

FINANCIAL STATEMENTS OF

RELATE CHRISTIAN CHURCH

December 31, 2015



d'Abadie Moody inc.



INDEPENDENT AUDITOR'S REPORT

To the Directors of
Relate Christian Church

We have audited the accompanying financial statements of Relate Christian Church, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets 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 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 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 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 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.



INDEPENDENT AUDITOR'S REPORT, continued

Basis for Qualified Opinion

Relate Christian Church derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2015 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Langley, British Columbia
March 20, 2016



Chartered Professional Accountants

**RELATE CHRISTIAN CHURCH
STATEMENT OF FINANCIAL POSITION**

As at December 31, 2015

	2015	2014
ASSETS		
Current		
Cash and cash equivalents	\$ 158,071	\$ 2,010,569
Accounts receivable	28,683	8,073
Inventories (Note 4)	32,479	13,590
Prepaid expenses and deposits	12,374	9,059
Term Deposits	1,441,476	-
Restricted cash (Notes 6 and 7)	281,760	626,035
	<u>1,954,843</u>	<u>2,667,326</u>
Property and equipment (Note 3)	<u>5,157,342</u>	<u>4,943,635</u>
	<u>\$ 7,112,185</u>	<u>\$ 7,610,961</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 105,238	\$ 256,690
Deferred revenue	200,203	486,374
	<u>305,441</u>	<u>743,064</u>
Current liabilities before callable debt	-	743,064
Callable debt (Note 5)	-	550,797
	<u>305,441</u>	<u>1,293,861</u>
Deferred designated donations (Note 6)	<u>1,899,940</u>	<u>1,728,326</u>
	<u>2,205,381</u>	<u>3,022,187</u>

NET ASSETS

Internally Restricted Net Assets (Note 8)	50,190	-
Unrestricted Net Assets	4,856,614	4,588,774
	<u>4,906,804</u>	<u>4,588,774</u>
	<u>\$ 7,112,185</u>	<u>\$ 7,610,961</u>

Approved by the board

Director

See accompanying notes to the financial statements



RELATE CHRISTIAN CHURCH STATEMENT OF OPERATIONS

Year ended December 31, 2015

	2015	2014
REVENUES		
General Donations	\$ 2,003,052	\$ 3,522,297
Department donations	68,674	43,004
Missions donations	521,461	336,036
Departments N/R	81,604	107,743
Designated special events N/R	46,024	58,643
Bookstore and media	11,621	22,495
Designated/special events/projects donations	8,073	7,452
Interest and miscellaneous income	24,310	4,189
College revenue and expenses	4,533	12,494
Resurgent donations (Note 8)	266,856	-
	<u>3,036,208</u>	<u>4,114,353</u>
EXPENDITURES		
Advertising and promotion	28,511	19,725
Amortization	232,528	226,314
Automotive	40,494	33,533
Bookstore and media	25,330	27,064
Department	104,240	109,262
Coffee bar	13,801	14,331
Missions	703,303	476,569
Equipment lease	32,836	47,649
Special events/projects	132,781	71,024
Interest and bank charges	51,746	55,385
Office and administration	29,595	23,652
Professional fees	49,108	46,127
Repairs and maintenance	45,418	30,955
Subcontract	5,698	2,713
Annual fees and insurance	32,859	23,446
GST/HST Expense	15,946	27,534
Telephone	20,429	14,257
Utilities	50,200	52,623
Wages and benefits	938,325	962,139
Resurgent expenditures (Schedule 1)	165,030	-
	<u>2,718,178</u>	<u>2,264,302</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 318,030	\$ 1,850,051

See accompanying notes to the financial statements



RELATE CHRISTIAN CHURCH
STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS, as previously stated	\$ 4,588,774	\$ 2,738,723
Internally restricted (Note 8)	<u>(50,190)</u>	<u>-</u>
UNRESTRICTED NET ASSETS, as restated	4,538,584	2,738,723
Excess of revenues over expenditures	<u>318,030</u>	<u>1,850,051</u>
UNRESTRICTED NET ASSETS, end of year	<u>\$ 4,856,614</u>	<u>\$ 4,588,774</u>

See accompanying notes to the financial statements



RELATE CHRISTIAN CHURCH

STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 318,030	\$ 1,850,051
Item not affecting cash		
Amortization	232,528	226,314
	<u>550,558</u>	<u>2,076,365</u>
Change in non-cash working capital items		
Accounts receivable	(20,610)	9,343
Inventories	(18,889)	(967)
Prepaid expenses and deposits	(3,315)	(2,196)
Term Deposits	(1,441,476)	-
Accounts payable and accrued liabilities	(151,451)	(106,437)
Deferred revenue	(286,171)	465,778
	<u>(1,371,354)</u>	<u>2,441,886</u>
FINANCING ACTIVITIES		
Repayment of callable debt	(550,797)	-
Proceeds of callable debt	-	550,797
Deferred designated donations	171,614	356,759
	<u>(379,183)</u>	<u>907,556</u>
INVESTING ACTIVITY		
Purchase of property and equipment	(446,236)	(1,914,756)
(DECREASE) INCREASE IN CASH POSITION	(2,196,773)	1,434,686
CASH POSITION, beginning of year	2,636,604	1,201,918
CASH POSITION, end of year	\$ 439,831	\$ 2,636,604
REPRESENTED BY:		
Cash and cash equivalents	\$ 158,071	\$ 2,010,569
Restricted cash	281,760	626,035
	<u>\$ 439,831</u>	<u>\$ 2,636,604</u>

See accompanying notes to the financial statements



RELATE CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

1. Nature of operations

Relate Christian Church (the "Society") is incorporated under the British Columbia Society Act with the primary purpose of preaching and teaching the Bible. The Society is a registered charity under the Income Tax Act and as such is exempt from income taxes and entitled to issue charitable donation receipts.

2. Significant accounting policies

The Society applies the Canadian accounting standards for not-for-profit enterprises.

(a) Cash equivalents

The Society's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and highly liquid temporary investments usually with a maturity period of three months or less from the date of acquisition. Term deposits that the Society cannot use for current transactions because they are pledged as security are excluded from cash and cash equivalents.

(b) Investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are included in investment income for the year.

(c) Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

(d) Property and equipment

Property and equipment are recorded at cost. The Society provides for amortization using the following methods at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Buildings	40 years Straight-line
Sound equipment & instruments	10 years Straight-line
Equipment	6 $\frac{2}{3}$ years Straight-line
Computer Hardware	6 $\frac{2}{3}$ years Straight-line
Automotive	10 years Straight-line

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

RELATE CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

2. Significant accounting policies, continued

(e) Impairment of long-lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(f) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions for the purchase of capital assets that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Externally restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

(g) Gifts in kind

Goods and services received in trade or at no cost to the Church are recorded in the financial statements when the fair market value of these goods and services can be reasonably determined.

(h) Foreign exchange

Monetary assets and liabilities of the Society which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

RELATE CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

2. Significant accounting policies, continued

(i) Use of estimates

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include useful lives of capital assets for the determination of amortization, impairment of capital assets, fair value on gifts in kind and estimated cost to complete building expansion. Actual results could differ from those estimates.

3. Property and equipment

	2015		2014	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 224,842	\$ -	\$ 224,842	\$ 224,842
Buildings	5,746,279	1,199,958	4,546,321	4,389,991
Sound equipment & instruments	640,824	480,104	160,720	194,960
Equipment	237,072	111,659	125,413	96,361
Computer Hardware	135,808	102,639	33,169	23,427
Structures	60,033	51,084	8,949	8,627
Automotive	26,154	23,342	2,812	5,427
Resurgent equipment	55,116	-	55,116	-
	<u>\$ 7,126,128</u>	<u>\$ 1,968,786</u>	<u>\$ 5,157,342</u>	<u>\$ 4,943,635</u>

No amortization is recorded for the Resurgent Church equipment as the equipment will be transferred to Resurgent Church in the ensuing fiscal year as a donation. (Note 7)

4. Inventories

	2015	2014
Bookstore inventory	\$ -	\$ 5,490
Ring and coin	8,100	8,100
Dental equipment for Dream Centre	24,379	-
	<u>\$ 32,479</u>	<u>\$ 13,590</u>

RELATE CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

5. Callable debt

The Society has an operating loan of up to \$900,000 to fund the building expansion. The loan is due on demand and bears interest at the bank's prime rate + 0.75%. The loan is secured by a first charge on the land and building owned by the Society along with a general security agreement covering all assets owned by the Society.

The loan was repaid in full during the year.

6. Deferred revenue

	<u>2015</u>	<u>2014</u>
Life women conference 2015 (2014)	\$ -	\$ (10,285)
Relate Christian College unearned tuition	-	(833)
MVP conference 2016 (2015)	(4,310)	(3,800)
Relate Generations 2015	-	(245)
Relate Kids Camp 2016 (2015)	(7,979)	(797)
Missions donations	(181,500)	(452,000)
Community Care	(6,415)	(6,415)
Association of Related Churches Canada	-	(12,000)
	<u>\$ (200,204)</u>	<u>\$ (486,375)</u>

Deferred revenue includes funds that are restricted from general use.

7. Deferred designated donations

	<u>2015</u>	<u>2014</u>
Deferred designated donations relating to phase 1 of building expansion	\$ 1,555,313	\$ 1,588,664
Deferred designated donations relating to building expansion phase 2	<u>344,627</u>	<u>139,661</u>
	<u>\$ 1,899,940</u>	<u>\$ 1,728,325</u>

Deferred designated donations reserved for acquisition of land and building are amortized into income on the same basis as the corresponding amortization recorded. The recorded balance is net of capital campaign expenditures.

The unexpended cash related to designated donations are externally restricted from general use and is separately disclosed as restricted cash.

RELATE CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

8. Internally restricted net assets

The directors have internally restricted an amount equal to the net operating results less capital purchases for Resurgent Church for 2015. This amount will be recorded as a donation to Resurgent Church when the church completes all necessary registration requirements to operate as a registered charity in Canada.

	<u>2015</u>
Donations revenue	\$ 266,856
Less: Expenditures	(161,550)
Less: Capital purchases	<u>(55,116)</u>
	<u>\$ 50,190</u>

9. Commitments

The Society has signed various agreements for the lease of photocopiers, vehicles, and a banner printer. Minimum lease payments for the leases are as follows:

2016	\$ 45,311
2017	38,934
2018	38,934
2019	21,812
2020	<u>6,268</u>
	<u>\$ 151,259</u>

10. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Society is a going concern and thus expects to fully repay the outstanding amounts.

RELATE CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

10. Financial instruments, continued

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society has no foreign currency transactions and therefore is not exposed to currency risk

(c) Credit risk

The Society does have credit risk in accounts receivable of \$28,683 (2014 - \$8,073). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Society reduces its exposure to credit risk by performing credit valuations on a regular basis and creating an allowance for bad debts when applicable. The Society maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Society is low and is not significant.

(d) Liquidity risk

The Society does have a liquidity risk in the accounts payable and accrued liabilities of \$105,238 (2014 - \$256,690). Liquidity risk is the risk that the Society cannot repay its obligations when they become due to its creditors. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Society is low and is not significant.

RELATE CHRISTIAN CHURCH
SCHEDULE TO THE FINANCIAL STATEMENTS
Year ended December 31, 2015

Schedule of Resurgent expenditures

Schedule 1

Advertising	\$ 15,208
Consulting	11,578
Insurance	896
Interest and bank charges	3,445
Ministry	2,958
Office and miscellaneous	12,697
Professional fees	2,868
Rent	37,832
Supplies	24,239
Training	11,833
Wages and benefits	<u>41,476</u>
	<u>\$ 165,030</u>