

APPENDIX 2b

Evangelical Missionary Church of Canada
Financial Statements
Year ended December 31, 2016

EVANGELICAL MISSIONARY CHURCH OF CANADA
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Year ended December 31, 2016

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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, 2016, 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, 2016.

As described in Note 2, the organization has the ability to exercise control over the operations of Chinook Village Housing Society, Chinook Village Care Society, and church organizations governed by a board appointed by EMCC as of December 31, 2016. We are unable to obtain sufficient appropriate audit evidence about the amounts reported in Notes 13, 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, 2016 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 PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Waterloo, Ontario
March 24, 2017

Evangelical Missionary Church of Canada
Statement of Financial Position
Year ended December 31, 2016

	2016				2015			
	General Fund	Missions Fund	Projects Fund	Total	General Fund	Missions Fund	Projects Fund	Total
ASSETS								
CURRENT								
Cash and cash equivalents (Note 3)	\$ 1,283,037	\$ -	\$ 164,730	\$ 1,447,767	\$ 1,885,406	\$ -	\$ 170,374	\$ 2,055,780
Investments (Note 4)	4,270,695	863,580	3,887,050	9,021,325	3,578,065	874,764	3,989,197	8,442,026
Accounts receivable	5,359	6,093	30,944	42,396	261	4,000	58,990	63,251
Loans receivable (Note 5)	1,267,420	-	-	1,267,420	1,531,547	-	-	1,531,547
Prepaid expenses	6,772	8,575	1,041	16,388	3,201	11,864	-	15,065
	<u>6,833,283</u>	<u>878,248</u>	<u>4,083,765</u>	<u>11,795,296</u>	<u>6,998,480</u>	<u>890,628</u>	<u>4,218,561</u>	<u>12,107,669</u>
CAPITAL (Note 6)	-	-	3,009,185	3,009,185	-	-	3,128,371	3,128,371
	<u>\$ 6,833,283</u>	<u>\$ 878,248</u>	<u>\$ 7,092,950</u>	<u>\$ 14,804,481</u>	<u>\$ 6,998,480</u>	<u>\$ 890,628</u>	<u>\$ 7,346,932</u>	<u>\$ 15,236,040</u>
LIABILITIES AND FUND BALANCES								
CURRENT								
Accounts payable and accrued liabilities	\$ 89,260	\$ -	\$ -	\$ 89,260	\$ 187,959	\$ -	\$ -	\$ 187,959
Due to related parties (Note 16)	77,715	-	-	77,715	-	-	-	-
Loans payable (Note 7)	5,094,237	-	-	5,094,237	5,494,021	-	-	5,494,021
	<u>5,261,212</u>	<u>-</u>	<u>-</u>	<u>5,261,212</u>	<u>5,681,980</u>	<u>-</u>	<u>-</u>	<u>5,681,980</u>
FUND BALANCES (Note 8)								
Unrestricted	106,404	-	-	106,404	30,144	-	-	30,144
Internally restricted	1,465,667	392,196	5,733,638	7,591,501	1,286,356	391,546	5,930,903	7,608,805
Externally restricted	-	486,052	1,304,358	1,790,410	-	499,082	1,361,075	1,860,157
Endowment	-	-	54,954	54,954	-	-	54,954	54,954
	<u>1,572,071</u>	<u>878,248</u>	<u>7,092,950</u>	<u>9,543,269</u>	<u>1,316,500</u>	<u>890,628</u>	<u>7,346,932</u>	<u>9,554,060</u>
	<u>\$ 6,833,283</u>	<u>\$ 878,248</u>	<u>\$ 7,092,950</u>	<u>\$ 14,804,481</u>	<u>\$ 6,998,480</u>	<u>\$ 890,628</u>	<u>\$ 7,346,932</u>	<u>\$ 15,236,040</u>
CONTINGENT LIABILITIES (Notes 13, 17)								

Board Secretary

Chair

The accompanying notes form an integral part of these financial statements

EVANGELICAL MISSIONARY CHURCH OF CANADA

Statement of Changes in Fund Balances

Year ended December 31, 2016

	2016				2015			
	General Fund	Missions Fund	Projects Fund	Total	General Fund	Missions Fund	Projects Fund	Total
FUND BALANCES, BEGINNING OF YEAR	\$ 1,316,500	\$ 890,628	\$ 7,346,932	\$ 9,554,060	\$ 1,288,266	\$ 847,872	\$ 5,346,431	\$ 7,482,569
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	228,438	(13,022)	(226,207)	(10,791)	(11,078)	41,003	2,041,566	5,691,809
Interfund transfers (Note 9)	<u>27,133</u>	<u>642</u>	<u>(27,775)</u>	<u>-</u>	<u>39,312</u>	<u>1,753</u>	<u>(41,065)</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,572,071</u>	<u>\$ 878,248</u>	<u>\$ 7,092,950</u>	<u>\$ 9,543,269</u>	<u>\$ 1,316,500</u>	<u>\$ 890,628</u>	<u>\$ 7,346,932</u>	<u>\$ 9,554,060</u>

The accompanying notes form an integral part of these financial statements

EVANGELICAL MISSIONARY CHURCH OF CANADA

Statement of Operations

Year ended December 31, 2016

	2016				2015			
	General Fund	Missions Fund	Projects Fund	Total	General Fund	Missions Fund	Projects Fund	Total
REVENUES								
Contributions	\$ 954,133	\$ 1,173,579	\$ 636,877	\$ 2,764,589	\$ 887,748	\$ 1,178,265	\$ 915,815	\$ 2,981,828
Investment income	321,854	7,605	63,511	392,970	188,059	7,792	55,066	250,917
Programs	39,790	-	257,772	297,562	59,984	-	259,304	319,288
Other income (Note 19)	34,846	2,300	53,778	90,924	26,911	2,622	2,039,603	2,069,136
Health and pension benefits collected (Note 11)	<u>2,160,042</u>	<u>-</u>	<u>-</u>	<u>2,160,042</u>	<u>2,142,131</u>	<u>-</u>	<u>-</u>	<u>2,142,131</u>
	<u>3,510,665</u>	<u>1,183,484</u>	<u>1,011,938</u>	<u>5,706,087</u>	<u>3,304,833</u>	<u>1,188,679</u>	<u>3,269,788</u>	<u>7,763,300</u>
EXPENSES								
Staff costs - office	826,926	171,758	177,758	1,176,442	789,526	171,625	148,713	1,109,864
Staff costs - World Partners	-	708,662	-	708,662	-	693,938	-	693,938
Field ministry	-	185,352	-	185,352	-	186,177	-	186,177
Ministry projects	-	1,339	688,262	689,601	-	-	794,647	794,647
Home ministry assignment	-	52,203	-	52,203	-	15,968	-	15,968
Church ministry	199,739	24,317	259,287	483,343	234,048	25,168	152,943	412,159
Administration (Note 2)	101,808	42,321	53,430	197,559	88,852	43,322	62,283	194,457
Interest	90,619	-	-	90,619	121,946	-	-	121,946
Professional fees	17,140	10,554	9,972	37,666	25,250	11,478	16,711	53,439
Amortization	-	-	49,436	49,436	-	-	52,925	52,925
Health and pension benefits paid (Note 11)	<u>2,045,995</u>	<u>-</u>	<u>-</u>	<u>2,045,995</u>	<u>2,056,289</u>	<u>-</u>	<u>-</u>	<u>2,056,289</u>
	<u>3,282,227</u>	<u>1,196,506</u>	<u>1,238,145</u>	<u>5,716,878</u>	<u>3,315,911</u>	<u>1,147,676</u>	<u>1,228,222</u>	<u>5,691,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 228,438</u>	<u>\$ (13,022)</u>	<u>\$ (226,207)</u>	<u>\$ (10,791)</u>	<u>\$ (11,078)</u>	<u>\$ 41,003</u>	<u>\$ 2,041,566</u>	<u>\$ 2,071,491</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, 2016

	2016	2015
OPERATING ACTIVITIES		
Contributions	\$ 2,891,982	\$ 3,083,303
Interest	279,577	250,917
Programs	297,562	319,288
Other income	40,945	210,136
Employee pension premiums received	<u>1,090,641</u>	<u>1,103,368</u>
	<u>4,600,707</u>	<u>4,967,012</u>
Missionary and staff costs	1,885,104	1,803,802
Field ministry and related expense	1,489,666	1,429,944
Administration	157,500	247,896
Interest	90,619	121,946
Employee pension premiums paid	<u>1,103,987</u>	<u>1,119,001</u>
	<u>4,726,876</u>	<u>4,722,589</u>
Cash flow from operations	<u>(126,169)</u>	<u>244,423</u>
INVESTING ACTIVITIES		
Sale (purchase) of investments	(465,906)	(935,991)
Purchase of capital assets	(12,314)	(10,412)
Proceeds from the sale of capital assets	132,033	1,243
Repayment (advance) of loans receivable, net	<u>264,127</u>	<u>642,675</u>
Cash flow from investing	<u>(82,060)</u>	<u>(302,485)</u>
FINANCING ACTIVITY		
Advance (repayment) of loans payable, net	<u>(399,784)</u>	<u>(386,240)</u>
DECREASE IN CASH AND EQUIVALENTS		
	(608,013)	(444,302)
CASH AND EQUIVALENTS, BEGINNING OF YEAR		
	<u>2,055,780</u>	<u>2,500,082</u>
CASH AND EQUIVALENTS, END OF YEAR		
	<u>\$ 1,447,767</u>	<u>\$ 2,055,780</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, 2016

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 directors of Chinook Village Housing Society, Chinook Village Care Society, and Emmanuel Bible College. As a result, the organization has the potential to exercise control over the operations of these entities. Chinook Village Housing Society, Chinook Village Care Society, and Emmanuel Bible College have not been consolidated in the financial statements. A financial summary has been included in Notes 13, 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 three congregations governed by a Steering Committee at December 31, 2016 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, 2016

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. The internally restricted funds include the Loans and Investment Fund, as well as the Benefit Reserve 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, 2016

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>2016</u>	<u>2015</u>
General	77%	75%
Missions	14%	16%
Projects	9%	9%

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 fair value of the redemption note;
- 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, 2016

3. CASH AND CASH EQUIVALENTS

At December 31, 2016, the organization had cash deposited in two financial institutions of approximately \$1,403,349 (2015 - \$1,651,931) 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, 2016.

4. INVESTMENTS

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Abundance Canada (formally the Mennonite Foundation of Canada)	\$ 6,855,838	\$ 7,217,920
Mutual funds	38,009	38,009
Redemption note	347,500	362,500
Shares in equities	<u>1,779,978</u>	<u>823,597</u>
	<u>\$ 9,021,325</u>	<u>\$ 8,442,026</u>

The investment in Abundance Canada consists of deposits bearing interest at 2.2% (2015 - 2.5%).

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 6.9% (2015 - 8.1%).

The redemption note is zero-interest bearing, and recorded at the redeemable amount.

The shares in equities consist of publicly listed common and preferred shares. The book value of the shares as at December 31, 2016 is \$1,710,599 (2015 - \$873,499).

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2016

5. LOANS RECEIVABLE

All loans receivable from EMCC member churches and ministries are due on demand and bear interest at 3.5% - 4.5% with regular payments made monthly. The loans are amortized over periods up to 25 years and are secured by real property. At December 31, 2016, the allowance for doubtful loans is nil (2015 - nil). No new loans have been issued during the fiscal year. All new loan applications are administered and funded by Abundance Canada (formally Mennonite Foundation of Canada).

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016</u>	<u>2015</u>
Land	\$ 2,337,480	\$ -	\$ 2,337,480	\$ 2,419,544
Buildings	896,123	242,681	653,442	689,286
Furniture, equipment and computer equipment	253,157	237,575	15,582	15,965
Vehicles	<u>12,269</u>	<u>9,588</u>	<u>2,681</u>	<u>3,576</u>
	<u>\$ 3,499,029</u>	<u>\$ 489,844</u>	<u>\$ 3,009,185</u>	<u>\$ 3,128,371</u>

7. 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 1.40% to 1.90% and are due 90 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.

8. FUND BALANCES

	<u>2016</u>	<u>2015</u>
The General Fund consists of the following:		
<u>Unrestricted</u>		
General	106,404	30,144
<u>Internally restricted</u>		
General Reserve	\$ 276,637	\$ 276,637
Loans and Investments	63,650	(49,478)
Benefit Reserve (Note 11)	<u>1,125,380</u>	<u>1,059,197</u>
	<u>\$ 1,465,667</u>	<u>\$ 1,286,356</u>
	<u>1,572,071</u>	<u>1,316,500</u>
The Missions Fund consists of the following:		
<u>Internally restricted</u>		
EMCC World Partners Reserve	\$ 392,196	\$ 391,546
<u>Externally restricted</u>		
EMCC World Partners	<u>486,052</u>	<u>499,082</u>
	<u>\$ 878,248</u>	<u>\$ 890,628</u>

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2016

8. FUND BALANCES (*Continued*)

The Projects Fund consists of the following:

<u>Internally restricted</u>			
EMCC National Ministries	\$ 111,489		\$ 101,397
Local Church Ministry	909,346		905,119
Missions Ministry	102,860		117,030
Forward Initiatives	616,342		619,746
Capital Assets	1,146,414		1,193,961
Building Development Fund	<u>2,847,187</u>		<u>2,993,650</u>
	<u>5,733,638</u>		<u>5,930,903</u>
<u>Externally restricted</u>			
Relief and Development (Note 10)	755,290		825,246
International Projects	411,495		386,292
Volunteer Teams	<u>137,573</u>		<u>149,537</u>
	<u>1,304,358</u>		<u>1,361,075</u>
 Endowment Funds	 54,954		 54,954
	<u>\$ 7,092,950</u>		<u>\$ 7,346,932</u>

9. INTERFUND TRANSFERS

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

10. 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, 2015</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Dec 31, 2016</u>
EMCC Relief and Development	\$ 825,246	\$ 252,658	\$ 322,614	\$ 755,290

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 \$205,616 at December 31, 2016. 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.

EVANGELICAL MISSIONARY CHURCH OF CANADA
Notes to Financial Statements
Year ended December 31, 2016

10. RELIEF AND DEVELOPMENT *(Continued)*

The following is an unaudited summary of the activity within EMCC's CFGB account for the year ended December 31, 2016 with comparative figures for the year 2015, as reported by CFGB:

	<u>2016</u>	<u>2015</u>
Revenue from all sources including CIDA	\$ 115,872	\$ 305,701
Program expenses	<u>(285,286)</u>	<u>(276,002)</u>
Excess expenses over revenue	(169,414)	29,699
Net transfers	9,696	74,347
Total equity, beginning of year	<u>365,334</u>	<u>261,288</u>
Total equity, end of year	<u>\$ 205,616</u>	<u>\$ 365,334</u>

11. 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, 2016 the organization has set aside \$1,125,380 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 participating EMCC churches contribute 6% of the participant's salary to either a registered pension plan or a group RRSP. Participating employees 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 \$89,090 (2015 - \$90,878) contributed to the pension plan in respect of employees of EMCC and is included in total staff cost of \$1,885,104 (2015 - 1,803,802).

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2016

12. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loans 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 market 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 7, respectively.

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.

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk in accounts receivable, investments and loans 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. There have been no allowances recorded for potentially uncollectable amounts during the year.

As of December 31, 2016 there is some uncertainty regarding the collectibility of the redemption note, as described in Note 4. Due to the lack of liquidity from the holder of the note, management is uncertain whether the full face value of the redemption note will be returned to the organization. At this time management is monitoring the situation and will make a provision for any uncollectable amounts when the amount can be reasonably estimated.

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash and accounts receivable held in U.S. dollars. As at December 31, 2016 the cash and accounts receivable denominated in U.S. dollars were \$30,717, and \$4,606 respectively.

Except for the change in credit risk as noted above, the extent of the organization's exposure to the above risks did not change significantly during the year.

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Year ended December 31, 2016

13. CHINOOK VILLAGE HOUSING SOCIETY

Chinook Village Housing Society (the "Housing Society"), an entity controlled by the organization, is incorporated under the Societies Act of Alberta, and is a not-for-profit organization exempt from income tax under Section 149 of the Income Tax Act. The Housing Society follows the restricted fund method of accounting for contributions.

The purpose of this corporation is to:

- 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;

The following is a summary of this entity at its most recent reporting date, which is not included in these financial statements:

	<u>December 31, 2015</u> (unaudited)
Assets	\$ 17,917,794
Liabilities	31,535,498
Fund balances	(13,617,704)

	<u>Year ended December 31, 2015</u> (unaudited)
Revenues	\$ 1,402,191
Expenses	1,521,827
Cash flows - operating	362,098
- financing	(795,141)
- investing	(137,532)

Included in liabilities is promissory notes totaling \$29,510,928 (2015 - \$30,636,880) of which a portion are guaranteed by EMCC. The practice of EMCC providing these guarantees ended in March 2012.

EVANGELICAL MISSIONARY CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2016

14. CHINOOK VILLAGE CARE SOCIETY

Chinook Village Care Society (the "Care Society") is an entity controlled by the organization is incorporated under the Societies Act of Alberta, and is a registered charity exempt from income tax under Section 149(1) of the Income Tax Act. The Housing Society follows the restricted fund method of accounting for contributions.

The purpose of this corporation is to:

- a) to provide and operate non-profit residential accomodation and incidental facilities exclusively for persons suffering from the infirmities of old age, in accordance with tenets and doctrines of the Christian faith;
- b) to provide care and support services for persons suffering from the infirmities of old age, including personal care, housekeeping, meals, nursing, shopping assistance, medical assistance and monitoring services;
- c) to relieve loneliness and isolation of persons suffering from the infirmities of old age, by providing recreation and other programs that promote healthy lifestyles in accordance with the tenets and doctrines of the Christian Faith.

The following is a summary of this entity at its most recent reporting date, which is not included in these financial statements:

	<u>December 31, 2015</u> (unaudited)
Assets	\$ 587,358
Liabilities	506,883
Fund balances	80,475

	<u>Year ended December 31, 2015</u> (unaudited)
Revenues	\$ 4,363,486
Expenses	4,344,342
Cash flows - operating	171,472
- financing	(16,143)
- investing	-

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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, 2016</u>
Assets	\$ 4,683,827
Liabilities	2,057,576
Fund balances	2,626,251
 <u>Year ended April 30, 2016</u>	
Revenues	\$ 2,302,044
Expenses	2,257,329
Cash flows - operating	337,089
- financing	(102,466)
- investing	(23,164)

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 \$236,172 of endowment funds. Investment income on the endowment funds are restricted specifically for scholarships, bursaries and student aid.

16. CONTROLLED CONGREGATIONS

The following is a summary of the three church organizations with a Steering Committee in place at December 31, 2016, at their most recent reporting date, which is not included in these financial statements:

	<u>December 31, 2016</u> (unaudited)
Assets	\$ 782,001
Liabilities	-
Fund balances	(782,001)
 <u>Year ended December 31, 2016</u> (unaudited)	
Revenues	\$ 77,991
Expenses	81,546
Cash flows - operating	(3,556)
- financing	-
- investing	-

Included in due to related parties is \$77,715 which represents cash and other assets held by the organization on behalf of the churches which are controlled by Steering Committees. These balances were recorded at the exchange value of the assets, are due on demand, and bear no interest.

EVANGELICAL MISSIONARY CHURCH OF CANADA

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17. CONTINGENT LIABILITIES

The organization has provided the following guarantees:

Evergreen Christian Ministry limited guarantee of \$175,000 on the loan payable to Abundance Canada (formally Mennonite Foundation of Canada). The balance of the loan payable at December 31, 2016 is \$143,832 (2015 - \$146,976).

Rivers Edge Camp limited guarantee of \$500,000 on the mortgage payable to Abundance Canada (formally Mennonite Foundation of Canada). The balance of the mortgage payable at December 31, 2016 is \$491,239 (2015 - nil).

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

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. CONSTITUENT CONGREGATION CLOSURES

During fiscal 2015 two constituent congregations under administration by a steering committee, as described in Note 2, surrendered their charitable status'. At that time all assets were recorded as a contribution to EMCC at their fair market value. The property received had a fair market value of \$2,039,603 and was recorded as other income of the Building Development Fund.