

**HARVEST BIBLE CHAPEL NEWMARKET**

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**2018 FINANCIAL STATEMENTS**

**NETHERCOTT & COMPANY**

Chartered Professional Accountants

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**INDEPENDENT AUDITOR'S REPORT**

To the Members  
HARVEST BIBLE CHAPEL NEWMARKET

*Qualified Opinion*

We have audited the financial statements of HARVEST BIBLE CHAPEL NEWMARKET (the Church), which comprise the statement of financial position as at December 31, 2018, and the statement of income, expenditures and fund balances and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of HARVEST BIBLE CHAPEL NEWMARKET 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 Qualified Opinion*

In common with many not-for-profit organizations, the Church derives income from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the audit verification. Accordingly, the evidence obtained of these incomes was limited to the amounts recorded in the records of the Church. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenue, excess of income over expenses, and cash flows from operations for the year ended December 31, 2018, current assets as at December 31, 2018, and fund balances as at December 31, 2018.

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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 related 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *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:

- 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 Entity'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 of 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.



Nethercott & Company  
Chartered Professional Accountants  
Licensed Public Accountants

North York, Ontario  
May 1, 2019

**HARVEST BIBLE CHAPEL NEWMARKET  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018**


	<u>2018</u>		<u>2017</u>	
	<u>GENERAL</u>	<u>CAPITAL</u>	<u>TOTAL</u>	<u>TOTAL</u>
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 199,394	\$ -	\$ 199,394	\$ -
Guaranteed investment certificate	6,000	-	6,000	-
HST recoverable	5,157	-	5,157	-
	<u>210,551</u>	-	<u>210,551</u>	-
<b>HOUSING LOAN RECEIVABLE</b>	8,000	-	8,000	-
<b>CAPITAL ASSETS (Note 3)</b>	<u>-</u>	<u>50,840</u>	<u>50,840</u>	<u>-</u>
	<u>\$ 218,551</u>	<u>\$ 50,840</u>	<u>\$ 269,391</u>	<u>\$ -</u>

**LIABILITIES AND FUND BALANCES**

<b>CURRENT</b>				
Accounts payable and accrued	\$ 8,862	\$ -	\$ 8,862	\$ -
<b>FUND BALANCES</b>	<u>209,689</u>	<u>50,840</u>	<u>260,529</u>	<u>-</u>
	<u>\$ 218,551</u>	<u>\$ 50,840</u>	<u>\$ 269,391</u>	<u>\$ -</u>

APPROVED BY THE BOARD:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**HARVEST BIBLE CHAPEL NEWMARKET  
STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018			2017
	GENERAL	CAPITAL	TOTAL	TOTAL
<b>INCOME</b>				
Contributions:				
Regular	\$ 434,801	\$ -	\$ 434,801	\$ -
Special	36,264	-	36,264	-
Startup contribution from Harvest Bible Chapel York Region Inc. (Note 1)	80,324	64,104	144,428	-
	<u>551,389</u>	<u>64,104</u>	<u>615,493</u>	<u>-</u>
<b>EXPENDITURE</b>				
Salaries and benefits (Schedule 1)	154,171	-	154,171	-
Church ministries (Schedule 1)	37,994	-	37,994	-
Mission support	13,495	-	13,495	-
Occupancy (Schedule 1)	77,475	-	77,475	-
Administration (Schedule 1)	35,806	-	35,806	-
Amortization	-	36,023	36,023	-
	<u>318,941</u>	<u>36,023</u>	<u>354,964</u>	<u>-</u>
<b>NET INCOME BEFORE TRANSFERS</b>	232,448	28,081	260,529	-
Interfund transfer	(22,759)	22,759	-	-
<b>NET INCOME FOR YEAR</b>	209,689	50,840	260,529	-
Fund balances, beginning of year	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 209,689</u>	<u>\$ 50,840</u>	<u>\$ 260,529</u>	<u>\$ -</u>

**HARVEST BIBLE CHAPEL NEWMARKET  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH PROVIDED BY (USED FOR)</b>		
Operating activities		
Net income for year	\$ 260,529	\$ -
Items not affecting cash		
Capital asset transfer from HBCYR	(86,863)	-
Amortization	<u>36,023</u>	<u>-</u>
	209,689	-
Changes in working capital from the following:		
Guaranteed investment certificate	(6,000)	-
HST recoverable	(5,157)	-
Housing loan receivable	(8,000)	-
Accounts payable and accrued	<u>8,862</u>	<u>-</u>
<b>INCREASE IN CASH FOR YEAR</b>	199,394	-
Cash, beginning of year	<u>-</u>	<u>-</u>
<b>CASH, END OF YEAR</b>	<u>\$ 199,394</u>	<u>\$ -</u>

**HARVEST BIBLE CHAPEL NEWMARKET  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. ORGANIZATION AND PURPOSE**

HARVEST BIBLE CHAPEL NEWMARKET (the Church) was incorporated March 3, 2017 as a not-for-profit corporation without share capital under the Corporations Act (Ontario) and is registered with Canada Revenue Agency as a charitable organization thereby enabling the issuance of charitable receipts for donations received.

The mission of the Church is to preach and advance the teaching of the Christian faith and the religious tenets, doctrines, observances and culture associated with that faith, to establish, maintain and support a house of worship for that purpose and to support missions and missionaries.

Prior to January 1, 2018 the Church operations were included under the operations of Harvest Bible Chapel York Region Inc.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

*Fund Accounting*

The Church follows the restricted fund method of accounting for contributions.

*Basis of Accounting*

The church follows the accrual basis of accounting.

*Revenue Recognition*

Contributions are recognized as revenue of the appropriate fund when received, or receivable, if the amount to be received can be estimated and collection is reasonably assured.

*Capital Assets*

The capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution.

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Equipment	5 years
Vehicle	5 years

*Contributed Services*

These financial statements record revenue and expenses actually received and expended by the church. They do not reflect or represent the economic value of volunteer activities at large in carrying out the purposes and projects of the church.

**HARVEST BIBLE CHAPEL NEWMARKET  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

*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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

*Financial Instruments*

The Church measures its financial assets and financial liabilities at fair value. 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, if any, are recognized in the statement of operations.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accruals.

**3. CAPITAL ASSETS**

Capital assets are comprised of the following:

	<b>2018</b>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 146,000	\$ 101,983	\$ 44,017
Vehicle	<u>34,114</u>	<u>27,291</u>	<u>6,823</u>
	<u>\$ 180,114</u>	<u>\$ 129,274</u>	<u>\$ 50,840</u>

Prior to January 1, 2018 the Church operations were included under the operations of Harvest Bible Chapel York Region Inc. The capital assets held at January 1, 2018 were donated to the Church at the net book value carried in the accounts of Harvest Bible Chapel York Region Inc.



**HARVEST BIBLE CHAPEL NEWMARKET  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**4. MANAGEMENT OF RISKS**

**Exposure and concentration of risks**

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church's exposure to and concentration of risk at December 31, 2018.

**(a) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Church's only receivables are for HST and housing loan receivable, which is small. Therefore the Church's management does not consider credit risk to be significant. There has been no change in the assessment of credit risk from the previous year.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church expects to meet its obligations by managing its working capital and generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the previous year.

**(c) 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 risk, interest rate risk and price risk. The Church currently has one small guaranteed investment certificate and maintains a nominal balance in its foreign currency account. Accordingly, the Church is not exposed to significant market risk.

**HARVEST BIBLE CHAPEL NEWMARKET  
SCHEDULES OF EXPENDITURE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE 1**

	<u>2018</u>	<u>2017</u>
<b>SALARIES AND BENEFITS</b>		
Salaries	\$ 135,365	\$ -
Employee benefits	16,706	-
Honorariums	<u>2,100</u>	<u>-</u>
	<u>\$ 154,171</u>	<u>\$ -</u>
 <b>CHURCH MINISTRIES</b>		
Conferences and development	\$ 11,048	\$ -
General ministries	3,622	-
Worship	9,367	-
Benevolence	1,320	-
Church supplies	654	-
Youth, Harvest Kids and Awana	3,992	-
Travel	2,926	-
HST and other	<u>5,065</u>	<u>-</u>
	<u>\$ 37,994</u>	<u>\$ -</u>
 <b>OCCUPANCY</b>		
Repairs and maintenance	\$ 1,111	\$ -
Utilities	2,068	-
Insurance	6,605	-
Rent	<u>67,691</u>	<u>-</u>
	<u>\$ 77,475</u>	<u>\$ -</u>
 <b>ADMINISTRATION</b>		
Communications and equipment	\$ 5,533	\$ -
Office supplies	5,283	-
Telephone	3,616	-
Accounting and legal	18,800	-
Bank charges	<u>2,574</u>	<u>-</u>
	<u>\$ 35,806</u>	<u>\$ -</u>