

ST. ANDREW'S PRESBYTERIAN CHURCH

Financial Statements

December 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of St. Andrew's Presbyterian Church

Opinion

We have audited the financial statements of St. Andrew's Presbyterian Church (the Church), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in 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 Church as at December 31, 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.

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 Church 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 those 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 Church's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Church'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:

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Independent Auditor's Report to the Members of St. Andrew's Presbyterian Church (continued)

- 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 Church's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Church'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 Church 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.

March 2, 2019



Chartered Professional Accountants
Licensed Public Accountants

ST. ANDREW'S PRESBYTERIAN CHURCH
Statement of Financial Position
December 31, 2018

	Operating Fund \$	Trustees' Fund \$	Endowment Fund \$	Miscellaneous Fund \$	Capital Asset Fund \$	Interfund Elimination \$	2018 \$	2017 \$
ASSETS								
Cash	40,074	3,006	-	-	-	-	43,080	39,714
Prepaid grocery vouchers	15,375	-	-	-	-	-	15,375	15,675
Government remittances recoverable	4,813	-	-	-	-	-	4,813	7,681
Long term Investments (Note 3)	-	319,519	748,064	-	-	-	1,067,583	1,075,168
Capital assets (Note 4)	-	-	-	-	2,179,776	-	2,179,776	2,216,597
Due from Operating Fund (Note 8)	-	3,806	-	66,321	-	(70,127)	-	-
Due from Endowment Fund (Note 8)	7,912	-	-	-	-	(7,912)	-	-
	<u>68,174</u>	<u>326,331</u>	<u>748,064</u>	<u>66,321</u>	<u>2,179,776</u>	<u>(78,039)</u>	<u>3,310,627</u>	<u>3,354,835</u>
LIABILITIES AND FUND BALANCES								
Accounts payable and accrued liabilities	23,594	-	-	-	-	-	23,594	16,836
Government remittances payable	9,491	-	-	-	-	-	9,491	-
Debenture loans (Note 5)	-	-	-	-	450,000	-	450,000	450,000
Due to Miscellaneous Funds (Note 8)	66,321	-	-	-	-	(66,321)	-	-
Due to Operating Fund (Note 8)	-	-	7,912	-	-	(7,912)	-	-
Due to Trustees' Fund (Note 8)	3,806	-	-	-	-	(3,806)	-	-
	<u>103,212</u>	<u>-</u>	<u>7,912</u>	<u>-</u>	<u>450,000</u>	<u>(78,039)</u>	<u>483,085</u>	<u>466,836</u>
FUND BALANCES	<u>(35,038)</u>	<u>326,331</u>	<u>740,152</u>	<u>66,321</u>	<u>1,729,776</u>	<u>-</u>	<u>2,827,542</u>	<u>2,887,999</u>
	<u>68,174</u>	<u>326,331</u>	<u>748,064</u>	<u>66,321</u>	<u>2,179,776</u>	<u>(78,039)</u>	<u>3,310,627</u>	<u>3,354,835</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

ST. ANDREW'S PRESBYTERIAN CHURCH
Statement of Operations
Year Ended December 31, 2018

	Budget (Note 11) \$	Operating Fund \$	Trustees' Fund (Schedule) \$	Endowment Fund \$	Miscellaneous Fund \$	Capital Asset Fund \$	2018 \$	2017 \$
REVENUES								
Contributions - Unrestricted	230,300	218,083	-	-	-	-	218,083	223,502
Contributions - Restricted	-	-	106,259	2,315	9,550	-	118,124	27,803
Rental revenue (Note 6)	72,000	68,296	-	-	-	-	68,296	68,303
Presbyterian Sharing	31,000	26,353	-	-	-	-	26,353	28,875
Other income	29,200	22,677	-	-	-	-	22,677	25,230
Investment income	48,050	-	11,991	26,097	-	-	38,088	26,947
Realized gain (loss) on investments	-	-	2,282	(3,442)	-	-	(1,160)	(9,541)
Unrealized gain (loss) on investments	-	-	(34,014)	(75,326)	-	-	(109,340)	68,357
	<u>410,550</u>	<u>335,409</u>	<u>86,518</u>	<u>(50,356)</u>	<u>9,550</u>	<u>-</u>	<u>381,121</u>	<u>459,476</u>
EXPENDITURES								
Amortization	-	-	-	-	-	36,821	36,821	39,220
Audit	7,000	6,229	-	-	-	-	6,229	8,004
Building project	-	-	-	-	-	-	-	12,889
Education and mission	6,900	2,089	1,470	-	2,337	-	5,896	22,952
Interest expense	16,500	-	16,500	-	-	-	16,500	16,500
Membership expenses	2,390	1,619	-	-	-	-	1,619	1,492
Memberships	37,446	37,445	-	-	-	-	37,445	37,201
Office	18,664	23,103	-	-	-	-	23,103	18,430
Property and maintenance	49,350	53,286	-	-	-	-	53,286	55,428
Rental property expenditures	33,000	31,407	-	-	-	-	31,407	27,743
Salaries and wages	234,200	225,027	-	-	-	-	225,027	222,558
Worship and memorial	5,100	4,245	-	-	-	-	4,245	6,187
	<u>410,550</u>	<u>384,450</u>	<u>17,970</u>	<u>-</u>	<u>2,337</u>	<u>36,821</u>	<u>441,578</u>	<u>468,604</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(49,041)</u>	<u>68,548</u>	<u>(50,356)</u>	<u>7,213</u>	<u>(36,821)</u>	<u>(60,457)</u>	<u>(9,128)</u>

ST. ANDREW'S PRESBYTERIAN CHURCH
Statement of Changes in Fund Balances
Year Ended December 31, 2018

	Operating Fund \$	Trustees' Fund \$	Endowment Fund \$	Miscellaneous Fund (Note 10) \$	Capital Asset Fund \$	2018 \$	2017 \$
FUND BALANCES - BEGINNING OF YEAR	(21,263)	281,985	800,734	59,946	1,766,597	2,887,999	2,897,127
Deficiency of revenues over expenditures	(49,041)	68,548	(50,356)	7,213	(36,821)	(60,457)	(9,128)
Fund transfers (Note 7)	35,266	(24,202)	(10,226)	(838)	-	-	-
FUND BALANCES - END OF YEAR	(35,038)	326,331	740,152	66,321	1,729,776	2,827,542	2,887,999

ST. ANDREW'S PRESBYTERIAN CHURCH
Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Deficiency Of Revenues Over Expenditures	(60,457)	(9,128)
Items not affecting cash:		
Amortization of capital assets	36,821	39,220
Unrealized loss (gain) on disposal of investments	109,340	(68,357)
In-kind donation	(93,891)	-
Capital (gains) losses on investments	(7,049)	9,541
	<u>(15,236)</u>	<u>(28,724)</u>
Changes in non-cash working capital:		
Prepaid grocery vouchers	300	8,825
Accounts payable and accrued liabilities	6,759	(2,370)
Government remittances recoverable	2,868	3,996
Government remittances payable	9,491	(2,674)
	<u>19,418</u>	<u>7,777</u>
Cash flow from operating activities	<u>4,182</u>	<u>(20,947)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	(826)
Sale (purchase) of investments	(816)	28,985
	<u>(816)</u>	<u>28,159</u>
Cash flow from (used by) investing activities	<u>3,366</u>	<u>7,212</u>
INCREASE IN CASH FLOW		
Cash - beginning of year	<u>39,714</u>	<u>32,502</u>
CASH - END OF YEAR	<u>43,080</u>	<u>39,714</u>

ST. ANDREW'S PRESBYTERIAN CHURCH
Schedule of Trustees' Funds
Year Ended December 31, 2018

(Schedule 1)

	Florence Busch Memorial Student Bursary Fund \$	Building Fund \$	Loans/ Debenture Interest Fund \$	Property Redevelopment Campaign Fund \$	Unspecified gifts & bequests \$	2018 \$	2017 \$
REVENUES							
Donations	-	12,367	-	93,892	-	106,259	14,488
Investment income	1,500	2,595	2,280	1,684	3,932	11,991	10,722
Realized gain on investments	-	565	496	(366)	855	2,282	7,191
Unrealized gain (loss) on investments	-	(8,415)	(7,391)	(5,460)	(12,748)	(34,014)	5,377
	1,500	7,112	(4,615)	89,750	(7,961)	86,518	37,778
EXPENDITURES	1,470	-	16,500	-	-	17,970	30,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30	7,112	(21,115)	89,750	(7,961)	68,548	6,866
Fund balance, beginning of year	36,481	72,349	63,550	-	109,605	281,985	295,119
Interfund transfers	-	(14,182)	-	-	(10,020)	(24,202)	(20,000)
	36,481	58,167	63,550	-	99,585	257,783	275,119
FUND BALANCE, END OF YEAR	36,511	65,279	42,435	89,750	91,624	326,331	281,985

ST. ANDREW'S PRESBYTERIAN CHURCH
Notes to Financial Statements
Year Ended December 31, 2018

1. PURPOSE OF THE CHURCH

St. Andrew's Presbyterian Church (the "Church") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario. As a registered charity the Church is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Church is a religious organization serving the spiritual needs of the congregation and the community.

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 (ASNFPFO).

Revenue recognition

- (a) Donations and contributions related to general operations and any unrestricted donations are recognized as revenue of the Operating Fund in the year in which they are received. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received.
- (b) Interest, dividends, capital gains and unrealized gains (losses) are recorded as revenue when earned in the appropriate fund as determined by the income restrictions of the underlying investments for each of the funds.
- (c) Rental income is recognized as revenue when received.

Gifts in kind

Gifts in kind received by the Church are recorded at their estimated fair market value.

Contributed services

The operations of the Church depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Buildings	5%
Furniture and fixtures	20%
Organ	5%
Parking lot	8%

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ST. ANDREW'S PRESBYTERIAN CHURCH
Notes to Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

St. Andrew's Presbyterian Church follows the restricted fund method of accounting for contributions.

(a) Unrestricted Fund

The Operating Fund accounts for the Church's program delivery and administrative activities. This fund reports all sources of revenue designated for operating fund programs, any unrestricted donations received and expenditures related to the Board of Managers and Session and Teams.

(b) Externally Restricted Funds

The Trustees' Funds include amounts bequeathed to St. Andrew's Presbyterian Church and investment income earned thereon. In order to ensure observation of limitations and restrictions placed on the use of resources maintained by the Trustees on behalf of the congregation, the funds have been specified as outlined below:

- (i) The Florence Busch Memorial Student Bursary Fund is a specified fund in which interest earned on the underlying investment is paid out annually as a bursary to eligible students.
- (ii) The Building Fund is a specified fund in which donations received are used to maintain the upkeep of the Church's properties with congregational approval.
- (iii) The Loan/Debenture Interest Fund is a specified fund in which donations received are invested and interest earned on the underlying investment is used to pay the interest on the debenture loans.
- (iv) Unspecified gifts and bequests. These funds can be used for any purpose and drawn upon with congregational approval.
- (v) Property Redevelopment Campaign Fund. This fund has been set up for future building or redevelopment projects.

The Endowment Fund reports resources contributed for endowment. Interest and dividends earned are reported in the Endowment Fund and transferred to a miscellaneous fund at year end. With approval from Session these funds are drawn upon by March of the following year. Session can use the funds at their discretion as needed. The Endowment Fund Trustees, elected by the congregation, hold and manage the funds. Any growth or loss is absorbed within the fund.

Miscellaneous Funds represent various funds whose contributions are externally restricted, each with a specific purpose.

(c) Internally Restricted Funds

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to St. Andrew's Presbyterian Church's capital assets.

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ST. ANDREW'S PRESBYTERIAN CHURCH
Notes to Financial Statements
Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the Church's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Financial Instruments

Measurement of Financial Instruments

The Church 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 Church subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the respective funds in the period incurred.

Financial assets measured at amortized cost include cash and fixed income investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and debenture loans. Financial assets measured at fair value include mutual funds and equity investments. The fair values of mutual funds and equity investments are determined by reference to published bid price quotations in an active market at year end.

Impairment

At the end of each reporting period, the Church assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the respective funds.

Transaction Costs

Transaction costs are recognized in the respective funds in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees associated with the mutual funds and equity investments are expensed as incurred.

ST. ANDREW'S PRESBYTERIAN CHURCH
Notes to Financial Statements
Year Ended December 31, 2018

3. LONG TERM INVESTMENTS

	RBC Dominion Securities	CIBC Wood Gundy	2018	2017
	\$	\$	\$	\$
Cash	7,770	2,830	10,600	7,155
Fixed income	-	303,365	303,365	245,510
Mutual funds	89,850	95,903	185,753	123,207
Preferred shares	29,891	120,632	150,523	183,556
Common shares	192,008	225,334	417,342	515,740
	<u>319,519</u>	<u>748,064</u>	<u>1,067,583</u>	<u>1,075,168</u>

The market value of the investment portfolio at the audit report date is \$1,120,747 (2017 - \$1,050,000).

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018	2017
	\$	\$	Net book value	Net book value
	\$	\$	\$	\$
Land	1,525,000	-	1,525,000	1,525,000
Buildings	776,296	190,218	586,078	616,924
Organ	80,000	26,927	53,073	55,867
Parking lot	6,060	1,614	4,446	4,833
Furniture and equipment	31,182	20,003	11,179	13,973
	<u>2,418,538</u>	<u>238,762</u>	<u>2,179,776</u>	<u>2,216,597</u>

5. DEBENTURE LOANS

Debenture loans are from members of the congregation and earn interest at a rate between 3%-4%, with interest payable semi-annually. The debenture loans are unsecured and due to be repaid July 2019.

6. RENTAL REVENUE

The Church earns rental income from two adjacent properties.

7. INTERFUND TRANSFERS

During the year the Board of Trustees transferred \$24,202 (2017 - \$20,000) to the Operating Fund. During the year the Operating Fund transferred \$nil (2017 - \$829) to the Capital Asset Fund. During the year the Endowment Fund transferred \$26,097 (2017 - \$16,225) to a designated Miscellaneous Fund representing interest and dividends earned on the fund during the year. During the year the Miscellaneous Fund transferred \$11,064 (2017 - \$nil) to the Operating Fund. During the year the Miscellaneous Fund transferred \$385 (2017 - \$nil) to the Endowment Fund.

ST. ANDREW'S PRESBYTERIAN CHURCH
Notes to Financial Statements
Year Ended December 31, 2018

8. DUE TO/FROM OPERATING FUND

The Church receives contributions from the congregation for specific purposes which are deposited to the Operating Fund. The amounts due to (from) the Operating Fund are without interest and are normally paid promptly.

9. MISCELLANEOUS FUNDS

Miscellaneous funds consist of the following:

	2018	2017
	\$	\$
KAIROS Fund	278	278
Organ Restoration Fund	10,180	7,380
Mission and Outreach Fund	1,000	500
Refugee Fund	10,434	10,933
Sheila Mavor Campership Fund	2,003	2,003
Student Minister Bursary Fund	123	123
Beulah McBride Memorial Gift	175	175
Carolyn Frid Memorial Gift	115	375
Elizabeth Sutherland Memorial Gift	-	423
Emory Miller Memorial Gift	600	600
Helen Brown Memorial Gift	1,423	1,423
Howard Livingston Memorial Gift	180	180
Jean McEachern Memorial Gift	150	-
Jean Miller Memorial Gift	954	954
Karen Rudachyk Memorial Gift	5,531	531
Margo Renwick Memorial Gift	464	464
Michael Miller Memorial Gift	235	235
Minister's Benevolent Gift	993	1,048
Rev.Dr.Don McKillican Memorial Gift	122	122
Rev.Laurie Sutherland Memorial Gift	520	520
Vivian Bell Memorial Gift	3,876	3,876
Wally Carruthers Memorial Gift	155	155
Yvonne Kenzie Memorial Gift	-	385
Endowment Fund interest and dividends to be specified by Session	26,810	27,263
	66,321	59,946

Subsequent to year end, Session approved a funds transfer of \$26,810 from the Endowment Fund interest and dividends in order to support operations.

ST. ANDREW'S PRESBYTERIAN CHURCH
Notes to Financial Statements
Year Ended December 31, 2018

10. LEASE COMMITMENTS

The Church has entered into a contract for an office photocopier. The future annual commitments for this contract as of December 31, 2018, are as follows:

	\$
2019	5,050
2020	5,050
2021	5,050
2022	5,050
2023	5,050

11. BUDGET

The budgeted figures, presented for comparison purposes, are unaudited and are those approved by the Board.

12. FINANCIAL INSTRUMENT RISK

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 December 31, 2018.

(a) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in the market interest rates.

The Church is exposed to interest rate risk on its fixed income investments that are included in restricted assets in the Statement of Financial Position. The Church manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity, which helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

(b) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk).

The Church is exposed to other price risk on its investment in common shares, preferred shares, and mutual funds. The Church manages its other price risk by investing in a diverse portfolio of companies in a variety of industry sectors.

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant liquidity, currency and credit risks arising from these financial instruments.
