

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Classis Hamilton of the Christian Reformed Church

We have audited the accompanying financial statements of Classis Hamilton of the Christian Reformed Church, which comprise the balance sheet as at December 31, 2017, and the statements of revenues and expenses, 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 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 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Classis Hamilton of the Christian Reformed Church as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

DBK Accounting Professional Corporation

DBK Accounting Professional Corporation
Authorized to practice public accounting by the Chartered
Professional Accountants of Ontario

Hamilton, Ontario
April 12, 2018

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

BALANCE SHEET AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
Current Assets		
Cash	\$ 115,718	\$ 121,345
Accounts receivable	24,897	28,826
GST/HST recoverable	835	1,039
Prepaid expenses	6,884	1,738
	148,334	152,948
 Other Assets		
Loans receivable (Note 4)	169,793	139,374
	\$ 318,127	\$ 292,322
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,601	\$ 6,239
EXTERNALLY RESTRICTED FUND BALANCES		
Classis Expense Fund	37,548	30,944
McMaster Campus Ministry	30,462	52,242
Classical Candidacy	202,426	160,841
Shalom Manor	348	262
Future Church Planting	42,087	41,139
Quad Classis Retreat	655	655
	313,526	286,083
	\$ 318,127	\$ 292,322

Approved on behalf of the Board

Director _____

Director _____

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Classis Expense Fund	2017 McMaster Campus Ministry	2017 Classical Candidacy	2017 Shalom Manor	2017 Future Church Planting	2017 Quad Classis Retreat	2017 Total	2016 Total
FUND BALANCES, beginning of year	30,944	52,242	160,841	262	41,139	655	286,083	267,889
Excess (deficiency) of revenues over expenses	<u>6,604</u>	<u>(21,780)</u>	<u>41,585</u>	<u>86</u>	<u>948</u>	<u>-</u>	<u>27,443</u>	<u>18,194</u>
FUND BALANCES, end of year	<u><u>37,548</u></u>	<u><u>30,462</u></u>	<u><u>202,426</u></u>	<u><u>348</u></u>	<u><u>42,087</u></u>	<u><u>655</u></u>	<u><u>313,526</u></u>	<u><u>286,083</u></u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES - CLASSIS EXPENSE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
REVENUES		
Classis ministry shares	\$ 52,582	\$ 34,586
Interest income	1,127	1,419
	<u>53,709</u>	<u>36,005</u>
EXPENSES		
Conferences and professional development	13,592	1,205
Insurance	1,567	1,645
Office, postage and general	2,093	2,227
Professional fees	8,377	4,973
Salaries and benefits	17,356	30,136
Travel	3,386	4,453
Youth ministry	734	1,200
	<u>47,105</u>	<u>45,839</u>
Excess (deficiency) of revenues over expenses	<u>\$ 6,604</u>	<u>\$ (9,834)</u>

STATEMENT OF REVENUES AND EXPENSES - SUSTAINING PASTORAL EXCELLENCE

EXPENSES		
Conferences and professional development	\$ -	\$ 5,037
Grant refund to Christian Reformed Church	-	3,740
Meals and hospitality	-	549
	<u>-</u>	<u>9,326</u>
Excess (deficiency) of revenues over expenses	<u>\$ -</u>	<u>\$ (9,326)</u>

STATEMENT OF REVENUES AND EXPENSES - MCMASTER CAMPUS MINISTRY

REVENUE		
Classis ministry shares	\$ 110,254	\$ 108,629
Grants from churches and other organizations	10,822	9,967
Conference fees	868	6,058
	<u>121,944</u>	<u>124,654</u>
EXPENSES		
Assistant to chaplains	5,500	5,500
Conference fees and professional development	1,490	6,558
Meals and hospitality	4,195	3,914
Office, postage and general	2,018	1,050
Salaries and benefits	126,408	125,479
Travel	4,113	4,290
	<u>143,724</u>	<u>146,791</u>
Excess (deficiency) of revenues over expenses	<u>\$ (21,780)</u>	<u>\$ (22,137)</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF REVENUES AND EXPENSES - OTHER RESTRICTED FUNDS
DECEMBER 31, 2017**

	Classical Candidacy 2017	Shalom Manor 2017	Future Church Planting 2017	Total 2017	Total 2016
REVENUE					
Ministry shares	\$ 60,089	\$ 43,066	\$ -	\$ 103,155	\$ 100,749
Future Church share	-	-	6,000	6,000	5,331
Quad Classis Retreat	-	-	-	-	9,309
Interest income	2,866	-	-	2,866	3,191
	<u>62,955</u>	<u>43,066</u>	<u>6,000</u>	<u>112,021</u>	<u>118,580</u>
EXPENSES					
Loans forgiven	16,702	-	-	16,702	2,551
Grants	-	42,980	5,052	48,032	43,381
Conferences and professional development	-	-	-	-	8,654
Candidate benefits	4,668	-	-	4,668	4,503
	<u>21,370</u>	<u>42,980</u>	<u>5,052</u>	<u>69,402</u>	<u>59,089</u>
Excess (deficiency) of revenues over expenses	<u>\$ 41,585</u>	<u>\$ 86</u>	<u>\$ 948</u>	<u>\$ 42,619</u>	<u>\$ 59,491</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 27,443	\$ 18,194
Change in non-cash working capital items		
Accounts receivable	3,929	(9,766)
GST/HST recoverable	204	1,558
Accounts payable and accrued liabilities	(1,636)	900
Prepaid expenses	(5,147)	(435)
	<u>24,793</u>	<u>10,451</u>
INVESTING ACTIVITIES		
Loans receivable	<u>(30,419)</u>	<u>(36,666)</u>
Decrease in cash	(5,626)	(26,215)
Cash, beginning of year	<u>121,345</u>	<u>147,560</u>
Cash, end of year	<u>\$ 115,719</u>	<u>\$ 121,345</u>

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

1. PURPOSE OF THE ORGANIZATION

The organization was incorporated as a corporation without share capital under the Ontario Corporations Act on October 28, 2008. The corporation is a registered charity and is therefore exempt from payment of income taxes as provided under the Income Tax Act.

Its purpose is to advance and teach the religious tenets, doctrines, observances and culture associated with the Christian Reformed faith.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) FUND ACCOUNTING

The organization follows the restricted fund method of accounting for donations.

The Classical Candidacy Committee accounts for the assistance provided to seminary students.

The Classis Expense Fund accounts for the organization's administrative activities.

The Restricted Fund reports revenues and expenses related to the various Christian Reformed Church ministries and causes. This includes the The McMaster Campus Ministry.

(b) REVENUE RECOGNITION

Restricted donations related to general operations are recognized as revenue of the Classis Expense Fund in the year in which the related expenses are incurred. All other restricted donations are recognized as revenue of the appropriate restricted fund.

Donations are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income and conference fees are recognized as revenue in the period it is earned.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(d) CAPITAL ASSETS

Furniture and equipment acquisitions are expensed fully in the year of purchase and thus not recorded on the balance sheet.

(e) USE OF ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect revenues and expenses during the reporting periods in addition to the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(f) FINANCIAL INSTRUMENTS

The organization 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 organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, GST/HST recoverable, accounts receivable and loans receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

At the end of reporting period, the organization assesses whether there are any indications that a financial asset may be impaired. When there is an indication of impairment, the carrying amount of the asset is reduced and the amount of the reduction is recognized as an impairment loss in the statement of revenues and expenses.

(g) VOLUNTEER SERVICES

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

(h) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rate prevailing at the date in which the transaction took place. Foreign exchange gains and losses are included in the statement of revenues and expenses.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest or credit risks arising from these financial instruments.

Liquidity Risk

Liquidity risk arises through excess financial obligations over available financial assets at any point in time. The organization's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The organization achieves this by maintaining sufficient cash and cash equivalents.

Foreign Currency Risk

The organization is exposed to foreign exchange risk in United States dollars. The organization is exposed to this risk when an obligation in a foreign currency to another organization or individual, is different at the time of settlement than it was at time that the obligation was determined. The organization reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on its obligations and attempts to maintain adequate foreign currency balances in its bank to discharge its related foreign currency obligations. In the opinion of management the foreign exchange risk exposure to the organization is low and is not material. As at year end, the organization had \$1,107US in cash.

CLASSIS HAMILTON OF THE CHRISTIAN REFORMED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

4. LOANS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Loans receivable	<u>\$ 169,793</u>	<u>\$ 139,374</u>

These loans receivable were advanced to assist individuals who are studying to become ministers in the Christian Reformed Church in North America (CRCNA) and are advanced based on financial need. The loans will accrue interest at 1% above the prime lending rate, commencing six months after the borrower terminates or completes the course of studies unless the borrower becomes an ordained minister in the CRCNA or the Reformed Church of America (RCA), has been declared eligible for ministry but has not been hired, or continues in a qualified educational program.

Under certain conditions the borrower will be required to repay the loan over a ten year period commencing six months after the CRCNA has decided that the person is no longer a candidate for ordained ministry. In other situations the borrower will be required to pay interest and repay the loan principal over a five year period.

The loan is interest free while the individual is studying and 20% of the loan will be forgiven annually if the borrower becomes and remains a minister in the CRCNA or the RCA for at least five years.

5. COMMITMENTS

Under the terms of various contracts and agreements, the organization will be required to make payments of \$42,343 in 2018 and \$5,100 in 2019.