

CENTRE STREET CHURCH
Financial Statements
Year Ended June 30, 2017

CENTRE STREET CHURCH
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Year Ended June 30, 2017

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Management's Responsibility for Financial Reporting

The financial statements of Centre Street Church have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Centre Street Church's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Governors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance and Audit Committee. The Finance and Audit Committee is appointed by the Board and meets periodically with management and the auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance and Audit Committee reports to the Board of Governors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Dart Bryant LLP, in accordance with Canadian generally accepted auditing standards.



Mr. Terry Busch, Pastor of Finance and Stewardship

Calgary, AB
October 11, 2017



DART BRYANT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Centre Street Church

We have audited the accompanying financial statements of Centre Street Church, which comprise the statement of financial position as at June 30, 2017 and the statements of operations and changes in fund balances 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.

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, Centre Street Church derives revenue from programs, sales and services the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded as cash and deposits in the records of Centre Street Church. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2017, current assets and net assets as at July 1, 2016 and June 30, 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 Centre Street Church as at June 30, 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.

October 11, 2017

Chartered Professional Accountants

CENTRE STREET CHURCH
Statement of Financial Position
June 30, 2017

| | City Mission | Global Mission | Other | Capital | Total 2017 | Total 2016 |
|--|--------------|----------------|--------------|---------------|---------------|---------------|
| ASSETS | | | | | | |
| CURRENT | | | | | | |
| Cash and cash equivalents | \$ 40,484 | \$ - | \$ - | \$ 6,660,367 | \$ 6,700,851 | \$ 6,953,723 |
| Accounts receivable | 41,060 | - | - | - | 41,060 | 48,473 |
| Inventory | - | - | 70,577 | - | 70,577 | 55,930 |
| | 81,544 | - | 70,577 | 6,660,367 | 6,812,488 | 7,058,126 |
| INVESTMENTS (Note 4) | 418,456 | 1,860,448 | 1,527,423 | 4,692,282 | 8,498,609 | 6,350,842 |
| PROPERTY AND EQUIPMENT (Note 5) | | | | | | |
| | - | - | - | 16,657,746 | 16,657,746 | 17,302,714 |
| | \$ 500,000 | \$ 1,860,448 | \$ 1,598,000 | \$ 28,010,395 | \$ 31,968,843 | \$ 30,711,682 |
| LIABILITIES AND NET ASSETS | | | | | | |
| CURRENT | | | | | | |
| Accounts payable and accrued liabilities | \$ 100,000 | \$ - | \$ - | \$ - | \$ 100,000 | \$ 251,516 |
| NET ASSETS (Note 6) | | | | | | |
| Capital invested | - | - | - | 16,657,746 | 16,657,746 | 17,302,714 |
| Internally restricted (Note 7) | - | 1,860,448 | 1,598,000 | 11,352,649 | 14,811,097 | 12,757,452 |
| Unrestricted | 400,000 | - | - | - | 400,000 | 400,000 |
| | 400,000 | 1,860,448 | 1,598,000 | 28,010,395 | 31,868,843 | 30,460,166 |
| | \$ 500,000 | \$ 1,860,448 | \$ 1,598,000 | \$ 28,010,395 | \$ 31,968,843 | \$ 30,711,682 |

Subsequent event (Note 5)

Commitments (Note 8)

ON BEHALF OF THE BOARD

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Governor



Governor

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CENTRE STREET CHURCH
Statement of Operations and Changes in Fund Balances
For the Year Ended June 30, 2017

| | City Mission 2017 | Global Mission 2017 | Other funds 2017 | Capital 2017 | Total 2017 | Total 2016 |
|---|----------------------|------------------------|---------------------|-----------------|---------------|---------------|
| REVENUES | | | | | | |
| Ministry & missions | \$ 9,551,027 | \$ 2,582,514 | \$ 6,007 | \$ 1,170,650 | \$ 13,310,198 | \$ 14,414,870 |
| Missions designated | - | 179,853 | - | - | 179,853 | 243,578 |
| Programs, sales and services | 256,936 | - | 902,514 | - | 1,159,450 | 1,473,093 |
| Investment income | 52,132 | 8,208 | 3,422 | 175,078 | 238,840 | 181,799 |
| | 9,860,095 | 2,770,575 | 911,943 | 1,345,728 | 14,888,341 | 16,313,340 |
| EXPENSES | | | | | | |
| Staff and contract | 6,021,250 | 464,789 | 390,959 | 61,756 | 6,938,754 | 7,937,701 |
| Ministry costs | 1,085,201 | 2,030,896 | 477,954 | - | 3,594,051 | 4,127,404 |
| Designated missions | - | 191,042 | - | - | 191,042 | 227,764 |
| Operations and support | 1,751,512 | 49,827 | - | 40,078 | 1,841,417 | 1,681,036 |
| Amortization of tangible assets | - | - | - | 914,400 | 914,400 | 1,073,160 |
| | 8,857,963 | 2,736,554 | 868,913 | 1,016,234 | 13,479,664 | 15,047,065 |
| | 1,002,132 | 34,021 | 43,030 | 329,494 | 1,408,677 | 1,266,275 |
| OPERATING EXCESS (DEFICIENCY) | | | | | | |
| INTERFUND TRANSFERS | | | | | | |
| Operations and subsidiaries | (12,000) | (10,000) | 22,000 | - | - | - |
| Capital | (477,541) | - | - | 477,541 | - | - |
| Surplus transfer | (512,591) | - | 512,591 | - | - | - |
| | (1,002,132) | (10,000) | 534,591 | 477,541 | - | - |
| NET EXCESS OF REVENUES OVER EXPENSES | | | | | | |
| | - | 24,021 | 577,621 | 807,035 | 1,408,677 | 1,266,275 |
| FUND BALANCES, beginning of year | 400,000 | 1,836,427 | 1,020,379 | 27,203,360 | 30,460,166 | 29,193,891 |
| FUND BALANCES - END OF YEAR | \$ 400,000 | \$ 1,860,448 | \$ 1,598,000 | \$ 28,010,395 | \$ 31,868,843 | \$ 30,460,166 |

See notes to financial statements

CENTRE STREET CHURCH
Statement of Cash Flows
Year Ended June 30, 2017

| | City Mission 2017 | Global Mission 2017 | Other funds 2017 | Capital 2017 | Total 2017 | Total 2016 |
|---|----------------------|------------------------|---------------------|-----------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | | | |
| Excess of revenues over expenses | \$ - | \$ 24,021 | \$ 577,621 | \$ 807,035 | \$ 1,408,677 | \$ 1,266,275 |
| Item not affecting cash: | | | | | | |
| Amortization of property and equipment (Note 5) | - | - | - | 914,400 | 914,400 | 1,073,160 |
| | - | 24,021 | 577,621 | 1,721,435 | 2,323,077 | 2,339,435 |
| Changes in non-cash working capital: | | | | | | |
| Accounts receivable | 7,414 | - | - | - | 7,414 | 76,779 |
| Inventory | - | - | (14,647) | - | (14,647) | (4,717) |
| Accounts payable and accrued liabilities | (1,515) | - | (150,002) | - | (151,517) | 195,400 |
| | 5,899 | - | (164,649) | - | (158,750) | 267,462 |
| Cash flow from operating activities | 5,899 | 24,021 | 412,972 | 1,721,435 | 2,164,327 | 2,606,897 |
| INVESTING ACTIVITIES | | | | | | |
| Investments | (127,169) | (24,021) | (412,972) | (1,583,605) | (2,147,767) | (2,113,445) |
| Capital purchases (Note 5) | - | - | - | (269,432) | (269,432) | (664,943) |
| Cash flow used by investing activities | (127,169) | (24,021) | (412,972) | (1,853,037) | (2,417,199) | (2,778,388) |
| INCREASE (DECREASE) IN CASH FLOW | (121,270) | - | - | (131,602) | (252,872) | (171,491) |
| Cash and cash equivalents - beginning of year | 161,754 | - | - | 6,791,969 | 6,953,723 | 7,125,214 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 40,484 | \$ - | \$ - | \$ 6,660,367 | \$ 6,700,851 | \$ 6,953,723 |

See notes to financial statements

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

1. PURPOSE OF THE ORGANIZATION

Centre Street Church ("the Church") is a member of the Evangelical Missionary Church of Canada, operated through a federally incorporated body and registered with Canada Revenue Agency as a charitable organization and accordingly is exempt from income taxes.

The Biblical purpose of the Church is to introduce people to Jesus and help them to become fully devoted followers of Jesus who are committed to loving God, loving one another and together loving our city, nation and world by pursuing God, pursuing relationships, pursuing mission, pursuing generosity and pursuing simplicity.

The continued operation of the Church is dependent on the continued support of interested individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFP) on a going concern basis.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment when there are indicators of impairment. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial instruments of the Church include cash and cash equivalents, accounts receivable, investments, and accounts payable.

(continues)

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Accounting

These financial statements include the assets, liabilities and net assets of the funds controlled and administered directly by the Church.

The funds are summarized for reporting as follows;

City Mission fund

Global Mission fund (including Benevolence, Global Mission, Designated Missions, Global Mission Opportunity Fund, Global Mission Capital Development Fund and Short Term Missions),

Other funds (including Appleseed Resources, CSC Conference, CSC Scholarship Funds, Café, Centered Singles, City Mission Opportunity, Facility Rental, HR Contingency, Maranatha, Musical Training, Pastoral Training, Special Needs, Wedding, Young Adults, Youth Missions),

Capital fund (including City Mission Capital Development and City Mission Sustaining Capital funds).

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short term deposits with original maturities less than one year at the time of purchase or having the capacity of prompt liquidation.

Inventory

Inventory of books and other items for sale in the Appleseed Resources Centre is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

| | | |
|-------------------------|----------|----------------------|
| Buildings | 40 years | straight-line method |
| Parking lots | 20 years | straight-line method |
| Furniture and equipment | 5 years | straight-line method |

The Church regularly reviews its property and equipment to eliminate obsolete items.

Purchases less than \$5,000 are expensed as purchased. Contributed assets are recorded at their estimated fair value at their date of contribution.

(continues)

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Centre Street Church follows the deferral method of accounting for contributions where externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred and unrestricted contributions to specific funds are recognized when received or receivable.

Programs, services and sales revenue are recorded as earned and include such programs as Alpha, Recovery, VBS and various events for which participation is considered more important than the completeness of revenue. Interest income is recorded as earned.

Contributed services and goods

Volunteers contribute a significant number of hours each year to assist the church in carrying out its mission. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed goods would only be recorded if the value can be determined and the item would otherwise be purchased (none in the year).

Reclassification

Certain of the prior year amounts have been reclassified to conform to the current year presentation.

Allocated expenses

The Church reports its expenses based on function (Staff and contract, Ministry costs, Designated missions and Operations and support) with expenses not directly related to a function being included in Operations and support.

No fundraising costs have been incurred in 2017 nor 2016. All general expenses are included in general fund operations and support

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In the financial statements of the Church, the more significant areas for which management is required to make near-term estimates is in the assessment of the net realizable value of accounts receivable, inventory and property and equipment. Actual amounts could differ from those estimates.

3. FINANCIAL INSTRUMENTS

The Church is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Church's risk exposure and concentration as of June 30, 2017.

Credit risk

(continues)

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

3. FINANCIAL INSTRUMENTS *(continued)*

Credit risk arises from the possibility that third parties may default on their financial obligations. The Church is exposed to credit risk on cash which is minimized by ensuring that cash is held with credible financial institutions.

Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Church is mainly exposed to stock donations received which is then liquidated shortly afterwards.

a) Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the reporting currency of the Church will fluctuate due to changes in foreign exchange rates. The Church is not exposed to foreign currency risk.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Church is exposed to interest rate risk on its fixed and floating rate cash and cash equivalent. In seeking to minimize the risks from interest rate fluctuations, the Church manages these risks through diversified short term deposits with banks, investment brokers and Abundance Canada

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices caused by factors specific to the individual financial instrument or it's issuer, or factors affecting all similar financial instruments traded in the market. The Church is not exposed to significant other price risk.

Liquidity risk

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. In minimizing the liquidity risk, the Church prepares annual budgets for each fund and actively monitors its cash flows from operating, investing and financing activities.

4. INVESTMENTS

| | 2017 | 2016 |
|---|--------------|--------------|
| GIC with ATB Securities at interest rate of 1.45% and maturity November 21, 2018 | \$ 1,053,480 | \$ 1,000,000 |
| GIC with ATB Securities at interest rate of 1.55% and maturity November 21, 2017 | 2,061,245 | 2,061,245 |
| GIC with ATB Securities at variable interest rate and maturity November 22, 2019 | 1,000,000 | - |
| Abundance Canada - interest rate 1.69% as at July 1, 2017 restricted for scholarships | 167,328 | 164,635 |
| GIC's with RBC Dominion Securities at interest rates of 1.55% to 2.55% and maturing from June 18, 2018 to June 16, 2019 | 4,216,556 | 3,124,962 |
| | \$ 8,498,609 | \$ 6,350,842 |

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

5. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | 2017 Net book value | 2016 Net book value |
|-------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 4,413,587 | \$ - | \$ 4,413,587 | \$ 4,413,587 |
| Buildings | 17,511,941 | 6,472,036 | 11,039,905 | 11,355,353 |
| Parking lots | 1,435,155 | 989,494 | 445,661 | 517,419 |
| Furniture and equipment | 8,219,278 | 7,460,685 | 758,593 | 1,016,355 |
| | <u>\$ 31,579,961</u> | <u>\$ 14,922,215</u> | <u>\$ 16,657,746</u> | <u>\$ 17,302,714</u> |

On July 1, 2017, the Church sold its West Campus building for \$8.5 million payable by way of cash of \$5.5 million and a mortgage of \$3 million. The mortgage bears interest at 2% per annum which is forgiven if the principal payment is made in accordance with the terms of the mortgage. Principal payments of \$1 million each are due July 1, 2018, July 1, 2019 and July 1, 2020.

6. CHANGES IN FUND BALANCES

| | Fund Balances | | | |
|--|---------------------|--------------------------|----------------|-------------------|
| | Capital Invested | Internally Restricted | Unrestricted | Total |
| | \$ | \$ | \$ | \$ |
| OPENING | 17,302,714 | 12,757,452 | 400,000 | 30,460,166 |
| Excess (deficiency) of revenues over expenses | | | 1,408,677 | 1,408,677 |
| Changes in Capital | | | | |
| - amortization | (914,400) | | 914,400 | - |
| - purchases | 269,432 | | (269,432) | - |
| Changes in Internally Restricted | | | | |
| - Global Mission | | 24,021 | (24,021) | - |
| - Other funds | | 577,621 | (577,621) | - |
| - Capital other funds | | 1,452,003 | (1,452,003) | - |
| ENDING | <u>16,657,746</u> | <u>14,811,097</u> | <u>400,000</u> | <u>31,868,843</u> |

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

7. INTERNALLY RESTRICTED FUNDS

| | 2017 | 2016 |
|------------------------------------|----------------------|----------------------|
| Global Mission | | |
| Benevolence | \$ 80,752 | \$ 61,096 |
| Designated Missions | 4,625 | 15,814 |
| Global Mission Opportunity Fund | 1,070,728 | 1,055,332 |
| Global Mission Capital Development | 597,637 | 563,004 |
| Youth missions | 34,817 | 54,798 |
| Short-term missions | 71,889 | 86,382 |
| | 1,860,448 | 1,836,426 |
| Other | | |
| Appleseed Resources | 7,954 | (6,693) |
| CSC Conference | 7,203 | 3,002 |
| CSC Scholarship Funds | 176,745 | 174,803 |
| Cafe | 76,733 | 54,169 |
| Centred Singles | 1,806 | 1,490 |
| City Mission Opportunity | 907,247 | 508,367 |
| Facility Rental | 131,786 | 69,255 |
| HR Contingency | 52,880 | - |
| Maranatha | 19,116 | 30,020 |
| Musical Training | 18,675 | - |
| Pastoral Training | 42,391 | 47,219 |
| Special Needs | 76,109 | 61,639 |
| Wedding | 18,353 | 24,221 |
| Young Adults | 61,002 | 52,888 |
| | - | - |
| | 1,598,000 | 1,020,380 |
| Capital | | |
| City Mission Capital Development | 9,937,165 | 8,794,400 |
| City Mission Sustaining Capital | 1,415,484 | 1,106,246 |
| | 11,352,649 | 9,900,646 |
| Grand total | \$ 14,811,097 | \$ 12,757,452 |

8. COMMITMENTS

The church has leases with respect to regional campuses. Future minimum lease payments as at year end are as follows:

| | |
|------|-------------------|
| 2018 | \$ 145,083 |
| 2019 | 31,483 |
| | \$ 176,566 |

CENTRE STREET CHURCH
Notes to Financial Statements
Year Ended June 30, 2017

9. PENSIONS

The Church participates in a defined contribution pension plan through the Evangelical Missionary Church of Canada, the funds of which are administered by Sunlife. The current pension expense is \$100,822 (2016:\$128,334). At the year end, the Church had no unrecorded pension liabilities.

10. RELATED PARTY TRANSACTIONS

Missions support payments, which are recorded at the amount of cash transferred, have been made to the following entities affiliated through the EMC - Canada (Evangelical Missionary Church of Canada). During the year the church paid to:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Evangelical Missionary Church of Canada | \$ 107,490 | \$ 76,800 |
| Other affiliated entities | 65,865 | 33,553 |
| | <u>\$ 173,355</u> | <u>\$ 110,353</u> |

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
