



Financial Statements

The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada

May 31, 2019

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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

Opinion

We have audited the financial statements of The Evangelical Fellowship of Canada/Alliance Evangelique du Canada (the "Organization"), which comprise the statement of financial position as at May 31, 2019, and the statements of activity, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Basis for opinion

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 Organization 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 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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 ASNPO 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 Organization'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 Organization'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 Organization 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Toronto, Canada
October 23, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

May 31	2019	2018
Assets		
Current		
Cash	\$ 942,966	\$ 465,887
Investments (Note 3)	80,960	236,442
Short-term notes receivable (Note 4)	201,197	201,163
Accounts receivable	35,727	34,221
Due from the World Evangelical Alliance (WEA) (Note 5)	76,732	14,891
Prepaid expenses	<u>55,442</u>	<u>63,137</u>
	1,393,024	1,015,741
Investments held for Vandervelde Endowment Fund	7,051	6,844
Long term investment (Note 6)	248,131	-
Property and equipment (Note 7)	<u>988,410</u>	<u>1,011,377</u>
	<u>\$ 2,636,616</u>	<u>\$ 2,033,962</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 173,597	\$ 112,698
Promissory note payable (Note 8)	92,637	92,637
Deferred revenue	24,764	25,822
Accrued vacation payable	102,654	99,330
Current portion of mortgage payable (Note 9)	<u>16,253</u>	<u>15,281</u>
	409,905	345,768
Mortgage payable (Note 9)	<u>499,683</u>	<u>516,038</u>
	<u>909,588</u>	<u>861,806</u>
Net assets		
Invested in property and equipment	472,474	480,058
Unrestricted	1,247,503	685,254
Restricted for endowment purposes	<u>7,051</u>	<u>6,844</u>
	<u>1,727,028</u>	<u>1,172,156</u>
	<u>\$ 2,636,616</u>	<u>\$ 2,033,962</u>

Commitments (Note 13)

On behalf of the board



Director



Director

See accompanying notes to the financial statements.

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Statement of Activity**

Year ended May 31	2019	2018
Revenue		
Contributions	\$ 2,612,798	\$ 2,343,129
Program registrations and program specific contributions	674,827	427,309
Affiliation fees	436,663	442,999
Sales of advertising, magazines and products	279,771	299,946
Interest and other miscellaneous income	<u>194,370</u>	<u>50,956</u>
	<u>4,198,429</u>	<u>3,564,339</u>
Expenditures (Note 11)		
Operating costs incurred in supporting our ministries		
Facilitating growth in the Christian faith and evangelical identity through Faith Today Magazine, Canada Watch, web sites and other communications ministries	879,972	753,485
Equipping and encouraging ministry leaders through networks, partnerships, consultations, forums and roundtables	811,149	675,689
Fostering and engaging in public witness, including conferences, seminars, speaking engagements, research, submissions, legal arguments and presentations	<u>674,830</u>	<u>791,983</u>
	<u>2,365,951</u>	<u>2,221,157</u>
Other expenditures		
Fundraising and ministry advancement	694,844	633,235
Governance, leadership and World Evangelical Alliance support and involvement	377,033	238,369
General and administrative to support above ministries	<u>142,326</u>	<u>123,527</u>
	<u>1,214,203</u>	<u>995,131</u>
	<u>3,580,154</u>	<u>3,216,288</u>
Excess of revenue over expenditures before other item	618,275	348,051
Amortization of property and equipment	<u>63,403</u>	<u>58,085</u>
Excess of revenue over expenditures	<u>\$ 554,872</u>	<u>\$ 289,966</u>

See accompanying notes to the financial statements.

**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 2019	Total 2018
Balance, beginning of year	\$ 480,058	\$ 685,254	\$ 6,844	\$ 1,172,156	\$ 882,190
Excess (deficiency) of revenue over expenditures	(63,403)	618,068	207	554,872	289,966
Net transfer from operations to fund purchase of property and equipment (Note 10)	<u>55,819</u>	<u>(55,819)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 472,474</u>	<u>\$ 1,247,503</u>	<u>\$ 7,051</u>	<u>\$ 1,727,028</u>	<u>\$ 1,172,156</u>

See accompanying notes to the financial statements.

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

Year ended May 31

2019

2018

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 554,872	\$ 289,966
Items not affecting cash		
Amortization of property and equipment	63,403	58,085
Unrealized (gain) loss on investments	<u>(11,689)</u>	<u>1,212</u>
	606,586	349,263
Change in non-cash working capital items		
Accounts receivable	(1,506)	(26,521)
Due from WEA	(61,841)	(4,170)
Prepaid expenses	7,695	(16,512)
Accounts payable and accrued liabilities	60,899	(28,828)
Deferred revenue	(1,058)	(2,213)
Accrued vacation payable	<u>3,324</u>	<u>(19,292)</u>
	614,099	251,727

Financing

Repayment of mortgage payable	<u>(15,383)</u>	<u>(14,050)</u>
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Investing

Purchase of investments	(80,960)	(4,625)
Purchase of short-term notes receivable	(34)	745
Purchase of investments held for Vandervelde Endowment Fund	(207)	(195)
Purchase of property and equipment	<u>(40,436)</u>	<u>(51,496)</u>
	(121,637)	(55,571)

Increase in cash **477,079** 182,106

Cash

Beginning of year	<u>465,887</u>	<u>283,781</u>
End of year	\$ 942,966	\$ 465,887

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Notes to the Financial Statements
May 31, 2019**

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 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

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess of revenue over expenditures as appropriate in the fiscal year they become known.

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.

Interest and other miscellaneous income is recognized as earned.

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.

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada**
Notes to the Financial Statements
May 31, 2019

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
Office equipment	5 years
Computer equipment	3 - 5 years
Computer software	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 11. The basis of expenditure allocation is consistent with the prior fiscal year.

Contributed goods and services

Contributed goods and capital donations are recorded 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, short-term notes receivable, accounts receivable, investments held for Vandervelde Endowment Fund, accounts payable, promissory note payable, and mortgage payable.

Financial assets or liabilities are initially measured at fair value and subsequently measured at amortized cost except for all investments which are recorded at fair value. Unrealized gains and losses are recorded directly in the statement of activity.

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada**
Notes to the Financial Statements
May 31, 2019

3. Investments

	<u>2019</u>	<u>2018</u>
RBC Investment Savings Account	<u>\$ 80,960</u>	<u>\$ 236,442</u>

4. Short-term notes receivable

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

	<u>2019</u>	<u>2018</u>
Christian Stewardship Services (CSS) revocable deposit agreement	\$ 100,000	\$ 100,000
Indwell open promissory note	100,000	100,000
Interest receivable	<u>1,197</u>	<u>1,163</u>
	<u>\$ 201,197</u>	<u>\$ 201,163</u>

The agreement with CSS earns interest based on CSS investment pool results less an administration fee, and can be called within 60 days upon written request. For fiscal 2019, net interest earned was just over 4% (2018 - 4%).

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

5. Related party transactions

The WEA is the global body of Evangelical Alliances (Fellowships) that exist in each country, the EFC being one of them. The WEA and the EFC have some common directors and entered together into a joint ministry agreement in November 2007.

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

In fiscal 2019, the EFC made a membership contribution of \$10,000 (2018 - \$10,000) to the WEA. This is recorded in Governance, leadership and World Evangelical Alliance support and involvement in the statement of activity.

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, 2019

6. Long term investment

	<u>2019</u>	<u>2018</u>
RES Bank of Montreal earning interest at a rate of 2.71%, maturing June 1, 2021	\$ 248,131	\$ -

7. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>2019</u>	<u>2018</u>
				<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 142,600	\$ -	\$ 142,600	\$ 142,600	\$ 142,600
Buildings	858,297	128,745	729,552	751,010	751,010
Office equipment	85,784	82,496	3,288	2,873	2,873
Computer equipment	217,329	181,642	35,687	42,529	42,529
Computer software	107,803	31,935	75,868	70,479	70,479
Leasehold improvements	<u>6,161</u>	<u>4,746</u>	<u>1,415</u>	<u>1,886</u>	<u>1,886</u>
	\$ 1,417,974	\$ 429,564	\$ 988,410	\$ 1,011,377	\$ 1,011,377

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

	<u>2019</u>	<u>2018</u>
Computer software	\$ 19,703	\$ 15,645
Computer equipment	18,569	35,851
Office equipment	<u>2,164</u>	<u>-</u>
	\$ 40,436	\$ 51,496

8. 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 \$6,506 (2018 - \$6,508) was incurred and paid during the year and is included in general and administrative to support above ministries expenditures in the statement of activity.

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada**
Notes to the Financial Statements
May 31, 2019

9. Mortgage payable

	<u>2019</u>	<u>2018</u>
Mortgage payable, repayable in monthly blended payments of \$3,555, bearing interest at a fixed rate of 5.25%, due June 30, 2023	\$ 515,936	\$ 531,319
Less current portion	<u>16,253</u>	<u>15,281</u>
Due beyond one year	\$ 499,683	\$ 516,038

Estimated principal repayments are as follows:

2020	\$ 16,253
2021	17,118
2022	18,028
2023	18,987
2024	<u>445,550</u>
	\$ 515,936

Interest of \$27,384 (2018 - \$29,837) has been expensed in general and administrative to support above ministries expenditures in the statement of activity.

10. 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:

	<u>Invested in property and equipment</u>	<u>Unrestricted</u>
Transfer to operations for proceeds on disposal of property and equipment	\$ 40,436	\$ (40,436)
Repayment of mortgage payable	<u>15,383</u>	<u>(15,383)</u>
	\$ 55,819	\$ (55,819)

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada**
Notes to the Financial Statements
May 31, 2019

11. Allocation of expenditures

General support costs were allocated as follows:

	<u>2019</u>	<u>2018</u>
Facilitating growth in the Christian faith and evangelical identity through Faith Today Magazine, Canada Watch, web sites and other communications ministries	\$ 238,557	\$ 171,663
Equipping and encouraging ministry leaders through networks, partnerships, consultations, forums and roundtables	30,513	81,627
Fostering and engaging in public witness, including conferences, seminars, speaking engagements, research, submissions, legal arguments and presentations	118,240	87,257
Fundraising, administrative, governance and leadership	<u>386,776</u>	<u>413,878</u>
	<u>\$ 774,086</u>	<u>\$ 754,425</u>

12. 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 \$68,959 (2018 - \$59,097) during the fiscal year which are considered general support costs and allocated in Note 11. 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.

13. Commitments

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

2020	\$ 29,000
2021	7,000

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada
Notes to the Financial Statements
May 31, 2019**

14. 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 goal of the Board of Directors (the "Board") 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 Board invests in property and equipment in order to provide staff and constituents a friendly environment that allows for networking and team-building meetings.

During fiscal 2019, no additional money was received which was designated for the endowment fund (the "George Vandervele 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 2019, was in compliance with these requirements.

15. 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.

**The Evangelical Fellowship of Canada/
Alliance Evangelique du Canada**
Notes to the Financial Statements
May 31, 2019

15. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with the EFC. The EFC's main credit risks relate to its short-term notes receivable and accounts receivable.

The EFC reduces its exposure to credit risk by assessing credit on a regular basis and providing for an allowance for doubtful accounts when applicable. At May 31, 2019, the allowance for doubtful accounts is \$Nil (2018 - \$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, short-term receivables with variance and fixed 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 exposed to liquidity risk with respect to its accounts payable, promissory note payable and mortgage 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 (2018 - \$Nil).