

Evangelical Missionary Church of Canada
Financial Statements
Year ended December 31, 2014

EVANGELICAL MISSIONARY CHURCH OF CANADA
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Year ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Evangelical Missionary Church of Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Evangelical Missionary Church of Canada, which comprise the statement of financial position as at December 31, 2014, and the statement of operations, 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 entity'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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Continues

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from contributions and programs, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to receipts, assets and fund balances as at December 31, 2014.

As described in Note 2, the organization has the ability to exercise control over the operations of Chinook Village Housing Society of Alberta and church organizations governed by a board appointed by EMCC as of December 31, 2014. We are unable to obtain sufficient appropriate audit evidence about the amounts reported in Notes 14 and 16. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the statements present fairly, in all material respects, the financial position of Evangelical Missionary Church of Canada as at December 31, 2014 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.



CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Waterloo, Ontario
March 27, 2015

Evangelical Missionary Church of Canada
Statement of Financial Position
Year ended December 31, 2014

	2014				2013			
	General Fund	Missions Fund	Projects Fund	Total	General Fund	Missions Fund	Projects Fund	Total
ASSETS								
CURRENT								
Cash and cash equivalents (Note 3)	\$ 2,415,624	\$ -	\$ 84,458	\$ 2,500,082	\$ 2,313,434	\$ 7,741	\$ 102,905	\$ 2,424,080
Investments (Note 4)	2,742,177	832,577	3,931,281	7,506,035	2,241,011	730,884	4,809,644	7,781,539
Accounts receivable	34,273	4,000	17,565	55,838	41,769	4,000	9,550	55,319
Loans receivable (Note 5)	2,174,222	-	-	2,174,222	2,320,848	-	-	2,320,848
Mortgage receivable (Note 6)	-	-	-	-	240,421	-	-	240,421
Prepaid expenses	13,134	11,295	-	24,429	761	11,295	-	12,056
	<u>7,379,430</u>	<u>847,872</u>	<u>4,033,304</u>	<u>12,260,606</u>	<u>7,158,244</u>	<u>753,920</u>	<u>4,922,099</u>	<u>12,834,263</u>
CAPITAL (Note 7)	-	-	1,112,583	1,112,583	-	1,560	1,168,576	1,170,136
	<u>\$ 7,379,430</u>	<u>\$ 847,872</u>	<u>\$ 5,145,887</u>	<u>\$ 13,373,189</u>	<u>\$ 7,158,244</u>	<u>\$ 755,480</u>	<u>\$ 6,090,675</u>	<u>\$ 14,004,399</u>
LIABILITIES AND FUND BALANCES								
CURRENT								
Accounts payable and accrued liabilities	\$ 210,903	\$ -	\$ -	\$ 210,903	\$ 69,452	\$ -	\$ -	\$ 69,452
Loans payable (Note 8)	5,880,261	-	-	5,880,261	5,867,795	-	-	5,867,795
	<u>6,091,164</u>	<u>-</u>	<u>-</u>	<u>6,091,164</u>	<u>5,937,247</u>	<u>-</u>	<u>-</u>	<u>5,937,247</u>
FUND BALANCES (Note 10)								
Internally restricted	1,288,266	389,245	3,804,413	5,481,924	1,220,997	379,182	4,705,724	6,305,903
Externally restricted	-	458,627	1,286,520	1,745,147	-	376,298	1,329,997	1,706,295
Endowment	-	-	54,954	54,954	-	-	54,954	54,954
	<u>1,288,266</u>	<u>847,872</u>	<u>5,145,887</u>	<u>7,282,025</u>	<u>1,220,997</u>	<u>755,480</u>	<u>6,090,675</u>	<u>8,067,152</u>
	<u>\$ 7,379,430</u>	<u>\$ 847,872</u>	<u>\$ 5,145,887</u>	<u>\$ 13,373,189</u>	<u>\$ 7,158,244</u>	<u>\$ 755,480</u>	<u>\$ 6,090,675</u>	<u>\$ 14,004,399</u>
CONTINGENT LIABILITIES (Note 17)								


 Board Secretary


 Chair

The accompanying notes form an integral part of these financial statements

EVANGELICAL MISSIONARY CHURCH OF CANADA
Statement of Operations and Changes in Fund Balances
Year ended December 31, 2014

	2014				2013			
	General Fund	Missions Fund	Projects Fund	Total	General Fund	Missions Fund	Projects Fund	Total
REVENUES								
Contributions	\$ 895,216	\$ 1,302,328	\$ 635,075	\$ 2,832,619	\$ 891,459	\$ 1,271,623	\$ 1,059,396	\$ 3,222,478
Investment income	308,356	6,634	49,916	364,906	283,235	9,991	87,522	380,748
Programs	41,636	-	240,362	281,998	69,017	-	255,028	324,045
Other income	20,023	2,319	300	22,642	16,654	2,500	260	19,414
Health and pension benefits collected (Note 12)	<u>2,027,117</u>	<u>-</u>	<u>-</u>	<u>2,027,117</u>	<u>1,920,755</u>	<u>-</u>	<u>-</u>	<u>1,920,755</u>
	<u>3,292,348</u>	<u>1,311,281</u>	<u>925,653</u>	<u>5,529,282</u>	<u>3,181,120</u>	<u>1,284,114</u>	<u>1,402,206</u>	<u>5,867,440</u>
EXPENSES								
Staff costs - office	832,441	155,119	145,983	1,133,543	766,201	147,218	118,724	1,032,143
Staff costs - World Partners	-	720,056	-	720,056	-	709,091	-	709,091
Field ministry	-	178,132	-	178,132	-	151,365	-	151,365
Field placement	-	7,367	-	7,367	-	1,918	-	1,918
Ministry projects	-	2,217	760,250	762,467	-	-	983,791	983,791
Home ministry assignment	-	46,418	-	46,418	-	43,988	-	43,988
Church ministry (Note 6)	461,160	29,045	579,670	1,069,875	261,937	24,355	133,397	419,689
Administration (Note 2)	46,556	69,027	51,512	167,095	54,325	74,660	29,494	158,479
Interest	136,683	-	-	136,683	135,671	-	-	135,671
Professional fees	22,522	10,500	14,082	47,104	27,709	10,150	18,444	56,303
Amortization	-	1,560	79,444	81,004	-	1,560	79,398	80,958
Donation of property	-	-	-	-	-	-	1,465,040	1,465,040
Unrealized loss on shares	-	-	-	-	125,000	-	-	125,000
Health and pension benefits paid (Note 12)	<u>1,964,665</u>	<u>-</u>	<u>-</u>	<u>1,964,665</u>	<u>1,821,024</u>	<u>-</u>	<u>-</u>	<u>1,821,024</u>
	<u>3,464,027</u>	<u>1,219,441</u>	<u>1,630,941</u>	<u>6,314,409</u>	<u>3,191,867</u>	<u>1,164,305</u>	<u>2,828,288</u>	<u>7,184,460</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(171,679)	91,840	(705,288)	(785,127)	(10,747)	119,809	(1,426,082)	(1,317,020)
Interfund transfers (Note 9)	<u>238,948</u>	<u>552</u>	<u>(239,500)</u>	<u>-</u>	<u>(917,879)</u>	<u>18,503</u>	<u>899,376</u>	<u>-</u>
Excess (Deficiency) after transfers	67,269	92,392	(944,788)	(785,127)	(928,626)	138,312	(526,706)	(1,317,020)
Fund balances, beginning of year	<u>1,220,997</u>	<u>755,480</u>	<u>6,090,675</u>	<u>8,067,152</u>	<u>2,149,623</u>	<u>617,168</u>	<u>6,617,381</u>	<u>9,384,172</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,288,266</u>	<u>\$ 847,872</u>	<u>\$ 5,145,887</u>	<u>\$ 7,282,025</u>	<u>\$ 1,220,997</u>	<u>\$ 755,480</u>	<u>\$ 6,090,675</u>	<u>\$ 8,067,152</u>

The accompanying notes form an integral part of these financial statements

EVANGELICAL MISSIONARY CHURCH OF CANADA

Statement of Cash Flows

Year ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Contributions	\$ 2,910,523	\$ 3,335,451
Interest	364,906	380,748
Programs	281,998	324,045
Other income	22,642	19,414
Employee pension premiums received	<u>1,086,222</u>	<u>1,012,546</u>
	<u>4,666,291</u>	<u>5,072,204</u>
Missionary and staff costs	1,853,599	1,741,234
Field ministry and related expense	1,697,699	1,600,344
Administration	214,199	214,782
Interest	136,683	135,671
Employee pension premiums paid	<u>1,101,675</u>	<u>1,025,788</u>
	<u>5,003,855</u>	<u>4,717,819</u>
Cash flow from operations	<u>(337,564)</u>	<u>354,385</u>
INVESTING ACTIVITIES		
Sale (purchase) of investments	275,504	(794,367)
Purchase of capital assets	(23,451)	(43,534)
Repayment (advance) of loans receivable, net	146,626	1,041,496
Repayment of mortgage receivable	<u>2,421</u>	<u>7,318</u>
Cash flow from investing	<u>401,100</u>	<u>210,913</u>
FINANCING ACTIVITY		
Advance (repayment) of loans payable, net	<u>12,466</u>	<u>805,152</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	76,002	1,370,450
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>2,424,080</u>	<u>1,053,630</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 2,500,082</u>	<u>\$ 2,424,080</u>

The accompanying notes form an integral part of these financial statements

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

1. DESCRIPTION OF ORGANIZATION

The Evangelical Missionary Church of Canada (EMCC) is a church denomination of approximately 150 churches across Canada organized to fulfill the Great Commandment and the Great Commission of our Lord Jesus Christ. The EMCC is passionately committed to introducing people to Jesus Christ, discipling believers and facilitating the multiplication of healthy churches in Canada and worldwide.

EMCC is responsible for the oversight of member churches, the credentialing of pastors and missionaries, the networking of resources for both pastors and churches and the operation of common ministry programs such as World Partners (a missions sending agency), EMCC Relief and Development and Evangelical Missionary Youth, Men and Seniors.

EMCC is incorporated without share capital under the laws of Canada and is registered with Canada Revenue Agency as a charitable organization; registration number 10770 6525 RR0001. The organization is exempt from income tax under Section 149 of the Income Tax Act.

The ongoing operation of the organization is dependent on the continued support of churches and constituents.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The financial statements include the assets, liabilities and fund balances which are controlled and administered directly by the board of directors of Evangelical Missionary Church of Canada. These financial statements exclude any assets located on the various mission fields, such as cash and capital equipment, and liabilities arising from the direct mission field operations.

Other Controlled Entities

The organization has the responsibility to provide a majority of the members on the board of Chinook Village Housing Society of Alberta and Emmanuel Bible College. As a result, the organization has the potential to exercise control over the operations of these entities. Chinook Village and Emmanuel Bible College have not been consolidated in the financial statements. A financial summary has been included in Notes 14 and 15, respectively.

The organization has the responsibility to appoint Steering Committees for Evangelical Missionary churches which are in a period of transition. A Steering Committee is to serve as a governing body to a congregation during the period of transition in preparation for the time when the congregation can organize as a self-governing EMCC church and becomes able to select its own local board. As a result of the relationship between EMCC and the Steering Committees, the organization has the potential to exercise control over the operations of these congregations. There are four congregations governed by a Steering Committee at December 31, 2014 which have not been consolidated in the financial statements. A financial summary of the congregations has been included in Note 16.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Fund Accounting

Fund accounting is used to ensure the observance of the purposes, limitations, and restrictions on the use of resources made available to the organization as specified by the donors and the Board. The funds are summarized for accounting purposes as follows:

- The General Fund accounts for the revenue and costs related to providing the Canadian operations and administration as well as for pension contributions and health insurance benefit premiums assessed and expensed under the Employee Benefits plan operated for members of EMCC.
- The Missions Fund accounts for the contributions received from member churches and individuals for the support of missionaries, mission field operating costs, and administration of missions.
- The Projects Fund accounts for the operation of various ministries including those for youth, men, and seniors, the development of new geographical areas for church planting, special relief and development projects identified from time to time, volunteer teams, and short-term international projects. The funds internally restricted for Forward Initiatives are for the purpose of advancing the vision, development and strategic initiatives of the EMCC National team. The Projects Fund also includes the capital assets of the organization and any related expenses. Funds internally designated to the Building Development are for providing financial grants to EMCC churches and ministries for capital projects. Included in the Projects Fund balance are also endowment funds externally restricted for the purposes of providing ministry scholarships.

Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Unrestricted contributions are included as revenue of the General fund in the year received. Restricted contributions for which a fund has been established are recorded as revenue in the year received. Restricted contributions for which a fund has not been established are recorded as revenue in the General fund in the year in which the related expenses are incurred.

Program contributions are recognized as revenue in the period which the program has taken place if the amount receivable can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase to the fund balance in the year received. Interest and other income are recognized as revenue when earned.

Contributed Materials and Services

The organization does not record the value of donated materials and services in the financial statements.

Property Held

EMCC has title to, but no beneficial interest in, certain constituent property. When it is determined that any constituent organization is not continuing operations, the beneficial ownership of the property will pass to EMCC and be recorded in the Building Development Fund to be used for future property development. When beneficial ownership passes, the assets will be recorded as a donation at the estimated fair market value of the land only. Purchased assets are recorded at cost.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method at rates set out below.

Building	25 years
Furniture and equipment	5 years
Vehicles	5 years
Computer equipment	4 years

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs are expensed when incurred.

Cash and Cash Equivalent

The organization considers cash deposited in financial institutions and term deposits with maturities of less than 90 days to be cash and cash equivalents.

Allocation of expenses

The organization assigns costs to three functional areas; General, Missions and Projects. Certain general support expenses which do not pertain specifically to a function are considered administrative and are allocated to the functional areas based on the number of individuals working in each area. Under this method, administration was allocated as follows:

	<u>2014</u>	<u>2013</u>
General	65%	68%
Missions	25%	21%
Projects	10%	11%

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate and non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Foreign exchange gains and losses, if any, on monetary assets and liabilities are included in the determination of earnings.

Measurement Uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the organization's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimated include:

- the estimated useful lives of assets;
- the estimated allowance for doubtful accounts;
- the estimated accrued expenses.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

3. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash deposited in financial institutions, earning interest at 0% to 1.25%	\$ 1,239,223	\$ 1,120,439
Term deposits with maturities of less than 90 days (bearing interest at 1.3% - 1.4% and maturing between January and March, 2015)	<u>1,260,859</u>	<u>1,303,641</u>
	<u>2,500,082</u>	<u>2,424,080</u>

At December 31, 2014, the organization had cash deposited in one financial institution of approximately \$951,341 (2013 - \$692,803) in excess of the Canada Deposit Insurance Corporation (CDIC) limits of \$100,000 per institution. The organization does not believe it is exposed to any significant credit risk on these deposits.

The organization has a line of credit with a maximum limit of \$500,000 bearing interest at prime plus 0.5% per annum. This line of credit is secured by a general security agreement over the organization's assets and assignment of the fire insurance. There have been no amounts advanced on this available line of credit as at December 31, 2014.

4. INVESTMENTS

Investments consist of the following:

	<u>2014</u>	<u>2013</u>
Mennonite Foundation of Canada (deposits bearing interest at 3% (2013 - 3.15%))	\$ 6,869,423	\$ 7,190,173
Mutual funds	38,123	216,366
Shares in mortgage investment corporation	500,000	500,000
Provision for unrealized loss on shares (Note 13)	(125,000)	(125,000)
Shares in Canadian equities	<u>223,489</u>	<u>-</u>
	<u>\$ 7,506,035</u>	<u>\$ 7,781,539</u>

The mutual funds consists of investments primarily in Canadian fixed income and Canadian equity securities. The instrument has a guaranteed minimum value on maturity. The effective interest rate was 5.0% (2013 - 2.3%) and the instrument matures October 2021.

The shares in mortgage investment corporation consist of 500,000 Class A preferred shares and 208,333,333 Class B preferred shares, in a mortgage investment corporation. The Class A Shares have a stated cost per share of \$0.80 and the Class B shares have a stated total cost of \$0.01 per share. Combined, the shares have earned an effective dividend rate of 7.5% in 2014 (2013 - 3.3%). The shares were originally redeemable at the option of the organization after a term of at least one year from the date of the investment, April 30, 2013. Effective March 28, 2014 the Board of the mortgage investment corporation implemented a restructuring plan approved by shareholders which postponed EMCC's redemption date option for one year beyond the original date to April 30, 2015 and that option is subject to further redemption limitations at that time. The shares are not publicly traded and accordingly are recorded at cost.

Shares in Canadian equities consist of publicly listed common and preferred shares which are direct trade investments transacted and held through an accredited financial institution.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

5. LOANS RECEIVABLE

All loans receivable from EMCC member churches and ministries are due on demand and bear interest at 3.5% with regular payments made monthly. The loans are amortized over periods up to 25 years and are secured by real property. At December 31, 2014, the allowance for doubtful loans is nil (2013 - nil). No new loans have been issued during the fiscal year. All new loan applications are administered and funded by Mennonite Foundation of Canada.

6. MORTGAGE RECEIVABLE

During fiscal 2011, the organization sold a building and land to Emmanuel Bible College, a related party as described in Note 2. The proceeds on sale of the property were \$460,000 of which \$260,000 was received in the form of a mortgage receivable. The mortgage was forgiven by EMCC in March 2014 at which time the balance was \$238,000. This transaction was recorded as an expense to the Bequest Fund.

7. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014</u>	<u>2013</u>
Land	\$ 360,000	\$ -	\$ 360,000	\$ 360,000
Buildings	896,123	170,992	725,131	749,236
Furniture, equipment and computer equipment	242,570	217,603	24,967	54,371
Vehicles	<u>20,224</u>	<u>17,739</u>	<u>2,485</u>	<u>6,529</u>
	<u>\$ 1,518,917</u>	<u>\$ 406,334</u>	<u>\$ 1,112,583</u>	<u>\$ 1,170,136</u>

8. LOANS PAYABLE

Amounts advanced to the organization from EMCC member churches, ministries and individuals are received for the purpose of funding loans to EMCC member churches and ministries, as described in Note 5, and capital projects of EMCC. The loans are unsecured, bear interest at rates ranging from 2.25% to 2.50% and are due 30 days after demand by the holder. Interest rates for new loans are based on market rates at the start of the term and are given six month rolling terms. Interest rates can be adjusted by EMCC during the term based on changes in market rates.

9. INTERFUND TRANSFERS

Interfund transfers during the year have been approved by the Board of Directors.

Included in the interfund transfers was \$250,000 transferred from the Projects Fund to the General Fund. This transfer was to replenish the Loans and Investments Fund subsequent to the mortgage forgiveness as described in Note 6.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

10. FUND BALANCES

	<u>2014</u>	<u>2013</u>
The General Fund consists of the following:		
<u>Internally restricted</u>		
General	\$ 263,802	\$ 202,481
Benefit Reserve (Note 12)	<u>1,024,464</u>	<u>1,018,516</u>
	<u>\$ 1,288,266</u>	<u>\$ 1,220,997</u>
The Missions Fund consists of the following:		
<u>Internally restricted</u>		
EMCC World Partners Reserve	\$ 389,245	\$ 379,182
<u>Externally restricted</u>		
EMCC World Partners	<u>458,627</u>	<u>376,298</u>
	<u>\$ 847,872</u>	<u>\$ 755,480</u>
The Projects Fund consists of the following:		
<u>Internally restricted</u>		
EMCC National Ministries	\$ 83,287	\$ 86,785
Local Church Ministry	868,159	1,378,718
Missions Ministry	131,228	136,525
Forward Initiatives	745,321	854,337
Capital Assets	1,148,308	1,201,668
Building Development Fund	<u>828,110</u>	<u>1,047,691</u>
	<u>3,804,413</u>	<u>4,705,724</u>
<u>Externally restricted</u>		
Relief and Development (Note 11)	779,803	797,042
International Projects	378,544	377,500
Volunteer Teams	<u>128,173</u>	<u>155,455</u>
	<u>1,286,520</u>	<u>1,329,997</u>
Endowment Funds	<u>54,954</u>	<u>54,954</u>
	<u>\$ 5,145,887</u>	<u>\$ 6,090,675</u>

11. RELIEF AND DEVELOPMENT

Included in the Projects Fund is relief and development amounts consisting of the following:

	<u>Balance</u>			<u>Balance</u>
	<u>Dec 31, 2013</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Dec 31, 2014</u>
EMCC Relief and Development	\$ 797,042	\$ 330,845	\$ 348,084	\$ 779,803

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

11. RELIEF AND DEVELOPMENT (*Continued*)

The EMCC Relief and Development fund was established to provide relief aid as a short-term response to a crisis or emergency, and to provide development aid for long-term sustainable processes of empowering people to support themselves. The Relief and Development projects are intended to target the countries in the world where EMCC already has missionaries or local partners established. Projects of the Relief and Development fund may be undertaken by EMCC itself, or in conjunction with other agencies such as the Canadian Foodgrains Bank.

EMCC is a member of the Canadian Foodgrains Bank (CFGB). Through this agency, EMCC is able to develop relief and aid projects consistent with the mandate of the CFGB. Individuals and organizations often donate cash or grain directly to CFGB and designate the donation to EMCC's account. As a result of these contributions, which are not otherwise included in EMCC's financial statements, EMCC has access to cash and grain resources valued at approximately \$261,288 at December 31, 2014. These assets are restricted for use in projects consistent with the objectives and mandate of CFGB and are not available to EMCC for other purposes.

The following is an unaudited summary of the activity within EMCC's CFGB account for the year ended December 31, 2014 with comparative figures for the year 2013, as reported by CFGB:

	<u>2014</u>	<u>2013</u>
Revenue from all sources including CIDA	\$ 452,009	\$ 656,954
Program expenses	<u>(470,289)</u>	<u>(836,959)</u>
Excess expenses over revenue	(18,280)	(180,005)
Net transfers	191,717	(256,201)
Total equity, beginning of year	<u>87,851</u>	<u>524,057</u>
Total equity, end of year	<u>\$ 261,288</u>	<u>\$ 87,851</u>

12. BENEFITS PLANS

EMCC provides health benefit plans and defined-contribution pension plans to its employees and employees of its participating constituent churches.

(a) Health Benefits Plans

These plans provide coverage for health, dental, life insurance and long-term disability. Health and dental benefits for participants are through a self-funded private health services plan which is administered by a third party administrator. At December 31, 2014 the organization has set aside \$1,024,464 to ensure sufficient reserves are available to provide for health and dental benefits covered by the plan.

(b) Pension Plans

These pension plans are defined-contribution plans under which EMCC churches are required to contribute 6% of the participant's salary to either a registered pension plan or a group RRSP. Participants are eligible to make voluntary contributions in addition to those paid by EMCC churches.

Employees of EMCC participate in the Pension Plan. The total pension expense for the year amounts to \$87,600 (2013 - \$83,760) contributed to the pension plan in respect of employees of EMCC and is included in total staff cost of \$1,853,600 (2013 - \$1,741,235).

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

13. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loans receivable, mortgage receivable, accounts payable and accrued liabilities and loans payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant currency risk arising from these financial instruments.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The organization is exposed to interest rate risk primarily through its investments, loans receivable, and loans payable as outlined in Notes 4, 5, and 8, respectively.

Credit risk is the risk that a borrower may fail to repay an amount receivable. Credit risk is encompassed by accounts receivable, investments, loans receivable and the mortgage receivable. The organization monitors its credit risk with respect to amounts receivable on an on-going basis and an allowance for doubtful accounts is established if repayment is unlikely. As at December 31, 2014, the organization has recorded an allowance of \$125,000 for the potentially uncollectable portion of the share capital described in Note 4 (2013 - \$125,000). There have been no other allowances recorded for potentially uncollectable amounts during the year.

Liquidity risk is the risk that the organization will encounter difficulty in meeting a demand for cash, redeeming certain investments or funding its obligations as they come due. The organization meets its liquidity requirements by monitoring the cash flow from operations, investment performance and the anticipated cash flows from investing and financing activities. The organization is exposed to liquidity risk through its financial instruments, particularly those with stated maturities beyond 90 days.

The extent of the organization's exposure to the above risks did not change significantly during fiscal 2014.

14. CHINOOK VILLAGE HOUSING SOCIETY OF ALBERTA

The following is a summary of Chinook Village Housing Society of Alberta ("Chinook Village"), a controlled entity, at its most recent reporting date, which is not included in these financial statements:

	<u>December 31, 2013</u> (unaudited)
Assets	\$ 19,734,516
Liabilities	32,998,001
Fund balances	(13,263,485)

	<u>Year ended December 31, 2013</u> (unaudited)
Revenues	\$ 5,473,324
Expenses	5,610,121
Cash flows - operating	(508,487)
- financing	(94,504)
- investing	358,535

EVANGELICAL MISSIONARY CHURCH OF CANADA

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Year ended December 31, 2014

14. CHINOOK VILLAGE HOUSING SOCIETY OF ALBERTA (*Continued*)

Chinook Village is an incorporated Society and operates in Medicine Hat, Alberta. The Society follows the restricted fund method of accounting for contributions. Their purpose is:

- a) to construct, acquire, hold, sell, manage, provide and maintain clean and secure housing for senior adults who choose to live according to a Christian lifestyle as outlined in the Bible;
- b) to buy, sell, lease, hold and build, develop or improve any lands and buildings necessary for carrying out of the said objectives and to operate such subsidiary business operations as it sees fit in order to support its primary mission of providing housing and care for senior adults;
- c) to give or transfer funds to the Evangelical Missionary Church of Canada once the Society's financial goals have been achieved.

15. EMMANUEL BIBLE COLLEGE

The following is a summary of the Emmanuel Bible College, a controlled entity, at its most recent reporting date, which is not included in these financial statements:

	<u>April 30, 2014</u>
Assets	\$ 4,634,435
Liabilities	2,055,297
Fund balances	2,579,138

	<u>Year ended April 30, 2014</u>
Revenues	\$ 2,441,778
Expenses	2,367,803
Cash flows - operating	173,320
- financing	(138,487)
- investing	(68,155)

The College provides Bible-based post-secondary education equipping men and women to think, live and serve as mature Christians in the church and in the world. The College is incorporated under the authority of Bill Pr 38 and is a charitable organization for income tax purposes. The College operates in Kitchener, Ontario.

Included in the fund balances is \$308,121 of endowment funds. Investment income on the endowment funds are restricted specifically for scholarships, bursaries and student aid.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

16. CONTROLLED CONGREGATIONS

The following is a summary of the four church organizations with a Steering Committee in place at December 31, 2014, at their most recent reporting date, which is not included in these financial statements:

	<u>December 31, 2014</u> (unaudited)
Assets	\$ 4,211,503
Liabilities	1,613,510
Fund balances	2,597,993

	<u>Year ended December 31, 2014</u> (unaudited)
Revenues	\$ 138,166
Expenses	186,707
Cash flows - operating	(33,110)
- financing	-
- investing	-

17. CONTINGENT LIABILITIES

The organization has provided the following guarantees:

Emmanuel Bible College limited guarantee in the amount of \$50,000 on the bank loan. The College's advances on the bank loan as at December 31, 2014 is in excess of \$50,000 guaranteed by the organization.

Triumph Chinese EMC limited guarantee of \$150,000 on the loan payable to Tsung Tsin Mission of Hong Kong Inc. The balance of the loan payable at December 31, 2014 is \$108,281 (2013 - \$109,200).

Rivers Edge Camp limited guarantee of \$220,000 on the credit facilities. The balance of the credit facilities at December 31, 2014 is \$145,466 (2013 - \$96,658).

Chinook Village guarantee for the outstanding promissory notes at December 31, 2014 of \$31,025,330 (2013 - \$31,093,456).

The organization is also liable for debt secured on the properties of constituent organizations for which the organization holds title to the property.

EVANGELICAL MISSIONARY CHURCH OF CANADA
Notes to Financial Statements
Year ended December 31, 2014

18. INSURANCE COVERAGE

The organization maintains the following types and levels of liability insurance coverage:

Directors and Officers	\$2,000,000
Commercial Umbrella	\$10,000,000
Commercial Property	\$5,000,000
Automotive	\$5,000,000

19. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.