

**Harvest Bible Chapel Brampton**  
(o/a Harvest Bible Chapel Mississauga)  
**Financial Statements**  
For the year ended December 31, 2018

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To the Members of  
Harvest Bible Chapel Brampton (o/a Harvest Bible Chapel Mississauga)

### **Independent Auditors' Report**

#### **Qualified Opinion**

We have audited the accompanying financial statements of Harvest Bible Chapel Brampton (o/a Harvest Bible Chapel Mississauga) (the Church), which comprise the statement of financial position as at December 31, 2018, and the statements of receipts and expenditures, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Harvest Bible Chapel Brampton (o/a Harvest Bible Chapel Mississauga) 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 charitable organizations, the Church derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary to those revenues, and excess of receipts over expenditures for the year ended December 31, 2018, and assets and net assets 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 *Auditors' 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 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 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.

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.

**Auditors' 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 Auditing Standards (CASs), 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 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.
- 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.

June 6, 2019  
Burlington, Ontario



Chartered Professional Accountants  
Licensed Public Accountants

**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Statement of Financial Position**  
**December 31, 2018**

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	<b>Assets</b>	
	<b>2018</b>	<b>2017</b>
		<b>(Note 14)</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 455,042	\$ 400,013
Internally restricted cash and cash equivalents	131,866	131,866
H.S.T. receivable	28,059	8,355
Prepaid expenses and deposits	11,907	13,417
	<b>626,874</b>	553,651
<b>Capital assets (Note 3)</b>	<b>15,358,186</b>	53,782
	<b>\$ 15,985,060</b>	\$ 607,433

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Approved on Behalf of the Board



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Member



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Member

*The accompanying notes are an integral part of the financial statements.*



<b>Liabilities</b>		
	<b>2018</b>	<b>2017</b> <b>(Note 14)</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 120,787	\$ 30,970
Related party loan (Note 6)	67,281	3,296
Deferred building campaign contributions	-	252,000
Current portion of long-term debt	421,659	-
	<b>609,727</b>	<b>286,266</b>
<b>Long-term debt (Note 7)</b>	<b>9,910,533</b>	<b>-</b>
	<b>\$ 10,520,260</b>	<b>\$ 286,266</b>
<b>Net Assets</b>		
Net assets invested in capital assets (Note 8)	\$ 5,025,994	\$ 53,782
Net assets internally restricted (Note 9)	131,866	131,866
<b>Unrestricted net assets</b>	<b>306,940</b>	<b>135,519</b>
	<b>5,464,800</b>	<b>321,167</b>
	<b>\$ 15,985,060</b>	<b>\$ 607,433</b>

*The accompanying notes are an integral part of the financial statements.*



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2018**

	Invested in Capital Assets (Note 8)	Internally Restricted (Note 9)	Unrestricted	Total 2018	Total 2017 (Note 14)
Balance, beginning of year	\$ 53,782	\$ 131,866	\$ 135,519	\$ 321,167	\$ 219,221
Excess (deficiency) of receipts over expenditures for the year	(253,038)	-	5,396,671	5,143,633	101,946
Issuance of mortgage	(10,500,000)	-	10,500,000	-	-
Repayment of mortgage	167,808	-	(167,808)	-	-
Purchase of capital assets	15,557,442	-	(15,557,442)	-	-
<b>Balance, end of year</b>	<b>\$ 5,025,994</b>	<b>\$ 131,866</b>	<b>\$ 306,940</b>	<b>\$ 5,464,800</b>	<b>\$ 321,167</b>

*The accompanying notes are an integral part of the financial statements.*



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Statement of Receipts and Expenditures**  
**Year Ended December 31, 2018**

	<b>2018</b>	<b>2017</b> <b>(Note 14)</b>
<b>Receipts</b>		
Offerings	\$ 1,351,866	\$ 1,221,980
Rental income	24,300	-
Interest income	8,105	183
	<b>1,384,271</b>	<b>1,222,163</b>
<b>Expenditures</b>		
Administration	106,937	80,093
Adult ministries	9,720	20,635
Amortization	253,038	16,681
Building and property	186,016	148,901
Family ministries	18,219	31,588
Hospitality	3,683	6,439
Interest on long-term debt	254,833	-
Ministry operations	638,664	609,486
Missions	158,676	179,249
Worship and production	19,395	27,145
	<b>1,649,181</b>	<b>1,120,217</b>
<b>Excess (deficiency) of receipts over expenditures before other items</b>	<b>(264,910)</b>	<b>101,946</b>
Trusting God for More campaign (Note 10)	5,408,543	-
<b>Excess of receipts over expenditures for the year</b>	<b>\$ 5,143,633</b>	<b>\$ 101,946</b>

*The accompanying notes are an integral part of the financial statements.*



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**

**Statement of Cash Flows**

**Year Ended December 31, 2018**

	2018	2017 (Note 14)
<b>Cash flows from operating activities</b>		
Excess of receipts over expenditures for the year	\$ 5,143,633	\$ 101,946
Charges not involving cash		
Amortization	253,038	16,681
	5,396,671	118,627
Net change in H.S.T. receivable	(19,704)	10,362
Net change in accounts payable and accrued liabilities	89,817	(69,791)
Net change in other operating working capital balances	1,510	860
Cash flows from operating activities	5,468,294	60,058
<b>Cash flows from financing activities</b>		
Net change in related party loan	63,985	-
Proceeds on issuance of long-term debt	10,500,000	-
Repayments of long-term debt	(167,808)	-
Cash flows from financing activities	10,396,177	-
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(15,557,442)	(26,444)
Increase (decrease) in deferred building campaign contributions	(252,000)	252,000
Cash flows from (used in) investing activities	(15,809,442)	225,556
<b>Net increase in cash and cash equivalents</b>	<b>55,029</b>	<b>285,614</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>531,879</b>	<b>246,265</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 586,908</b>	<b>\$ 531,879</b>
<b>Cash and cash equivalents consist of:</b>		
Cash and cash equivalents	\$ 455,042	\$ 400,013
Internally restricted cash and cash equivalents	131,866	131,866
	<b>\$ 586,908</b>	<b>\$ 531,879</b>

*The accompanying notes are an integral part of the financial statements.*



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**1. Form of Organization**

Harvest Bible Chapel Brampton (o/a Harvest Bible Chapel Mississauga) (the "Church") is registered as a charitable organization under the Canadian Income Tax Act.

The focus of the ministry at Harvest Bible Chapel Brampton is to glorify God through the fulfillment of the Great Commission (Matthew 28:19-20) in the spirit of the Great Commandment (Matthew 22:37-39). This is fulfilled as disciples of Jesus Christ are made. God is glorified as we manifest His presence in doing so (2 Timothy 2:2; 1 Corinthians 10:31).

**2. Significant accounting policies**

**Basis of presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks.

**Financial instruments**

The Church's financial instruments consist of cash and cash equivalents, internally restricted cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt. Financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

**Capital assets**

Capital assets are recorded at cost. Amortization is provided as follows:

Building	4% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	3 year straight-line
Sound equipment	30% declining balance
Vehicles	30% declining balance
Website	3 year straight-line

One-half the normal rate of amortization is provided for in the year of acquisition.

**Revenue recognition**

The Church follows the deferral method of accounting for contributions. Restricted donations received are recognized as revenue in the period in which the related expenses are incurred. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**2. Significant accounting policies (cont'd.)**

**Contributed services**

Volunteers contribute many hours each year to assist the Church in carrying out its activities. Because of the difficulty of determining fair value, contributed services are not recognized in the financial statements.

**Income taxes**

The Church is a not-for-profit organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Church must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

**Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the period. Actual results could differ from those estimates.

**3. Capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2018</b>	<b>2017</b>
Land	\$ 3,875,000	\$ -	\$ 3,875,000	\$ -
Building	11,654,209	233,084	11,421,125	-
Computer equipment	13,049	6,821	6,228	4,510
Furniture and fixtures	16,400	7,035	9,365	5,114
Leasehold improvements	51,854	51,854	-	-
Sound equipment	81,954	46,328	35,626	35,475
Vehicles	18,572	12,494	6,078	8,683
Website	5,717	953	4,764	-
	<b>\$ 15,716,755</b>	<b>\$ 358,569</b>	<b>\$ 15,358,186</b>	<b>\$ 53,782</b>



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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**4. Operating loan**

The Church has a credit facility agreement with the Bank of Nova Scotia. Under this agreement, the Church has available the following borrowing facilities:

(a) A non-revolving term loan (maximum \$7,000,000), the terms of the loan are described in Note 7.

(b) An overdraft facility (maximum of \$50,000), due on demand, bearing interest at bank rate plus 0.50% per annum. As at December 31, 2018, there have been no funds drawn on this facility.

This facility is secured by a General Security Agreement; a continuing collateral mortgage representing a first charge on property located at 7755 Tenth Line West, Mississauga in the principal amount of \$7,800,000; assignment of fire and liability insurance; and subordination agreement between the Bank of Nova Scotia and Harvest Bible Chapel Oakville stating that their loan of \$3,500,000 will be subordinated in payment and security to the Bank of Nova Scotia.

There is a Corporate Guarantee from Harvest Bible Chapel Oakville for \$4,000,000. Guarantee to be reduced to 50% of the outstanding loan amount following the completion of any 12 month period in which the Debt Service Coverage ("DSC") for such 12 month period is greater than 1.60x, and further eliminated should the DSC for the subsequent 12 month period continue to exceed 1.60x at the completion of the subsequent 12 month period.

The Church is required to meet a DSC ratio under this agreement. The Church is in compliance with this covenant as at December 31, 2018.

**5. Accounts payable and accrued liabilities**

	<b>2018</b>	<b>2017</b>
Accounts payable and accrued liabilities	\$ 115,018	\$ 23,516
Payroll deductions payable	5,769	7,454
	<b>\$ 120,787</b>	<b>\$ 30,970</b>

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**6. Related party loan**

	<b>2018</b>	<b>2017</b>
Due to Harvest Bible Chapel Oakville	\$ 67,281	\$ 3,296

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Harvest Bible Chapel Oakville is related to the Church as it has the ability to exercise significant influence due to its economic interest in the Church.

Related party loans are unsecured, non-interest bearing, and have no set terms of repayment. Management anticipates that the related party loans will be repaid during the next fiscal year.



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

7. Long-term debt	Current Requirements	2018	2017
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 1.5% per annum, due June 2023.	\$ 166,505	\$ 6,919,693	\$ -
Harvest Bible Chapel Oakville promissory note, repayable in varying principal plus interest monthly payments; \$2,500,000 bears interest at a rate 4.76% per annum, and \$1,000,000 bears interest at a rate of prime plus 1%, due June 2023, secured by both a general security agreement and a second mortgage against 7755 Tenth Line West, Mississauga.	255,154	3,412,499	-
	<b>\$ 421,659</b>	<b>10,332,192</b>	<b>-</b>
Less: Current portion		<b>(421,659)</b>	<b>-</b>
		<b>\$ 9,910,533</b>	<b>\$ -</b>

The Church has in place an interest rate swap agreement for five years which expires in 2023 with a notional value of \$7,000,000. Under the terms of the agreement, the Church agrees to receive a floating interest rate on the loan while paying a fixed rate of 4.15%. The use of the agreement effectively enables the Church to convert the floating rate interest obligation of the loan into a fixed rate obligation and thus manage its exposure to interest rate risk. The fair value of the interest rate swap agreement is based on amounts quoted by the Church's bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at December 31, 2018. The interest rate swap agreement is in a net unfavourable position of \$118,689. The Church has applied hedge accounting and the associated gains/losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item which is not currently reflected in the Church's financial statements.

Minimum required principal repayments are as follows:

<b>2019</b>	\$ 421,659
<b>2020</b>	2,766,119
<b>2021</b>	355,897
<b>2022</b>	6,576,018
<b>2023</b>	212,499
	<b>\$ 10,332,192</b>



**Harvest Bible Chapel Brampton**  
**(o/a Harvest Bible Chapel Mississauga)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

**8. Invested in capital assets**

	<b>2018</b>	<b>2017</b>
Capital assets, net	\$ 15,358,186	\$ 53,782
Less: amounts funded by long-term debt	(10,332,192)	-
	<b>\$ 5,025,994</b>	<b>\$ 53,782</b>

**9. Net assets internally restricted**

	<b>2018</b>	<b>2017</b>
Opening balance	\$ 131,866	\$ 54,472
Add: Christmas donations received	-	77,394
	<b>\$ 131,866</b>	<b>\$ 131,866</b>

The Church has designated these funds to be reserved for future expenditures, consistent with the objectives of its ministry.

**10. Trusting God for More campaign**

During the year, the Church launched the Trusting God for More campaign. Donations to this campaign are to be utilized for Kingdom advancing efforts at the discretion of the Board.

**11. Operating lease commitments**

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

<b>2019</b>	\$	35,459
<b>2020</b>		30,917
<b>2021</b>		19,606
<b>2022</b>		12,550
<b>2023</b>		4,433
	<b>\$</b>	<b>102,965</b>



**Harvest Bible Chapel Brampton  
(o/a Harvest Bible Chapel Mississauga)**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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**12. Related party transactions**

During the year, the Church entered into transactions with related parties in the normal course of operations. These transactions, accounted for at their exchange amount, which is the amount of consideration established and agreed to by the related parties, are as follows:

	<b>2018</b>	<b>2017</b>
Professional fees paid to Harvest Bible Chapel Oakville (related Church)	\$ 15,000	\$ 15,000
Interest paid to Harvest Bible Chapel Oakville (related Church)	\$ 84,270	\$ -

**13. Financial instruments**

The Church's financial instruments consist of cash and cash equivalents, internally restricted cash and cash equivalents, accounts payable and accrued liabilities and long-term debt.

**Liquidity risk**

The Church's exposure to liquidity risk is dependent on purchasing commitments and obligations for raising of funds to meet commitments and sustain operations. The Church controls liquidity risk by management of working capital, and cash flows.

**Interest rate risk**

The Church has a promissory note payable that bears interest at a floating rate subject to fluctuations in the bank prime. Changes in the bank prime lending rate can cause fluctuation in interest payments and cash flows. The Church does not use derivative financial instruments to mitigate the effect of this risk.

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant credit, market, or currency risks.

**14. Comparative information**

The comparative figures for 2017 have been reclassified where necessary to conform with the 2018 financial statement presentation.

