

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

FINANCIAL STATEMENTS DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Classis Hamilton of the Christian Reformed Church

Opinion

We have audited the financial statements of Classis Hamilton of the Christian Reformed Church, which comprise the balance sheet as at December 31, 2018, and the statements of revenues and expenses, changes in restricted fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT, continued

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DBK Accounting Professional Corporation

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

Hamilton, Ontario
March 19, 2019

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**BALANCE SHEET
AS AT DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 161,816	\$ 115,718
Accounts receivable	27,623	24,897
GST/HST recoverable	732	835
Prepaid expenses	<u>6,534</u>	<u>6,884</u>
	196,705	148,334
 Other Assets		
Loans receivable (Note 4)	<u>189,602</u>	<u>169,793</u>
	<u>\$ 386,307</u>	<u>\$ 318,127</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,505	\$ 4,601
EXTERNALLY RESTRICTED FUND BALANCES		
Classis Expense Fund	45,950	37,548
McMaster Campus Ministry	29,102	30,462
Classical Candidacy	244,038	202,426
Shalom Manor	(1,725)	348
Future Church Planting	62,782	42,087
Quad Classis Retreat	<u>655</u>	<u>655</u>
	<u>380,802</u>	<u>313,526</u>
	<u>\$ 386,307</u>	<u>\$ 318,127</u>

Approved on behalf of the Board

Director _____

Director _____

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 Classis Expense Fund	2018 McMaster Campus Ministry	2018 Classical Candidacy	2018 Shalom Manor	2018 Future Church Planting	2018 Quad Classis Retreat	2018 Total	2017 Total
FUND BALANCES, beginning of year	37,548	30,462	202,426	348	42,087	655	313,526	286,083
Excess (deficiency) of revenues over expenses	<u>8,402</u>	<u>(1,360)</u>	<u>41,612</u>	<u>(2,073)</u>	<u>20,695</u>	<u>-</u>	<u>67,276</u>	<u>27,443</u>
FUND BALANCES, end of year	<u><u>45,950</u></u>	<u><u>29,102</u></u>	<u><u>244,038</u></u>	<u><u>(1,725)</u></u>	<u><u>62,782</u></u>	<u><u>655</u></u>	<u><u>380,802</u></u>	<u><u>313,526</u></u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES - CLASSIS EXPENSE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
REVENUES		
Classis ministry shares	\$ 50,560	\$ 52,582
Interest income	1,848	1,127
	<u>52,408</u>	<u>53,709</u>
EXPENSES		
Conferences and professional development	9,090	13,592
Insurance	1,663	1,567
Office, postage and general	6,367	2,093
Professional fees	5,023	8,377
Safe church team	1,156	-
Salaries and benefits	16,943	17,356
Travel	3,764	3,386
Youth ministry	-	734
	<u>44,006</u>	<u>47,105</u>
Excess (deficiency) of revenues over expenses	<u>\$ 8,402</u>	<u>\$ 6,604</u>

STATEMENT OF REVENUES AND EXPENSES - MCMASTER CAMPUS MINISTRY

REVENUE		
Classis ministry shares	\$ 110,034	\$ 110,254
Grants from churches and other organizations	11,816	10,822
Conference fees	89	868
	<u>121,939</u>	<u>121,944</u>
EXPENSES		
Assistant to chaplains	5,500	5,500
Conference fees and professional development	2,379	1,490
Emerging leader	1,000	-
Meals and hospitality	4,940	4,195
Office, postage and general	2,411	2,018
Salaries and benefits	102,955	126,408
Travel	4,114	4,113
	<u>123,299</u>	<u>143,724</u>
Excess (deficiency) of revenues over expenses	<u>\$ (1,360)</u>	<u>\$ (21,780)</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES - OTHER RESTRICTED FUNDS
DECEMBER 31, 2018**

	Classical Candidacy 2018	Shalom Manor 2018	Future Church Planting 2018	Total 2018	Total 2017
REVENUE					
Ministry shares	\$ 60,008	\$ 32,311	\$ -	\$ 92,319	\$ 103,155
Future Church share	-	-	22,518	22,518	6,000
Interest income	4,622	-	-	4,622	2,866
	<u>64,630</u>	<u>32,311</u>	<u>22,518</u>	<u>119,459</u>	<u>112,021</u>
EXPENSES					
Loans forgiven	18,210	-	-	18,210	16,702
Grants	-	34,384	1,823	36,207	48,032
Candidate benefits	4,808	-	-	4,808	4,668
	<u>23,018</u>	<u>34,384</u>	<u>1,823</u>	<u>59,225</u>	<u>69,402</u>
Excess (deficiency) of revenues over expenses	<u>\$ 41,612</u>	<u>\$ (2,073)</u>	<u>\$ 20,695</u>	<u>\$ 60,234</u>	<u>\$ 42,619</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 67,276	\$ 27,443
Change in non-cash working capital items		
Accounts receivable	(2,726)	3,929
GST/HST recoverable	103	204
Accounts payable and accrued liabilities	904	(1,637)
Prepaid expenses	350	(5,147)
	<u>65,907</u>	<u>24,792</u>
INVESTING ACTIVITIES		
Loans receivable	<u>(19,809)</u>	<u>(30,419)</u>
Increase (decrease) in cash	46,098	(5,627)
Cash, beginning of year	<u>115,718</u>	<u>121,345</u>
Cash, end of year	<u>\$ 161,816</u>	<u>\$ 115,718</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

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) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(d) CAPITAL ASSETS

Furniture and equipment acquisitions are expensed fully in the year of purchase and thus not recorded on the balance sheet.

(e) 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.

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(f) 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.

(g) 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.

(h) 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.

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 \$1,315US in cash (2017 - \$1,107).

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

4. LOANS RECEIVABLE

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.