

HARVEST BIBLE CHAPEL BARRIE

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(UNAUDITED)

SMITH, SYKES, LEEPER & TUNSTALL LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

LICENSED PUBLIC ACCOUNTANTS

HARVEST BIBLE CHAPEL BARRIE
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Directors of,
Harvest Bible Chapel Barrie

We have reviewed the accompanying financial statements of Harvest Bible Chapel Barrie that comprise the balance sheet as at **December 31, 2021**, and the statement of receipts and disbursements, statement of changes in net assets and changes in 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on the financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Harvest Bible Chapel Barrie as at **December 31, 2021**, 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.

Smith, Sykes, Leeper & Tunstall LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Barrie, Ontario.
May 24, 2022.

HARVEST BIBLE CHAPEL BARRIE
(Incorporated Under the Laws of Ontario)
BALANCE SHEET
DECEMBER 31, 2021
(UNAUDITED)

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 367,132	\$ 893,381
Internally restricted cash - Building Fund (Note 10)	37,249	92,839
Accounts receivable	0	19,558
Resource centre inventory	2,258	2,258
Prepaid expenses	16,197	18,560
HST recoverable	<u>23,761</u>	<u>13,197</u>
	446,597	1,039,793
Property, plant and equipment (Note 3)	5,710,962	5,887,138
	\$ 6,157,559	\$ 6,926,931
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 78,806	\$ 63,315
Deferred contributions (Note 5)	51,158	39,655
Current portion of long-term debt (Note 6)	<u>158,260</u>	<u>3,070,260</u>
	288,224	3,173,230
Long-term debt (Note 6)	<u>2,574,341</u>	<u>338,000</u>
TOTAL LIABILITIES	2,862,565	3,511,230
Deferred capital contributions related to property, plant and equipment (Note 7)	1,883,463	2,021,814
<u>NET ASSETS</u>		
Invested in property, plant and equipment (Note 9)	1,608,716	876,058
Internally restricted - Building Fund	37,294	92,839
Unrestricted	<u>(234,479)</u>	<u>424,990</u>
	1,411,531	1,393,887
	\$ 6,157,559	\$ 6,926,931

Approved on Behalf of the Board,

_____, Director.

_____, Director.

The accompanying notes are an integral part of these financial statements.

**HARVEST BIBLE CHAPEL BARRIE
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

	2021				2020
	Invested in property, plant and equipment	(Note 10) Internally Restricted	Unrestricted	Total	Total
Net assets, beginning of the year	\$ 876,058	\$ 92,839	\$ 424,990	1,393,887	1,112,518
Excess of receipts over disbursements	(52,520)	745	\$ 69,419	17,644	281,369
Net change in investment in property, plant and equipment (Note 9)	785,178	0	(785,178)	0	0
Interfund transfers (Note 9)	0	(56,290)	56,290	0	0
NET ASSETS, END OF THE YEAR	\$ 1,608,716	\$ 37,294	\$ (234,479)	\$ 1,411,531	\$ 1,393,887

The accompanying notes are an integral part of these financial statements.

HARVEST BIBLE CHAPEL BARRIE
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

	2021	2020
RECEIPTS		
General fund	\$ 1,488,580	\$ 1,505,242
Designated and other contributions	68,763	137,450
Interest and other income	3,936	3,682
Resource centre income	0	152
	1,561,279	1,646,526
DISBURSEMENTS		
Compensation	839,191	784,107
Facilities	130,097	107,952
Operations	129,609	94,450
Interest on long-term debt	129,058	180,807
Ministry Partnership	128,436	51,183
Designated funds	60,469	52,986
Administration	40,308	7,193
Children and youth ministries (Note 8)	21,219	25,945
Adult ministries	20,012	11,995
Worship ministries	18,488	37,161
	1,516,887	1,353,779
Excess of receipts over disbursements	44,392	292,747
OTHER ITEMS		
Gain (loss) on the sale of property, plant and equipment	486	2,740
Amortization of deferred capital contributions	274,077	289,223
Amortization of property, plant and equipment	(326,597)	(334,278)
Government wage subsidies and grants	25,286	30,937
NET CHANGE FROM OTHER ITEMS	(26,748)	(11,378)
EXCESS OF RECEIPTS OVER DISBURSEMENTS	17,644	281,369

The accompanying notes are an integral part of these financial statements.

HARVEST BIBLE CHAPEL BARRIE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

	2021	2020
CASH PROVIDED BY (USED FOR) OPERATIONS		
Excess of receipts over disbursements for the year	\$ 17,644	\$ 281,369
Items not requiring an outlay of cash:		
Amortization of property, plant and equipment	326,597	334,278
(Gain) on disposal of property, plant and equipment	(486)	(2,740)
Amortization of deferred capital contributions	<u>(274,077)</u>	<u>(289,223)</u>
	69,678	323,684
Changes in operating working capital		
Accounts receivable	19,558	(8,746)
Resource centre inventory	0	162
Prepaid expenses	2,363	(6,579)
HST recoverable	(10,563)	(746)
Accounts payable and accrued expenses	15,491	25,952
Deferred contributions	11,503	19,567
Current portion of long-term debt	<u>(2,912,000)</u>	<u>2,730,687</u>
	<u>(2,873,648)</u>	<u>2,760,297</u>
CASH (USED FOR) PROVIDED BY OPERATIONS	<u>(2,803,970)</u>	<u>3,083,981</u>
FINANCING		
Increase in (repayment of) long term debt	2,236,341	(2,833,405)
Deferred capital contributions received	<u>135,726</u>	<u>96,548</u>
CASH PROVIDED BY (USED FOR) FINANCING	<u>2,372,067</u>	<u>(2,736,857)</u>
INVESTING		
Additions to property, plant and equipment	(152,196)	(82,941)
Proceeds on disposal of property, plant and equipment	<u>2,260</u>	<u>3,170</u>
CASH (USED FOR) INVESTING	<u>(149,936)</u>	<u>(79,771)</u>
NET CHANGE IN CASH POSITION	<u>(581,839)</u>	<u>267,353</u>
Cash position, beginning of the year	986,220	718,867
CASH POSITION, END OF THE YEAR	\$ 404,381	\$ 986,220
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>		
Cash position represented by:		
Cash	\$ 367,132	\$ 893,381
Restricted cash	<u>37,249</u>	<u>92,839</u>
	404,381	986,220

The accompanying notes are an integral part of these financial statements.

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) and include the following significant accounting policies:

General -

Harvest Bible Chapel Barrie operates a Church incorporated under the laws of the Province of Ontario March 9, 2016, and is registered as a charitable organization under the Income Tax Act. The Church is not subject to income taxes and is prohibited from distributing any of its surplus to or for the personal benefit of its members.

Use of estimates -

The preparation of the financial statements in conformity with Canadian Accounting Standards for Not-For-Profit Organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of property, plant and equipment (including deferred capital contributions); and the valuation allowances for accounts receivable. Actual results could differ from those estimates.

Cash -

Cash includes highly liquid investments

Resource centre inventory -

Resource centre inventory is stated at the lower of cost and market value. Market value is considered the replacement value or estimated realizable value, whichever is lower.

Financial instruments -

The Church initially measures its financial assets and liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income. Financial assets and liabilities measured at amortized cost include cash, restricted cash, accounts receivable, HST recoverable, accounts payable, accrued expenses and long-term debt. The Church's financial instruments subsequently measured at fair value include cash denominated in a foreign currency.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Any reversal is recognized in net income. There are no impairments in the current year.

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition -

The Church follows the deferral method of accounting for donations.

- Unrestricted donations are recognized as revenue when received.
- Externally restricted donations are deferred and taken into revenue when the the funds are spent.
- Donations restricted for the purchase of capital assets are deferred and amortized into revenue at an amount equal to the amortization of that group of capital assets.
- Externally restricted donations used to purchase land are recorded as a direct increase in net assets invested in capital assets.
- Donated equipment and supplies are only recorded as revenue when the estimated fair market value of the items donated can be supported within the policy set out by the Charities Directorate of the Canada Revenue Agency.

Resource centre income comprises mainly of book sales and is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and when the risks and rewards of ownership have been transferred to the purchaser.

Interest income is recognized as revenue is earned and collection is reasonably assured.

Contributed services -

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

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(UNAUDITED)

2. FINANCIAL RISK AND CONCENTRATION OF RISK

The Church is exposed to the following risks related to its financial assets and liabilities:

Credit risk -

Credit risk arises from the possibility that the entities from which the Church receives funds may experience financial difficulty and be unable to fulfil their contractual obligations. The Church's main credit risks relate to accounts receivable which are due from the Canada Revenue Agency regarding HST rebates and amounts due from related parties. The Church does not provide credit in the normal course of business. Management is of the opinion that credit risk is not a significant risk and there has been no change in the risk exposure from 2020.

Liquidity risk -

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly in respect of its long-term debt, accounts payable and accrued expenses. The Church expects to meet these obligations as they come due by generating sufficient cash flow from operations. The risk exposure has decreased from 2020 due to the decrease in long-term debt.

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: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Unfavourable changes in the applicable exchange rate may result in a decrease in any foreign exchange gain or an increase in any foreign exchange loss. The Church is exposed to foreign currency risk as industry related supplies may only be available from foreign vendors. There has been no change to the risk exposures from 2020.

The Organization does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. Management is of the opinion that interest rate risk is not a significant risk. The risk exposure from 2020 has decreased due to the decrease in long-term debt.

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(UNAUDITED)

2. FINANCIAL RISK AND CONCENTRATION OF RISK (CONTINUED)

Other price risk -

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management is of the opinion that the Church is not exposed to significant other price risk. There has been no change in the risk exposure from 2020.

3. PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2021</u>	<u>Net 2020</u>
Buildings	\$ 5,791,775	\$ 1,432,945	\$ 4,358,830	\$ 4,551,052
Computer equipment	135,007	124,204	10,803	7,510
Land	1,140,945	0	1,140,945	1,140,945
Equipment	<u>597,499</u>	<u>397,115</u>	<u>200,384</u>	<u>187,631</u>
	<u>\$ 7,665,226</u>	<u>\$ 1,954,264</u>	<u>\$ 5,710,962</u>	<u>\$ 5,887,138</u>

Property, plant and equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Buildings	- 6% declining balance
Computer equipment	- 55% declining balance
Equipment	- 20% declining balance

4. CREDIT FACILITY

The Church has an revolving demand facility available in the amount of \$25,000. The overdraft bears interest at the RBC prime rate plus 1.10%. Interest is charged monthly on the amount of the line of credit in use by the Church. The facility is unused at year-end and the credit available is \$25,000.

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
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5. DEFERRED CONTRIBUTIONS

The deferred contributions funds that were received but have not been disbursed for the designated purpose. These funds consist of the following:

	<u>2021</u>	<u>2020</u>
Cove Youth Initiative	354	5,355
Hope Fund	\$ 15,463	\$ 22,249
International Pastor Training	4,217	4,217
Alliston Church Plant	31,124	4,770
Salvation Army Bayside Mission	0	3,064
	<u>\$ 51,158</u>	<u>\$ 39,655</u>

6. LONG-TERM DEBT

The long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
First mortgage, Christian Stewardship Services, bearing interest at 5.00% per annum, repayable in monthly principal and interest payments of \$7,270, secured by the land and building with a carrying value of \$5,499,775, due April 30, 2022.	\$ 1,106,320	\$ 1,137,958
First mortgage, Stewards Canada, bearing interest at 5.00% per annum, repayable in monthly principal and interest payments of \$7,270, secured by the land and building with a carrying value of \$5,499,775, due August, 2022.	1,112,457	1,143,061
Second mortgage, construction loan from Christian Stewardship Services, bearing interest at 8.00% per annum, repayable in monthly principal and interest payments of \$6,309, secured by the land and building with a carrying value of \$5,499,775, fully paid off in April 2021.	0	351,147
Second mortgage, construction loan from Stewards Canada, bearing interest at 8.00% per annum, repayable in monthly principal and interest payments of \$6,309, secured by the land and building with a carrying value of \$5,499,775, transferred to Christian Stewardship Services in December 2020.	0	357,094

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
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6. LONG-TERM DEBT (CONTINUED)

Regular Harvest Bonds issued in denominations of \$1,000, \$5,000 and \$10,000. Bonds have maturity terms of 1 year and 5 years bearing interest at 2.5% and 3.5% per annum respectively, interest for the current year is forfeited if bond is cashed in by owner prior to anniversary date. 30 days notice is required from bond owner to redeem any bonds prior to maturity date. Harvest Bible Chapel Barrie has sole discretion to pay back the bonds at any time, without accumulated interest.

32,000 86,000

Compound Harvest Bonds issued in denominations of \$1,000, \$5,000, \$10,000, \$25,000 and \$50,000. Bonds have maturity terms from 2 years to 5 years bearing compound interest accumulated monthly and rolled into the next year's term, at 2.5%, 2.75%, 3.00%, 3.25% and 3.5% per annum respectively, interest for the current year is forfeited if bond is cashed in by owner prior to anniversary date. 30 days notice is required from bond owner to redeem any bonds prior to maturity date. Harvest Bible Chapel Barrie has sole discretion to pay back the bonds at any time, without accumulated interest.

481,825 333,000

2,732,602 3,408,260

Less: current portion

158,260 3,070,260

\$ 2,574,342 \$ 338,000

Subsequent to year-end, the Church refinanced with a mortgage from RBC in the amount of \$2,500,000. Existing loans from Christian Stewardship Services and Stewards Canada were paid down as of April 11, 2022. The current portion of long-term debt and principal payments below have been adjusted in relation to refinancing.

The minimum annual payments over the next five years with respect to the long-term debt are as follows:

2022	\$ 158,260
2023	158,603
2024	102,557
2025	296,619
2026	237,969
Subsequent	<u>1,778,594</u>
	<u>\$ 2,732,602</u>

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(UNAUDITED)

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions include unamortized portions of restricted contributions used to purchase capital assets. These amounts are being amortized on the same basis as the capital assets to which they relate. The changes for the year are as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 2,021,814	\$ 2,214,489
Amount transferred from deferred contributions	135,726	96,548
Amortization of deferred capital contributions	<u>(274,077)</u>	<u>(289,223)</u>
	<u>\$ 1,883,463</u>	<u>\$ 2,021,814</u>

8. RECEIPTS AND DISBURSEMENTS SHOWN NET

Included in children and youth ministries is the net (cost) of the High Five Day Camp and the Awana program. The following are the gross amounts for the related items.

	<u>2021</u>	<u>2020</u>
Gross receipts	\$ 32,005	\$ 6,210
Disbursements	<u>23,281</u>	<u>10,528</u>
Net recovery (cost)	<u>\$ 8,724</u>	<u>\$ (4,318)</u>

HARVEST BIBLE CHAPEL BARRIE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(UNAUDITED)

9. NET ASSETS INVESTED IN PROPERTY, PLANT AND EQUIPMENT

The net assets invested in property, plant and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Net book value of property, plant and equipment	\$ 5,710,962	\$ 5,887,138
Long-term debt on property, plant and equipment	(2,218,783)	(2,989,266)
Unamortized deferred contributions	<u>(1,883,463)</u>	<u>(2,021,814)</u>
Net assets invested in property, plant and equipment	<u>\$ 1,608,716</u>	<u>\$ 876,058</u>

Excess of receipts over disbursements:

Amortization of property, plant and equipment	\$ (326,597)	\$ (334,278)
Amortization of deferred capital contributions	<u>274,077</u>	<u>289,223</u>
	<u>\$ (52,520)</u>	<u>\$ (45,055)</u>

The changes in net assets invested in property, plant and equipment is calculated as follows:

Purchase of property, plant and equipment	\$ 152,196	\$ 82,941
Disposal of capital assets	(1,775)	(428)
Deferred capital contributions received	(135,726)	(96,548)
Net debt payments from operations	<u>770,483</u>	<u>521,718</u>
Change in net assets invested in property, plant and equipment	<u>\$ 785,178</u>	<u>\$ 507,683</u>

10. INTERNALLY RESTRICTED - BUILDING FUND

The Church has restricted funds for future building expenditures. Currently funds are set aside for the Building Fund. Cash has been restricted for this purpose as follows:

Internally restricted net assets - Building Fund	<u>37,294</u>	<u>92,839</u>
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