

**CENTRE STREET CHURCH**  
**Financial Statements**  
**Year Ended June 30, 2018**

**CENTRE STREET CHURCH**  
**Index to Financial Statements**  
**Year Ended June 30, 2018**

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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.



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Chris Yu, CPA, CMA  
Finance Manager

Calgary, AB  
September 18, 2018

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## INDEPENDENT AUDITOR'S REPORT

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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, 2018 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 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, 2018, current assets and net assets as at July 1, 2017 and June 30, 2018.



### 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, 2018 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.

September 18, 2018

  
Chartered Professional Accountants

**CENTRE STREET CHURCH**  
**Statement of Financial Position**  
**June 30, 2018**

	City Mission	Global Mission	Other	Capital	Total 2018	Total 2017
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash and cash equivalents	\$ 427,782	\$ 2,036,030	\$ 1,161,832	\$ 8,982,608	\$ 12,608,252	\$ 6,700,851
Accounts receivable	72,218	-	-	-	72,218	41,060
Inventory	-	-	92,470	-	92,470	70,577
	500,000	2,036,030	1,254,302	8,982,608	12,772,940	6,812,488
<b>INVESTMENTS (Note 4)</b>	-	212,827	488,927	10,338,044	11,039,798	8,498,609
<b>MORTGAGE RECEIVABLE (Note 5)</b>	-	-	-	2,000,000	2,000,000	-
<b>PROPERTY AND EQUIPMENT (Note 6)</b>	-	-	-	27,493,359	27,493,359	16,657,746
	\$ 500,000	\$ 2,248,857	\$ 1,743,229	\$ 48,814,011	\$ 53,306,097	\$ 31,968,843
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT</b>						
Accounts payable and accrued liabilities	\$ 100,000	\$ -	\$ -	\$ 201,033	\$ 301,033	\$ 100,000
	-	-	-	27,493,359	27,493,359	16,657,746
<b>NET ASSETS (Note 7)</b>	-	2,248,857	1,743,229	21,119,619	25,111,705	14,811,097
Capital invested	-	-	-	-	400,000	400,000
Internally restricted (Note 8)	400,000	-	-	-	-	-
Unrestricted	400,000	2,248,857	1,743,229	48,612,978	53,005,064	31,868,843
	\$ 500,000	\$ 2,248,857	\$ 1,743,229	\$ 48,814,011	\$ 53,306,097	\$ 31,968,843
Commitments (Note 9)						
<b>ON BEHALF OF THE BOARD</b>						
	Governor		Governor			

**CENTRE STREET CHURCH**  
**Statement of Operations and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	City Mission 2018	Global Mission 2018	Other funds 2018	Capital 2018	Total 2018	Total 2017
<b>REVENUES</b>						
Ministry & missions	\$ 9,601,864	\$ 2,770,790	\$ 8,841	\$ 3,238,931	\$ 15,620,426	\$ 13,310,198
Missions designated	-	161,293	-	-	161,293	179,853
Programs, sales and services	240,342	25	909,898	-	1,150,265	1,159,450
Investment income	60,020	14,335	11,782	286,353	372,490	238,840
Gain on sale of property	-	-	-	6,574,973	6,574,973	-
	9,902,226	2,946,443	930,521	10,100,257	23,879,447	14,888,341
<b>EXPENSES</b>						
Staff and contract	6,169,082	480,515	370,729	80,561	7,100,887	6,938,754
Ministry costs	1,262,358	1,852,869	711,748	-	3,826,975	3,594,051
Designated missions	-	162,001	-	-	162,001	191,042
Operations and support	1,721,664	36,000	-	123,550	1,881,214	1,841,417
Amortization of tangible assets	-	-	-	772,149	772,149	914,400
	9,153,104	2,531,385	1,082,477	976,260	13,743,226	13,479,664
<b>OPERATING EXCESS (DEFICIENCY)</b>	749,122	415,058	(151,956)	9,123,997	10,136,221	1,408,677
<b>INTERFUND TRANSFERS</b>						
Operations and subsidies	(507,961)	(26,649)	56,024	478,586	-	-
Surplus transfer	(241,161)	-	241,161	-	-	-
	(749,122)	(26,649)	297,185	478,586	-	-
<b>NET EXCESS OF REVENUES OVER EXPENSES</b>						
	-	388,409	145,229	9,602,583	10,136,221	1,408,677
<b>FUND BALANCES, beginning of year</b>	400,000	1,860,448	1,598,000	28,010,395	31,868,843	30,460,166
Restricted contribution for land purchase (Note 6)	-	-	-	11,000,000	11,000,000	-
<b>FUND BALANCES - END OF YEAR</b>	\$ 400,000	\$ 2,248,857	\$ 1,743,229	\$ 48,612,978	\$ 53,005,064	\$ 31,868,843

**CENTRE STREET CHURCH**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

	City Mission 2018	Global Mission 2018	Other funds 2018	Capital 2018	Total 2018	Total 2017
<b>OPERATING ACTIVITIES</b>						
Excess of revenues over expenses Items not affecting cash:	\$ -	\$ 388,409	\$ 145,229	\$ 9,602,583	\$ 10,136,221	\$ 1,408,677
Amortization of property and equipment (Note 6)	-	-	-	772,149	772,149	914,400
Gain on sale of property	-	-	-	(6,574,973)	(6,574,973)	-
	-	388,409	145,229	3,799,759	4,333,397	2,323,077
Changes in non-cash working capital:						
Accounts receivable	(31,158)	-	-	-	(31,158)	7,414
Inventory	-	-	(21,893)	-	(21,893)	(14,647)
Accounts payable and accrued liabilities	-	-	-	201,033	201,033	(151,515)
	(31,158)	-	(21,893)	201,033	147,982	(158,748)
	(31,158)	388,409	123,336	4,000,792	4,481,379	2,164,329
Cash flow from operating activities						
<b>INVESTING ACTIVITIES</b>						
Mortgage receivable repayment	-	-	-	1,000,000	1,000,000	-
Addition to mortgage receivable	-	-	-	(3,000,000)	(3,000,000)	-
Investments	418,456	1,647,621	1,038,496	(5,645,762)	(2,541,189)	(2,147,769)
Sale of West Campus	-	-	-	8,493,820	8,493,820	-
Purchase of land	-	-	-	(12,824,323)	(12,824,323)	-
Purchase of other capital assets	-	-	-	(702,286)	(702,286)	(269,432)
Cash flow from (used by) investing activities	418,456	1,647,621	1,038,496	(12,678,551)	(9,573,978)	(2,417,201)
<b>FINANCING ACTIVITY</b>						
Contributions for land purchase	-	-	-	11,000,000	11,000,000	-
Cash flow from financing activity	-	-	-	11,000,000	11,000,000	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	387,298	2,036,030	1,161,832	2,322,241	5,907,401	(252,872)
Cash and cash equivalents - beginning of year	40,484	-	-	6,660,367	6,700,851	6,953,723
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 427,782	\$ 2,036,030	\$ 1,161,832	\$ 8,982,608	\$ 12,608,252	\$ 6,700,851

**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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**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.

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**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 (ASNFPO)

**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, Youth Missions and Short Term Missions),

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

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

**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.

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**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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

**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 Resource 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.

**Revenue recognition**

The 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, if the restricted contribution is for the purchase of non-depreciable capital assets, directly as an increase to net assets. 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).

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**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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

**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 2018 nor 2017. All general expenses are included in general fund operations.

**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.

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**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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**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, 2018.

Credit risk

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 in regards to stock donations received which are liquidated shortly after receipt.

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 equivalents. 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.

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**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**4. INVESTMENTS**

	2018	2017
GIC with ATB Securities at interest rate of 1.45% and maturity November 23, 2018	\$ 1,053,480	\$ 1,053,480
GIC with ATB Securities at interest rate of 1.65% and maturity February 25, 2019	2,000,000	2,061,245
GIC with ATB Securities at 1.7% interest rate and maturity May 24, 2019	2,109,550	-
GIC with ATB Securities at 2.4% interest rate and maturity September 20, 2019	3,000,000	-
GIC with ATB Securities at variable interest rate and maturity November 23, 2019	1,000,000	1,000,000
Abundance Canada - interest rate 1.69% as at July 1, 2018 restricted scholarships	169,678	167,328
GIC's with RBC Dominion Securities at interest rates of 1.555 to 2.55% and maturing from November 30, 2018 to June 16, 2019	1,610,433	4,216,556
Accrued interest on ATB Securities GIC's	96,657	-
	<b>\$ 11,039,798</b>	<b>\$ 8,498,609</b>

**5. MORTGAGE RECEIVABLE**

	2018	2017
Mortgage receivable bearing interest at 2% per annum and repayable in annual instalments of \$1 million	\$ 2,000,000	\$ -
	<b>\$ 2,000,000</b>	<b>\$ -</b>

On July 1, 2017 the church sold its West Campus for \$8.5 million, receiving \$5.5 million cash and a mortgage receivable of \$3 million. This mortgage is repayable in annual instalments of \$1 million due July 1, with the first instalment being received in June 2018 and the remaining two instalments due July 1, 2019 and July 1, 2020. The mortgage bears interest at 2% per annum, with interest being waived if annual instalments of \$1 million are paid by the due date.

Principal repayment terms are approximately:

2020		\$ 1,000,000
2021		1,000,000
		<b>\$ 2,000,000</b>

**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**6. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	<b>2018 Net book value</b>	2017 Net book value
Land	\$ 16,644,081	\$ -	<b>\$ 16,644,081</b>	\$ 4,413,587
Buildings	15,252,154	5,240,144	<b>10,012,010</b>	11,039,905
Parking lots	1,076,907	758,027	<b>318,880</b>	445,661
Furniture and equipment	8,164,133	7,645,745	<b>518,388</b>	758,593
	<b>\$ 41,137,275</b>	<b>\$ 13,643,916</b>	<b>\$ 27,493,359</b>	<b>\$ 16,657,746</b>

On November 1, 2017, the church received a donation of \$11 million specifically for the purpose of purchasing land with a view to building a church for the NW Campus. Land costing \$11,271,153 was purchased on November 1, 2017.

**7. CHANGES IN FUND BALANCES**

	Fund Balances			
	Capital Invested	Internally Restricted	Unrestricted	Total
	\$	\$	\$	\$
<b>OPENING</b>	16,657,746	14,811,097	400,000	31,868,843
Net excess of revenues over expenses			10,136,221	10,136,221
Restricted contribution for land purchase	11,000,000			11,000,000
Changes in Capital				
- amortization	(772,149)		772,149	-
- purchases	2,526,609		(2,526,609)	-
- sales	(1,918,847)	8,493,820	(6,574,973)	-
Changes in Internally Restricted				
- Global Mission		388,409	(388,409)	-
- Other funds		145,229	(145,229)	-
- Capital		1,273,150	(1,273,150)	-
<b>ENDING</b>	<b>27,493,359</b>	<b>25,111,705</b>	<b>400,000</b>	<b>53,005,064</b>

**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

**8. INTERNALLY RESTRICTED FUNDS**

	<u>2018</u>	<u>2017</u>
<b>Global Mission</b>		
Benevolence	\$ 94,042	\$ 80,752
Designated Missions	(708)	4,625
Global Mission Opportunity Fund	1,053,592	1,070,728
Global Mission Capital Development	946,569	597,637
Youth Missions	22,032	34,817
Short Term Missions	133,330	71,889
	<u>2,248,857</u>	<u>1,860,448</u>
<b>Other</b>		
Appleseed Resource	(271)	7,954
CSC Conference	12,300	7,203
CSC Scholarship Funds	179,713	176,745
Cafe	84,460	76,733
Centred Singles	15,323	1,806
City Mission Opportunity	901,502	907,247
Facility Rental	165,083	131,786
HR Contingency	100,000	52,880
Maranatha	12,098	19,116
Musical Training	35,504	18,675
Pastoral Training	40,115	42,391
Special Needs	97,427	76,109
Wedding	16,270	18,353
Young Adults	83,705	61,002
	-	-
	<u>1,743,229</u>	<u>1,598,000</u>
<b>Capital</b>		
City Mission Capital Development	19,433,635	9,937,165
City Mission Sustaining Capital	1,685,984	1,415,484
	<u>21,119,619</u>	<u>11,352,649</u>
Grand total	<u>\$ 25,111,705</u>	<u>\$ 14,811,097</u>

**CENTRE STREET CHURCH**  
**Notes to Financial Statements**  
**Year Ended June 30, 2018**

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**9. COMMITMENTS**

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

	2019	\$ 160,713
	2020	147,843
	2021	120,643
	2022	107,043
	2023	107,043
	Thereafter	<u>643,287</u>
		<u>\$ 1,286,572</u>

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**10. 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 \$82,785 (2017:\$100,822). At the year end, the Church had no unrecorded pension liabilities.

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**11. 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 Evangelical Missionary Church of Canada. During the year the church paid to:

	<u>2018</u>	<u>2017</u>
Evangelical Missionary Church of Canada	\$ 116,891	\$ 107,490
Other affiliated entities	<u>93,867</u>	<u>65,865</u>
	<u>\$ 210,758</u>	<u>\$ 173,355</u>

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