2016</u>	<u>2015</u>
Loans receivable	\$ <u>139,374</u>	\$ <u>102,708</u>

These loans receivable were advanced to assist individuals who are studying to become ministers in the Christian Reformed Church in North America (CRCNA) and are advanced based on financial need. The loans will accrue interest at 1% above the prime lending rate, commencing six months after the borrower terminates or completes the course of studies unless the borrower becomes an ordained minister in the CRCNA or the Reformed Church of America (RCA), has been declared eligible for ministry but has not been hired, or continues in a qualified educational program.

Under certain conditions the borrower will be required to repay the loan over a ten year period commencing six months after the CRCNA has decided that the person is no longer a candidate for ordained ministry. In other situations the borrower will be required to pay interest and repay the loan principal over a five year period.

The loan is interest free while the individual is studying and 20% of the loan will be forgiven annually if the borrower becomes and remains a minister in the CRCNA or the RCA for at least five years.