Metropolitan Bible Church Property Corporation

Financial Statements
December 31, 2018

Independent auditor's report

To the Congregation of Metropolitan Bible Church Property Corporation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Metropolitan Bible Church Property Corporation (the Property Corporation) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited
The Property Corporation's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Property Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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In preparing the financial statements, management is responsible for assessing the Property Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Property Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Property Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Property Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
May 6, 2019

Metropolitan Bible Church Property Corporation

Statement of Financial Position

As at December 31, 2018

	General Fund $	Building Fund $	2018 Total $	2017 Total $
Assets				
Current assets				
Cash	-	29,418	29,418	26,623
Accounts receivable	-	533	533	7,877
	-	29,951	29,951	34,500
Capital assets (note 3)	15,255,226	-	15,255,226	15,798,956
	15,255,226	29,951	15,285,177	15,833,456
Liabilities				
Current liabilities				
Current portion of notes payable (note 5)	-	29,000	29,000	12,000
Current portion mortgage payable (note 6)	-	65,000	65,000	65,000
	-	94,000	94,000	77,000
Notes payable (note 5)	-	157,000	157,000	36,000
Mortgage payable (note 6)	-	123,750	123,750	468,750
	-	374,750	374,750	581,750
Fund Balances				
General Fund	15,255,226	-	15,255,226	15,798,956
Building Fund	-	(344,799)	(344,799)	(547,250)
	15,255,226	(344,799)	14,910,427	15,251,706
	15,255,226	29,951	15,285,177	15,833,456

Approved by the Board of Directors

Samuel J. Hill Director E. Lf Director

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

Metropolitan Bible Church Property Corporation

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2018

	2018			2017
	General Fund $	Building Fund $	Total $	Total $
Revenue				
Donations (note 4)	-	104,867	104,867	163,720
Interest	-	7	7	878
Rental (note 4)	120,000	-	120,000	120,000
	120,000	104,874	224,874	284,598
Expense				
Administration and professional fees	6,380	-	6,380	18,467
Interest on long-term debt	16,043	-	16,043	16,226
Amortization of capital assets	543,730	-	543,730	484,222
	566,153	-	566,153	518,915
Net revenue (expense) for the year	(446,153)	104,874	(341,279)	(234,317)
Fund balances – Beginning of year	15,798,956	(547,250)	15,251,706	15,486,023
Transfers from (to)	(97,577)	97,577	-	-
Fund balances – End of year	15,255,226	(344,799)	14,910,427	15,251,706

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

Metropolitan Bible Church Property Corporation

Statement of Cash Flows

For the year ended December 31, 2018

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Net expense for the year	(341,279)	(234,317)
Item not affecting cash		
Amortization of capital assets	543,730	484,222
Net change in non-cash working capital items	7,344	137,088
	209,795	386,993
Investing activities		
Proceeds on disposal of investments	-	460,718
Purchase of capital assets	-	(1,840,910)
	-	(1,380,192)
Financing activities		
Repayments of notes payable	(12,000)	(12,000)
Proceeds from notes payable	150,000	-
Proceeds from mortgage payable	-	650,000
Repayment of mortgage payable	(345,000)	(116,250)
	(207,000)	521,750
Change in cash during the year	2,795	(471,449)
Cash – Beginning of year	26,623	498,072
Cash – End of year	29,418	26,623
Supplementary non-cash information		
Purchase of capital assets	-	691,499
Change in accounts payable and accrued liabilities related to capital assets	-	(691,499)

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

1 Governing statutes and purpose of the organization

The purpose of the Metropolitan Bible Church Property Corporation (the Property Corporation) is to establish places for worship and the preaching of the Gospel, to conduct religious training classes, to establish missions, to acquire the necessary property for the erection of churches, missions and buildings incidental thereto and to promote the principles of Christian fellowship and communion. The Property Corporation does not operate as a church.

The Property Corporation is incorporated without share capital under the Ontario Corporations Act and is a charitable organization within the meaning of the Income Tax Act.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Revenue recognition

The Property Corporation follows the restricted fund method of accounting for contributions.

Externally restricted contributions for capital projects, including a new building, are reported as revenue of the Building Fund.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

The General Fund accounts for the Property Corporation's administration and operations.

The Building Fund accounts for externally restricted donations for capital projects, including a building expansion, as well as transfers received from the Ministry.

Capital assets

Capital assets acquired are initially recorded at cost and are then amortized, on a straight-line basis, over their anticipated useful lives as follows:

Building	40 years
Paving	12 years
Furniture and equipment	20 years
Audiovisual and lighting	5 years

Use of estimates

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from those estimates.

3 Capital assets

			2018	2017
	Cost $	Accumulated amortization $	Net $	Net $
Land	1,621,791	-	1,621,791	1,621,791
Building	16,556,167	3,428,892	13,127,275	13,541,180
Paving	1,013,202	814,797	198,405	282,838
Furniture and equipment	364,966	136,595	228,371	251,067
Audiovisual and lighting	374,870	295,486	79,384	102,080
	19,930,996	4,675,770	15,255,226	15,798,956

Cost and accumulated amortization amounted to $19,930,996 and $4,132,040, respectively, as at December 31, 2017.

4 Related party balances and transactions

The Metropolitan Bible Church Ministry Corporation (the Ministry) is related to the Property Corporation, as the Treasurer and Secretary of the Board of Directors of the Property Corporation also serve on the board of the Ministry. Members of the Property Corporation are members of the Ministry. The members elect their own Boards of Directors. The Secretary and Treasurer of the Ministry are non-voting members of the Property Corporation.

All rental income is derived from the Ministry, and the Ministry is responsible for operating costs. The Ministry also donated $95,823 (2017 – $116,760) to the Building Fund. These transactions are recorded at the exchange amount, which is the amount established and agreed to by related parties involved.

Unless otherwise specified, amounts due from and to the Ministry are non-interest bearing and have no specified terms of repayment.

5 Notes payable

Notes payable issued by the Property Corporation to congregants to help finance the capital expansion are non-interest bearing and are repayable as follows:

	$
2019	29,000
2020	29,000
2021	128,000
	186,000

In 2018, a note payable was issued by the Property Corporation to the Ministry for $100,000 to help finance the capital expansion. The note is non-interest bearing and is repayable on December 31, 2021.

6 Mortgage payable

As at September 20, 2017, the Property Corporation secured a bank mortgage for $650,000, bearing interest at prime (currently 3.95%) plus 0.50% with a maturity date of September 2027 and monthly instalments of $5,417 consisting of blended principal and interest, for its building expansion. Early repayments of the mortgage have resulted in an early maturity date in 2021.

Principal repayments are as follows:

	$
2019	65,000
2020	65,000
2021	58,750
	188,750

The Property Corporation must comply with certain financial covenants in order to be in compliance with the mortgage with Scotiabank. As at December 31, 2018, the Property Corporation is in compliance with all required financial covenants.