



Financial Statements

The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada

May 31, 2018

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Independent Auditor's Report

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To the Constituents of
The Evangelical Fellowship of Canada/Alliance Evangelique du Canada

We have audited the accompanying financial statements of The Evangelical Fellowship of Canada/Alliance Evangelique du Canada, which comprise the statement of financial position as at May 31, 2018, and the statements of activity, 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 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 audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Evangelical Fellowship of Canada/Alliance Evangelique du Canada as at May 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.

Grant Thornton LLP

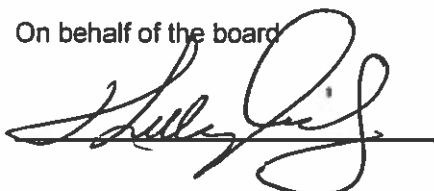
Toronto, Canada
October 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Statement of Financial Position**

May 31	2018	2017
Assets		
Current		
Cash	\$ 465,887	\$ 283,781
Investments (Note 3)	236,442	233,029
Short-term notes receivable (Note 4)	201,163	201,908
Accounts receivable	34,221	7,700
Due from the World Evangelical Alliance (WEA) (Note 5)	14,891	10,721
Prepaid expenses	<u>63,137</u>	<u>46,625</u>
	1,015,741	783,764
Investments held for Vandervelde Endowment Fund	6,844	6,649
Property and equipment (Note 6)	<u>1,011,377</u>	<u>1,017,966</u>
	<u>\$ 2,033,962</u>	<u>\$ 1,808,379</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 112,698	\$ 141,526
Promissory note payable (Note 7)	92,637	92,637
Deferred revenue	25,822	28,035
Accrued vacation payable	99,330	118,622
Current portion of mortgage payable (Note 8)	<u>15,281</u>	<u>14,050</u>
	345,768	394,870
Mortgage payable (Note 8)	<u>516,038</u>	<u>531,319</u>
	<u>861,806</u>	<u>926,189</u>
Net assets		
Invested in property and equipment	480,058	472,597
Unrestricted	685,254	402,944
Restricted for endowment purposes	<u>6,844</u>	<u>6,649</u>
	<u>1,172,156</u>	<u>882,190</u>
	<u>\$ 2,033,962</u>	<u>\$ 1,808,379</u>

On behalf of the board

 Director

 Director

The Evangelical Fellowship of Canada/ Alliance Evangelique du Canada

Statement of Activity

Year ended May 31	2018	2017
Revenue		
Contributions	\$ 2,343,129	\$ 2,090,611
Program registrations and program specific contributions	427,309	452,310
Affiliation fees	442,999	414,373
Sales of advertising, magazines and products	299,946	336,774
Interest and other miscellaneous income	<u>50,956</u>	<u>21,262</u>
	<u>3,564,339</u>	<u>3,315,330</u>
Expenditures (Note 10)		
Operating costs incurred in supporting our ministries		
Equipping and encouraging ministry leaders through networks, partnerships, consultations, forums and roundtables	675,689	870,806
Fostering and engaging in public witness, including conferences, seminars, speaking engagements, research, submissions, legal arguments and presentations	791,983	542,384
Facilitating growth in the Christian faith and evangelical identity through Faith Today Magazine, Canada Watch, web sites and other communications ministries	<u>753,485</u>	<u>817,780</u>
	<u>2,221,157</u>	<u>2,230,970</u>
Other expenditures		
Fundraising and ministry advancement	633,235	600,627
General and administrative to support above ministries	123,527	203,717
Governance and World Evangelical Alliance support and involvement	<u>238,369</u>	<u>252,221</u>
	<u>995,131</u>	<u>1,056,565</u>
	<u>3,216,288</u>	<u>3,287,535</u>
Excess of revenue over expenditures before other item	348,051	27,795
Amortization of property and equipment	<u>58,085</u>	<u>75,266</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 289,966</u>	<u>\$ (47,471)</u>

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Statement of Changes in Net Assets**

Year ended May 31

	Invested in property and equipment	Unrestricted	Restricted for endowment purposes	Total 2018	Total 2017
Balance, beginning of year	\$ 472,597	\$ 402,944	\$ 6,649	\$ 882,190	\$ 929,661
Excess (deficiency) of revenue over expenditures	(58,085)	347,856	195	289,966	(47,471)
Net transfer from operations to fund purchase of property and equipment (Note 9)	65,546	(65,546)	-	-	-
Balance, end of year	<u>\$ 480,058</u>	<u>\$ 685,254</u>	<u>\$ 6,844</u>	<u>\$ 1,172,156</u>	<u>\$ 882,190</u>

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Statement of Cash Flows**

Year ended May 31	2018	2017
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenditures	\$ 289,966	\$ (47,471)
Items not affecting cash		
Amortization of property and equipment	58,085	75,266
Accrued interest on promissory note payable (Note 7)	6,508	6,508
Gain on sale of property and equipment	-	(7,915)
Unrealized (loss) gain on investments	<u>1,212</u>	<u>(1,596)</u>
	355,771	24,792
Change in non-cash working capital items		
Accounts receivable	(26,521)	14,922
Due from WEA	(4,170)	8,273
Prepaid expenses	(16,512)	16,880
Accounts payable and accrued liabilities	(28,828)	(25,057)
Deferred revenue	(2,213)	3,465
Accrued vacation payable	<u>(19,292)</u>	<u>(1,903)</u>
	<u>258,235</u>	<u>41,372</u>
Financing		
Interest payment on promissory note payable	(6,508)	(6,525)
Repayment of auto loan payable	-	(29,266)
Repayment of mortgage payable	<u>(14,050)</u>	<u>(13,295)</u>
	<u>(20,558)</u>	<u>(49,086)</u>
Investing		
Purchase of investments	(4,625)	(8,181)
Purchase of short-term notes receivable	745	(1,908)
Purchase of investments held for Vandervelde Endowment Fund	(195)	(203)
Purchase of property and equipment	(51,496)	(86,274)
Proceeds on disposal of property and equipment	<u>-</u>	<u>16,500</u>
	<u>(55,571)</u>	<u>(80,066)</u>
Increase (decrease) in cash	182,106	(87,780)
Cash		
Beginning of year	<u>283,781</u>	<u>371,561</u>
End of year	<u>\$ 465,887</u>	<u>\$ 283,781</u>

The Evangelical Fellowship of Canada/ Alliance Evangelique du Canada

Notes to the Financial Statements

May 31, 2018

1. Nature of operations

The Evangelical Fellowship of Canada/Alliance Evangelique du Canada (the EFC) promotes loyalty to the historical doctrines of Christianity and provides a united voice to express concerns for spiritual and moral values. The EFC is incorporated under the Canada Not-for-profit Corporations Act, and is a registered charity under the Income Tax Act (Canada) and as such, is exempt from income taxes.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the fiscal year. The significant estimates include the useful life of property and equipment and the allocation of general support costs to each of its respective programs. Actual results could differ from those estimates.

Revenue recognition

The EFC follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the fiscal year in which the related expenditures 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.

Affiliation fees are recognized when received or receivable. Program registrations and sales of product revenue are recognized in the period in which the services are provided. Sales of advertising and magazines are recognized upon publication of each issue of the Faith Today Magazine. Revenue from subscriptions to the magazine received in advance is recorded as deferred revenue.

Investments

Investments consist of an investment savings account recorded at market value.

The Evangelical Fellowship of Canada/ Alliance Evangelique du Canada

Notes to the Financial Statements

May 31, 2018

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment is recorded at cost and is being amortized over its estimated useful life on a straight-line basis. The annual amortization rates are as follows:

Buildings	40 years
Computer software	5 years
Office equipment	5 years
Computer equipment	3 - 5 years

Amortization of leasehold improvements is recorded over the remaining term of the lease.

One-half of the regular rate is charged in the fiscal year of acquisition.

Allocation of expenditures

The EFC incurs general support expenses including salaries and benefits, occupancy costs, human resource costs and travel that are common to the administration of each respective program. The EFC allocates its general support expenses to each program based on time spent by individuals in each ministry area.

The details of the allocation of expenditures are included in Note 10. The basis of expenditure allocation is consistent with the prior fiscal year.

Contributed goods and services

Contributed goods and capital donations are recorded in the accounts at fair market value as at the date of contribution.

Volunteers assist the EFC in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services, although clearly substantial, are not recognized in the financial statements.

Financial instruments

The EFC's financial instruments are comprised of cash, investments, accounts receivable, short-term notes receivable, due from the WEA, accounts payable, promissory note payable, and mortgage payable.

Financial assets or liabilities obtained in arms-length transactions are initially measured at their fair value and financial assets or liabilities obtained in non-arms-length transactions are initially measured at their exchange amount. The EFC subsequently measures all financial instruments at amortized cost except for investments which are recorded at fair value. Unrealized gains and losses are recorded directly in excess (deficiency) of revenue over expenditures.

The Evangelical Fellowship of Canada/ Alliance Evangelique du Canada

Notes to the Financial Statements

May 31, 2018

3. Investments

	<u>2018</u>	<u>2017</u>
RBC Investment Savings Account	<u>\$ 236,442</u>	<u>\$ 233,029</u>

4. Short-term notes receivable

The short-term notes receivable balance is composed of the following two notes:

	<u>2018</u>	<u>2017</u>
Christian Stewardship Services (CSS) – Revocable deposit agreement	\$ 100,000	\$ 100,000
Indwell open promissory note	100,000	100,000
Interest receivable	<u>1,163</u>	<u>1,908</u>
	<u>\$ 201,163</u>	<u>\$ 201,908</u>

The agreement with CSS earns interest based on CSS investment pool results less an administration fee, and can be called with short notice. For fiscal 2018, net interest earned was just over 4%.

The Indwell promissory note earns interest at a rate of 3.5% and can be called with a minimum 30 days notice.

5. Due from the WEA and related party transactions

	<u>2018</u>	<u>2017</u>
Due from the WEA	<u>\$ 14,891</u>	<u>\$ 10,721</u>

The amount due from the WEA is unsecured, non-interest bearing, and is due on demand.

The WEA is the global body of Evangelical Alliances (Fellowships) that exist in each country, the EFC being one of them; a membership for which the EFC made a contribution of \$10,000 to the WEA in fiscal 2018 (\$10,000 in fiscal 2017). The WEA and the EFC have some common directors, and entered together into a joint ministry agreement in November 2007.

The above transactions have been recorded at their exchange amount.

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Notes to the Financial Statements**

May 31, 2018

6. Property and equipment

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 142,600	\$ -	\$ 142,600	\$ 142,600
Buildings	858,297	107,287	751,010	772,467
Computer software	88,099	17,620	70,479	65,209
Computer equipment	198,760	156,231	42,529	30,430
Office equipment	83,622	80,749	2,873	4,902
Leasehold improvements	<u>6,161</u>	<u>4,275</u>	<u>1,886</u>	<u>2,358</u>
	<u>\$ 1,377,539</u>	<u>\$ 366,162</u>	<u>\$ 1,011,377</u>	<u>\$ 1,017,966</u>

Additions to property and equipment during the fiscal year were as follows:

	<u>2018</u>	<u>2017</u>
Computer software	\$ 15,645	\$ 72,454
Computer equipment	35,851	12,294
Office equipment	<u>-</u>	<u>1,526</u>
	<u>\$ 51,496</u>	<u>\$ 86,274</u>

7. Promissory note payable

The promissory note payable of \$90,000 plus accrued interest of \$2,637 is unsecured, the principal bears interest at the rate of 7% per annum, and is due on demand. Interest of \$6,508 was accrued in fiscal 2018 (2017 - \$6,508) and \$6,508 was paid in fiscal 2018 (2017 - \$6,525). Interest of \$6,508 (2017 - \$6,508) has been expensed in general and administrative expenditures.

8. Mortgage payable

	<u>2018</u>	<u>2017</u>
Mortgage payable, repayable in monthly blended payments of \$3,657, bearing interest at a fixed rate of 5.6%, due June 30, 2018	\$ 531,319	\$ 545,369
Less current portion	<u>15,281</u>	<u>14,050</u>
Due beyond one year	<u>\$ 516,038</u>	<u>\$ 531,319</u>

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Notes to the Financial Statements**

May 31, 2018

8. Mortgage payable (continued)

The mortgage payable was renewed on June 30, 2018, repayable in blended payments of \$3,555, bearing interest at a fixed rate of 5.25%, due June 30, 2023. Estimated principal repayments are as follows:

2019	\$ 15,281
2020	16,253
2021	17,118
2022	18,028
2023	18,987
Subsequent years	<u>445,652</u>
	<u>\$ 531,319</u>

Interest of \$29,837 (2017 - \$30,592) has been expensed in general and administrative expenditures.

9. Transfer for the purchase of property and equipment

During the fiscal year, the following transfers were made to fund the purchase of property and equipment:

	Invested in property and equipment	Unrestricted (deficit)
Transfer from operations to fund purchase of property and equipment	\$ 51,496	\$ (51,496)
Repayment of mortgage payable	<u>14,050</u>	<u>(14,050)</u>
	<u>\$ 65,546</u>	<u>\$ (65,546)</u>

The Evangelical Fellowship of Canada/ Alliance Evangelique du Canada

Notes to the Financial Statements

May 31, 2018

10. Allocation of expenditures

General support costs were allocated as follows:

	<u>2018</u>	<u>2017</u>
Equipping and encouraging ministry leaders through networks, partnerships, consultations, forums and roundtables	\$ 81,627	\$ 301,561
Fostering and engaging in public witness, including conferences, seminars, speaking engagements, research, submissions, legal arguments and presentations	87,257	20,257
Facilitating growth in the Christian faith and evangelical identity through Faith Today Magazine, Canada Watch, web sites and other communications ministries	171,663	159,711
Fundraising, administrative and governance	<u>413,878</u>	<u>397,977</u>
Total general support costs	<u>\$ 754,425</u>	<u>\$ 879,506</u>

11. Pension plan

The EFC maintains a defined contribution pension plan for its employees. Included in the statement of activity are contributions to the plan made by the EFC of \$59,097 (2017 - \$60,906) during the fiscal year which are considered general support costs and allocated in Note 10. The plan calls for the employee to match the EFC's contribution so the total contributions to the registered pension plan are at least twice the amount reflected above.

12. Commitments

The EFC is committed under a leasing agreement for its Ottawa office, expiring in August 2020. Future minimum annual payments over the next three fiscal years are as follows:

2019	\$ 29,000
2020	29,000
2021	7,000

13. Objectives, policies and processes for managing capital

The EFC's capital is comprised of the net assets invested in property and equipment, unrestricted funds and restricted funds held for endowment. The Board of Directors (the "Board") invests in property and equipment in order to provide staff and constituents a friendly environment that allows for networking and team-building meetings. The Board's goal is to maintain current assets at a level sufficient to meet three months of working capital requirements, along with the funds required to finance the annual maintenance of property and equipment.

Each fiscal year, the Board reviews the annual capital maintenance and improvement plan as part of the annual plan and authorizes the funds for expenditure.

The Evangelical Fellowship of Canada/ Alliance Evangelique du Canada

Notes to the Financial Statements

May 31, 2018

13. Objectives, policies and processes for managing capital (continued)

During fiscal 2018, no additional money was received which was designated for the endowment fund (the "George Vanderveelde Memorial Fund") for support of the theological work of the World Evangelical Alliance. The unencroachable portion of the endowment fund is \$5,144. The fund continues to be managed by Christian Stewardship Services.

Unrestricted net assets for short-term working capital requirements are held in various bank accounts, and longer term amounts are invested according to the EFC's investment policy. The Investment Committee (comprised of the President and the Executive Vice President) select and evaluate the fund managers, and the distribution of funds. The objective of the investment policy is, over the long-term, to maintain the capital of the funds after inflation. The policy allows funds to be invested in money markets, bonds and equities in accordance with a portfolio mix reviewed routinely by the Investment Committee.

The EFC is subject to the disbursement requirements set by the Income Tax Act for Canadian charities, and as at the end of fiscal 2018, was in compliance with these requirements.

14. 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.

Credit risk

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The EFC is subject to credit risk from non-payment on accounts receivable. This risk is mitigated by the EFC ensuring revenue is derived from qualified sources. The allowance for doubtful accounts receivable is \$Nil (2017 - \$Nil).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The EFC is exposed to interest rate risk with respect to investments with fixed interest rates, mortgage payable with a fixed interest rate, and the promissory note payable with a fixed interest rate.

Liquidity risk

Liquidity risk is the risk that the EFC will encounter difficulty in meeting obligations associated with financial liabilities. The EFC is therefore exposed to liquidity risk with respect to its accounts payable. The EFC reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintains adequate cash reserves to pay vendors. Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2017 - \$Nil).
