

**FIRST BAPTIST CHURCH,
REGINA INC.**

FINANCIAL STATEMENTS
December 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of management and have been prepared in conformity with Canadian accounting standards for not-for-profit organizations. In the opinion of management, the financial statements fairly reflect the financial position, results of operations and cash flows of First Baptist Church, Regina Inc. (the Church) within reasonable limits of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Church. Management maintains a system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. In this regard, an annual statement of management responsibility is provided on the following page.

The financial statements have been examined and approved by the Board of Directors. An Audit Committee appointed by the Board of Directors meets periodically with the financial officers of the Church and the external auditor. The external auditor has free access to the Committee, without management present, to discuss the results of their audit work and their opinion on whether the financial statements present fairly, in all material respects, the financial position and results of operations of the Church.

RDS Chartered Professional Accountant Prof. Corp. has been appointed external auditor. Their responsibility is to report to the members of the Church regarding the fairness of the presentation of the Church's financial position and the results of its operations as shown in the financial statements. The Independent Auditor's Report outlines the scope of their examination and their opinion.

Kevin Rich
Finance & Audit Committee
March 11, 2019

Derrick Bellows
Finance & Audit Committee
March 11, 2019

INDEPENDENT AUDITORS' REPORT

To the Members of First Baptist Church Regina Inc.

Opinion

We have audited the financial statements of First Baptist Church Regina Inc. (the Church), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in net assets, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Church 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Church in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Church'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 Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Church'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 judgement and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT *(continued)*

- 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 Church'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 Church'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 Church 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.



March 11, 2019
Regina, Saskatchewan

Robert D. Szautner
Chartered Professional Accountant

FIRST BAPTIST CHURCH, REGINA INC.

STATEMENT OF FINANCIAL POSITION

December 31

2018

2017

ASSETS

CURRENT ASSETS

Operating account	\$ 105,132	\$ 69,656
GST receivable	2,165	2,127
Prepaid expenses	<u>4,439</u>	<u>5,266</u>
	111,736	77,049

OTHER CURRENT ASSETS

Bond retirement fund	2,843	46,837
Building fund	25,038	14,996
Double Up Legacy Fund	14,989	12,791
Designated fund – cash	48,285	111,103
Designated fund – GIC (Note 3)	<u>90,000</u>	<u>-</u>
	<u>181,155</u>	<u>185,727</u>

TOTAL CURRENT ASSETS

292,891 262,776

CAPITAL ASSETS

Property, plant and equipment (Note 2)	<u>3,351,303</u>	<u>3,354,943</u>
	<u>\$ 3,644,194</u>	<u>\$ 3,617,719</u>

APPROVED BY:

Director

Director

FIRST BAPTIST CHURCH, REGINA INC.

STATEMENT OF FINANCIAL POSITION

December 31

2018

2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Operating account - outstanding cheques	\$ 11,234	\$ 11,684
Accounts payable	12,329	11,883
CBWC Foundation loan (Note 4)	272,006	340,409
Current portion of bonds payable (Note 5)	-	15,000
	<u>295,569</u>	<u>378,976</u>

OTHER LIABILITIES

Building fund	20,791	17,152
Double Up Legacy Fund	14,989	12,791
Designated funds (Note 6)	<u>139,231</u>	<u>97,467</u>
	<u>175,011</u>	<u>127,410</u>

NET ASSETS

Unrestricted net assets	218,834	150,213
Capital fund net assets	<u>2,954,780</u>	<u>2,961,120</u>
	<u>3,173,614</u>	<u>3,111,333</u>
	<u>\$ 3,644,194</u>	<u>\$ 3,617,719</u>

FIRST BAPTIST CHURCH, REGINA INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the Year Ended December 31

	2018			2017		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
REVENUE						
Church operations	370,291	-	370,291	344,633	-	344,633
Chaplain services	7,488	-	7,488	7,488	-	7,488
Bond retirement fund	-	7,300	7,300	-	146,411	146,411
Building fund	-	7,211	7,211	-	-	-
Designated contributions	14,962	-	14,962	1,979	14,965	16,944
Rental	54,178	-	54,178	52,830	-	52,830
	446,919	14,511	461,430	406,930	161,376	568,306
EXPENSES						
Christian education	3,962	-	3,962	4,284	-	4,284
Worship	4,757	-	4,757	5,993	-	5,993
Congregational care	1,862	-	1,862	2,022	-	2,022
Missions	39,900	-	39,900	34,563	-	34,563
Building fund	-	9,737	9,737	-	-	-
Designated expenses	18,943	-	18,943	1,979	2,266	4,245
Personnel	190,921	-	190,921	194,901	-	194,901
Repairs and utilities	35,388	-	35,388	23,268	-	23,268
Administrative	66,539	-	66,539	52,699	-	52,699
Interest – bonds	-	-	-	14,746	-	14,746
Interest – bank fees	1,429	-	1,429	2,739	-	2,739
Interest – loan	14,597	-	14,597	1,609	-	1,609
Amortization	-	11,114	11,114	-	10,369	10,369
	378,298	20,851	399,149	338,803	12,635	351,438
Excess of revenues over expenses before write down	68,621	(6,340)	62,281	68,127	148,741	216,868
Write down of equity contribution (Note 8)	-	-	-	(54,700)	-	(54,700)
Excess of revenues over expenses after write down	68,621	(6,340)	62,281	13,427	148,741	162,168
Net assets, beginning	150,213	2,961,120	3,111,333	136,786	2,812,379	2,949,165
Net assets, ending	218,834	2,954,780	3,173,614	150,213	2,961,120	3,111,333

FIRST BAPTIST CHURCH, REGINA INC.

STATEMENT OF CASH FLOW

For the Year Ended December 31

2018

2017

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Total</u>
OPERATING ACTIVITIES				
Cash receipts	\$ 490,844	\$ 18,150	\$ 508,994	\$ 655,462
Cash paid	(362,428)	(9,737)	(372,165)	(319,056)
Interest paid	<u>(14,597)</u>	<u>-</u>	<u>(14,597)</u>	<u>(16,355)</u>
Cash flow from operating activities	<u>113,819</u>	<u>8,413</u>	<u>122,232</u>	<u>320,051</u>
INVESTING ACTIVITIES				
Acquisition of capital assets	<u>-</u>	<u>(7,475)</u>	<u>(7,475)</u>	<u>(12,699)</u>
FINANCING ACTIVITIES				
Acquisition of revolving loan	-	-	-	370,000
Repayment of revolving loan	-	(68,403)	(68,403)	(29,591)
(Redemption) of bonds	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(428,700)</u>
Cash flow from financing activities	<u>-</u>	<u>(83,403)</u>	<u>(83,403)</u>	<u>(88,291)</u>
INCREASE (DECREASE) IN CASH	<u>\$ 113,819</u>	<u>\$ (82,465)</u>	<u>31,354</u>	219,061
CASH AND SHORT TERM DEPOSITS, beginning of year			<u>243,699</u>	<u>24,638</u>
CASH AND SHORT TERM DEPOSITS, end of year			<u>\$ 275,053</u>	<u>\$ 243,699</u>

CASH AND SHORT TERM DEPOSITS includes the following:

	<u>2018</u>	<u>2017</u>
Operating account	\$ 105,132	\$ 69,656
Operating account - outstanding cheques	<u>(11,234)</u>	<u>(11,684)</u>
Net operating cash (bank indebtedness)	93,898	57,972
Bond retirement fund	2,843	46,837
Building fund	25,038	14,996
Double Up Legacy Fund	14,989	12,791
Designated funds	<u>138,285</u>	<u>111,103</u>
Total Cash	<u>\$ 275,053</u>	<u>\$ 243,699</u>

See Accompanying Notes

FIRST BAPTIST CHURCH, REGINA INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

GENERAL

First Baptist Church, Regina Inc. (Church) is incorporated under the laws of Saskatchewan. Its principal activity is to provide spiritual services and to provide a place of worship to the surrounding community.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Amortization

Property, plant and equipment are stated at the following values less accumulated amortization:

Church building	- estimated value as of 1992
Church land	- appraised value as of 1996
Youth centre	- cost plus estimated value of contributed labour and materials
Youth centre land	- estimated market value as of 1994
Furniture, equipment	- estimated value as of 1992 for assets acquired before 1990 and actual cost for those acquired after 1989

The original cost amounts have not been used for these assets, as this financial information is not reasonably determinable.

Property, plant and equipment are amortized using the straight line basis over assets' estimated useful lives based on the following:

Wood furniture	100 years
Organ and pianos	100 years
Computers - hardware	3 years
Computers - software	1 year
Furniture and equipment	10 years
Youth Centre	50 years

The Church building, hand bells, and painting have not been amortized as they are considered of historical value and a work of art respectively, and therefore do not need to be amortized according to Section 4431 of the CICA Handbook. Their values are as follows:

Church building	\$2,300,000
Baptistery painting	3,745
Hand bells	22,343

(c) Accrual Basis of Accounting

Revenues and expenses are recorded on the accrual basis, whereby they are reflected in the accounts in the period to which they pertain.

(d) Revenue Recognition

The Church follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

FIRST BAPTIST CHURCH, REGINA INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

(e) Measurement Uncertainty

The preparation of the financial statements in accordance with generally accepted accounting standards in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Estimates in these financial statements include, but are not limited to, the carrying value of assets. Should underlying assumptions change, the estimated net recoverable value could change by a material amount.

(f) Funds

Operating Fund - This fund consists of monies received for the general operations and maintenance of the Church.

Designated Funds - These funds consist of monies received upon which donors have designated the monies for use in the management of designated assets of the Church.

(g) Income Taxes

First Baptist Church is exempt from income tax as it is incorporated as a non-profit organization.

(h) Leases

Leases are classified as either capital or operating. A lease that transfers substantially all the benefits and risk incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease.

(i) Financial Instruments

The Church initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Church subsequently measures all its financial assets and financial liabilities at amortized cost.

Transaction costs are recognized in income in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees associated with the index pooled funds are expensed as incurred.

Financial assets measured at amortized cost include cash and amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

FIRST BAPTIST CHURCH, REGINA INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

(i) Financial Instruments (*continued*)

At the end of each reporting period, the Church assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. If there is an indication of impairment, the Church determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. If the Church identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the higher of the present value of the expected cash flows or the amount that could be realized from selling the financial asset.

Any impairment of the financial asset is charged to income in the period in which the impairment is determined. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the period the reversal occurs.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>N. B. V. 2018</u>	<u>N. B. V. 2017</u>
Church building	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 2,300,000
Church land	470,000	-	470,000	470,000
Youth centre	355,229	145,266	209,963	217,067
Youth centre land	71,690	-	71,690	71,690
Furniture and fixtures	<u>505,500</u>	<u>205,850</u>	<u>299,650</u>	<u>296,186</u>
	<u>\$ 3,702,419</u>	<u>\$ 351,116</u>	<u>\$ 3,351,303</u>	<u>\$ 3,354,943</u>

The church land and building was appraised at a value of \$6,226,500 in March of 2010 by an independent property appraiser.

3. DESIGNATED FUND – GIC

The Church has invested funds of \$90,000 in a guaranteed investment certificate bearing interest at 2.25% and maturing on May 29, 2020.

4. CBWC FOUNDATION LOAN

The Church has a term revolving loan with CBWC Foundation that bears interest at the rate of the 5.45%, is due on demand and is not to exceed \$350,000 (2017 - \$350,000). The loan is secured by a first mortgage on the building. As at December 31, 2018, the Church was indebted \$272,006 (2017 - \$340,409) on this revolving loan.

FIRST BAPTIST CHURCH, REGINA INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

5. BONDS PAYABLE

First Baptist Church issues mortgage-backed, floating interest bearing and non-interest bearing bonds as its primary source of raising capital. The interest rate on interest bearing bonds is 3.65%. Bonds are redeemable at the option of the holder on the last day of the month following the month when the notice is given and therefore are classified as a current liability.

Interest bearing bonds	\$ <u>2018</u> -	\$ <u>2017</u> 15,000
Non-interest bearing bonds	-	-
	<u>\$ -</u>	<u>\$ 15,000</u>

As of December 31, 2018, all bonds have been repaid to bond holders.

6. DESIGNATED FUNDS

Deferred contributions represent funds restricted for use in subsequent periods. Deferred contributions consists of the following:

	<u>2018</u>	<u>2017</u>
This balance includes the following funds:		
Organ fund	138,120	95,214
Benevolent fund	<u>1,111</u>	<u>2,253</u>
Total deferred contributions	<u>139,231</u>	<u>97,467</u>

7. DEFINED CONTRIBUTION PENSION PLAN

The Church contributes monthly to a defined contribution pension plan on behalf of certain employees. The employees remit 6.0% of their gross wage to the plan which is matched by the Church.

Included in personnel expense is the current service portion of the pension plan in the amount of \$7,634 (2017 - \$5,690).

8. EQUITY CONTRIBUTION

The equity contribution relates to the value of the land contributed by the Church to First Baptist Place Inc. through a donation from members with the expressed intent that the money be used for the purchase of land at the time First Baptist Place Inc. was built and incorporated.

A motion was passed by the Board of Directors of First Baptist Church, Regina Inc. to forgive any amounts potentially recoverable from First Baptist Place Inc. related to this equity contribution. As a result, the asset has been written down to zero as of December 31, 2017.

FIRST BAPTIST CHURCH, REGINA INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

9. OPERATING LEASE

The Church has entered into a lease agreement for office equipment which expires May 2022. The annual minimum payment for the balance of the lease is \$2,184.

The Church has entered into a lease agreement for office equipment which expires on February 28, 2021. The annual minimum payment for the balance of the lease is \$535.

The Church's total obligations under various operating leases for office equipment for the next five years are estimated as follows:

2019	\$	2,719
2020		2,719
2021		2,229
2022		910
2023		-

10. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

The Church's financial instruments consist of bank accounts, accounts receivable, accounts payable, bonds payable and revolving loan. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant interest rate, currency, liquidity or credit risk arising from these financial instruments.

Interest Rate Risk

The Church's financial instruments that are exposed to concentrations of interest rate risk consist primarily of them revolving loan which bears interest at floating rates.

Market Risk

Market risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in the market price whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Liquidity Risk

Liquidity risk is the risk that The Church will not be able to meet its financial obligations as they come due. The Church manages liquidity by maintaining adequate cash on hand to provide for the ongoing management and operations of The Church. In addition, The Church continuously monitors and reviews both actual and forecasted cash flows. The Church is exposed to this risk mainly in respect of its bonds payable and loan.

FIRST BAPTIST CHURCH, REGINA INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

11. FIRST BAPTIST PLACE INC. TRANSACTIONS

The relationship between the Church and First Baptist Place Inc. (FBP) is such that the board of directors of the Church are also members of FBP. In the event that FBP is wound up or dissolved the remaining assets, after payment of all debts and liabilities, shall be distributed to another recognized charitable or non-profit organization having similar objectives in Saskatchewan or Canada. By way of a resolution, FBP may designate the Church as the receiving organization.

During the year, \$7,488 (2017 - \$7,488) was received in chaplaincy revenue from FBP.

12. COMPARATIVE FIGURES

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