

## **FINANCIAL STATEMENTS**

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### **FOREST HILL UNITED CHURCH**

**December 31, 2018**

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Forest Hill United Church

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December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of **Forest Hill United Church:**

### **Qualified Opinion**

I have audited the accompanying financial statements of Forest Hill United Church, which comprise the balance sheet of all funds as at December 31, 2018 and the statements of revenue and expenses, fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Forest Hill United 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 generally accepted accounting standards for not-for-profit organizations.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, Forest Hill United Church derives revenue from givings, the completeness of which is not susceptible to my obtaining evidence I considered necessary for the purpose of the audit. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the accounts of Forest Hill United Church. Therefore, I was unable to determine whether any adjustments might have been found necessary with respect to revenue, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and fund balances as at January 1 and December 31 for both the 2018 and 2017 year-ends. My conclusion on the financial statements as at and for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the not-for-profit in accordance with the ethical requirements that are relevant to my audit of financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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## INDEPENDENT AUDITOR'S REPORT

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### **Responsibilities of Management's and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted 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 not-for-profit'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 not-for-profit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the not-for-profit's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

My 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.

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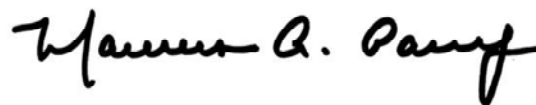
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## INDEPENDENT AUDITOR'S REPORT

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- 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 not-for-profit'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 not-for-profit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the not-for-profit 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.

I 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 I identify during my audit.



Toronto, Ontario  
March 21, 2019

CPA, CA, Professional Corporation  
Authorized to practice public accounting by  
The Chartered Professional Accountants of Ontario

Forest Hill United Church

**BALANCE SHEET OF ALL FUNDS**

December 31	<u>Operating Fund</u>		<u>Welsh Endowment</u>		<u>Restricted (page 5)</u>		<u>Total Funds</u>	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
<b>Current</b>								
Cash	20,572	12,925			9,768	11,208	30,340	24,133
Restricted cash	15,260	29,951					15,260	29,951
Accounts receivable	3,633	9,328					3,633	9,328
Investments {note 2}	306	306	13,728	15,736	150,862	165,368	164,896	181,410
Accrued interest					887	893	887	893
Prepaid expenses	3,702	3,196					3,702	3,196
	43,473	55,706	13,728	15,736	161,517	177,469	218,718	248,911
<b>Property and equipment</b>					1	1	1	1
	43,473	55,706	13,728	15,736	161,518	177,470	218,719	248,912
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Current</b>								
Accounts payable	18,338	6,409			8,900	26,276	27,238	32,685
Special purpose funds (page 12)	15,260	29,951					15,260	29,951
Toronto United Church Council loan [note 4]					5,000	5,000	5,000	5,000
Due to (from) other Funds	5,945	9,377			(5,945)	(9,377)		
	39,543	45,737			7,955	21,899	47,498	67,636
<b>Long-term</b>								
Toronto United Church Council loan [note 4]					13,333	18,333	13,333	18,333
	39,543	45,737			21,288	40,232	60,831	85,969
<b>Fund balances</b>								
Externally restricted			13,728	15,736	140,230	137,238	153,958	152,974
Unrestricted	3,930	9,969					3,930	9,969
	3,930	9,969	13,728	15,736	140,230	137,238	157,888	162,943
	43,473	55,706	13,728	15,736	161,518	177,470	218,719	248,912

see accompanying notes

Forest Hill United Church

**BALANCE SHEET OF OTHER RESTRICTED FUNDS**

	<u>Manse Fund</u>		<u>Capital Fund</u>		<u>Memorial Fund</u>		<u>Total Restricted</u>	
December 31	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
<b>Current</b>								
Cash			1,313	2,786	8,455	8,422	9,768	11,208
Investments [note 2]	114,104	123,483	36,758	41,885			150,862	165,368
Accrued interest	669	664	218	229			887	893
	114,773	124,147	38,289	44,900	8,455	8,422	161,517	177,469
<b>Property and equipment</b>			1	1			1	1
	114,773	124,147	38,290	44,901	8,455	8,422	161,518	177,470
<b>LIABILITIES</b>								
<b>Current</b>								
Accounts payable			8,900	26,276			8,900	26,276
Toronto United Church Council loan [note 4]			5,000	5,000			5,000	5,000
Due to (from) other funds	1,725	1,720	(9,923)	(15,188)	2,253	4,091	(5,945)	(9,377)
	1,725	1,720	3,977	16,088	2,253	4,091	7,955	21,899
<b>Long-term</b>								
Toronto United Church Council loan [note 4]			13,333	18,333			13,333	18,333
	1,725	1,720	17,310	34,421	2,253	4,091	21,288	40,232
<b>FUND BALANCES</b>								
Externally restricted	113,048	122,427	20,980	10,480	6,202	4,331	140,230	137,238
	114,773	124,147	38,290	44,901	8,455	8,422	161,518	177,470

see accompanying notes

Forest Hill United Church

**STATEMENT OF REVENUE AND EXPENSES OF ALL FUNDS**

	<u>Operating Fund</u>		<u>Welsh Endowment</u>		<u>Restricted (page 8)</u>		<u>Total Funds</u>	
December 31	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Local givings	62,357	63,294					62,357	63,294
Donations through other Charities	2,894	3,715					2,894	3,715
Loose collection	2,057	1,320					2,057	1,320
Sunday School Offerings	569	255					569	255
Congregational Life collections	4,021	3,228					4,021	3,228
Use of premises	168,633	152,138					168,633	152,138
Other income	7,641	12,454					7,641	12,454
Bequests		17,734						17,734
Donations - Welcoming Today								
Building Tomorrow					17,500	20,680	17,500	20,680
Donations					13,145	1,690	13,145	1,690
Investment income	524	481			4,597	4,318	5,121	4,799
<b>Total revenue</b>	<b>248,696</b>	<b>254,619</b>	<b>NIL</b>	<b>NIL</b>	<b>35,242</b>	<b>26,688</b>	<b>283,938</b>	<b>281,307</b>

*see accompanying notes*

Continued on next page



Forest Hill United Church

**STATEMENT OF REVENUE AND EXPENSES OF ALL FUNDS (continued)**

	<u>Operating Fund</u>		<u>Welsh Endowment</u>		<u>Restricted (page 8)</u>		<u>Total Funds</u>	
December 31	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>EXPENSES</b>								
Administration	80,207	59,121					80,207	59,121
Ministry	71,440	69,768					71,440	69,768
Property - General maintenance	31,354	24,025					31,354	24,025
Utilities	22,557	21,808					22,557	21,808
Insurance	7,726	7,726					7,726	7,726
Repairs	16,231	28,485					16,231	28,485
Other property expense	1,414	868					1,414	868
Worship and music	14,677	14,252					14,677	14,252
Christian education	8,426	8,249					8,426	8,249
Congregation Life expenses	3,945	2,791					3,945	2,791
East window replacement					8,187		8,187	
Accessibility projects					5,581	68,193	5,581	68,193
Furnace replacement						50,500		50,500
Memorial Fund expenses					482	4,615	482	4,615
<b>Total expenses</b>	<b>257,977</b>	<b>237,093</b>	<b>NIL</b>	<b>NIL</b>	<b>14,250</b>	<b>123,308</b>	<b>272,227</b>	<b>360,401</b>
Excess (deficiency) of revenue over expenses before change in fair value	(9,281)	17,526	NIL	NIL	20,992	(96,620)	11,711	(79,094)
Change in fair value of investments			(2,008)	205	(14,758)	1,506	(16,766)	1,711
<b>Excess (deficiency) of revenue over expenses</b>	<b>(9,281)</b>	<b>17,526</b>	<b>(2,008)</b>	<b>205</b>	<b>6,234</b>	<b>(95,114)</b>	<b>(5,055)</b>	<b>(77,383)</b>

see accompanying notes

Forest Hill United Church

**STATEMENT OF REVENUE AND EXPENSES OF OTHER RESTRICTED FUNDS**

	<u>Manse Fund</u>		<u>Capital Fund</u>		<u>Memorial Fund</u>		<u>Total Restricted</u>	
December 31	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Donations			10,800	820	2,345	870	13,145	1,690
Donations - Welcoming Today								
Buiding Tomorrow			17,500	20,680			17,500	20,680
Investment income	3,242	3,042	1,347	1,263	8	13	4,597	4,318
Total revenue	3,242	3,042	29,647	22,763	2,353	883	35,242	26,688
<b>EXPENSES</b>								
East window replacement			8,187				8,187	
Accessibility projects			5,581	68,193			5,581	68,193
Furnace replacement				50,500				50,500
Memorial Fund expenses					482	4,615	482	4,615
Total expenses	NIL	NIL	13,768	118,693	482	4,615	14,250	123,308
Excess of revenue over expenses								
before change in fair value of								
investments	3,242	3,042	15,879	(95,930)	1,871	(3,732)	20,992	(96,620)
Change in fair value of								
investments	(9,379)	959	(5,379)	547			(14,758)	1,506
Excess (deficiency) of revenue over								
expenses	(6,137)	4,001	10,500	(95,383)	1,871	(3,732)	6,234	(95,114)

see accompanying notes

Forest Hill United Church

**STATEMENT OF FUND BALANCES OF ALL FUNDS**

	<u>Operating Fund</u>		<u>Welsh Endowment</u>		<u>Restricted (page 10)</u>		<u>Total Funds</u>	
December 31	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance</b> , beginning of year	<b>9,969</b>	2,136	<b>15,736</b>	15,531	<b>137,238</b>	222,659	<b>162,943</b>	240,326
Excess (deficiency) of revenue over expenses	<b>(9,281)</b>	17,526	<b>(2,008)</b>	205	<b>6,234</b>	(95,114)	<b>(5,055)</b>	(77,383)
Transfers	<b>3,242</b>	(9,693)			<b>(3,242)</b>	9,693		
<b>Balance</b> , end of year	<b>3,930</b>	9,969	<b>13,728</b>	15,736	<b>140,230</b>	137,238	<b>157,888</b>	162,943

*see accompanying notes*

Forest Hill United Church

**STATEMENT OF FUND BALANCES OF OTHER RESTRICTED FUNDS**

	<u>Manse Fund</u>		<u>Capital Fund</u>		<u>Memorial Fund</u>		<u>Total Restricted</u>	
December 31	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance</b> , beginning of year	<b>122,427</b>	121,467	<b>10,480</b>	93,129	<b>4,331</b>	8,063	<b>137,238</b>	222,659
Excess (deficiency) of revenue over expenses	<b>(6,137)</b>	4,001	<b>10,500</b>	(95,383)	<b>1,871</b>	(3,732)	<b>6,234</b>	(95,114)
Transfers	<b>(3,242)</b>	(3,041)		12,734			<b>(3,242)</b>	9,693
<b>Balance</b> , end of year	<b>113,048</b>	122,427	<b>20,980</b>	10,480	<b>6,202</b>	4,331	<b>140,230</b>	137,238

*see accompanying notes*

Forest Hill United Church

**STATEMENT OF CASH FLOWS FOR ALL FUNDS**

Year ended December 31	2018 \$	2017 \$
<b>CASH FROM (APPLIED TO) OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses for the year	(5,055)	(77,383)
Items not requiring an outlay (receipt) of cash -		
Increase in fair value of investments	<u>16,766</u>	<u>(1,711)</u>
	11,711	(79,094)
Changes in non-cash working capital items		
Accounts receivable	5,695	(2,375)
Accrued interest	6	(65)
Prepaid expenses	(506)	
Accounts payable	(5,447)	28,300
Funds held for special purposes	<u>(14,691)</u>	<u>20,157</u>
	(3,232)	(33,077)
<b>FINANCING ACTIVITIES</b>		
Toronto United Church Council loan advanced, net of repayments	(5,000)	23,333
<b>INVESTING ACTIVITIES</b>		
Purchase of investments, net of sales	<u>(252)</u>	<u>(311)</u>
<b>Net change in cash</b> during the year	(8,484)	(10,055)
<b>Cash, beginning of year</b>	54,084	64,139
<b>Cash, end of year</b>	45,600	54,084
<b>CASH CONSISTS OF:</b>		
Cash	30,340	24,133
Restricted cash	15,260	29,951
	45,600	54,084

*see accompanying notes*

Forest Hill United Church

**SCHEDULE OF FUNDS HELD FOR SPECIAL PURPOSES**

Year ended December 31, 2018

	<b>Balance, beginning of year \$</b>	<b>Receipts \$</b>	<b>Disbursed \$</b>	<b>Transfers \$</b>	<b>Balance, end of year \$</b>
Refugee Sponsorship Fund	21,174	1,412	(14,493)		8,093
Relief Fund	260	164	(424)		NIL
Food Bank Fund	136	380	(516)		NIL
Benevolent Fund	809	880	(1,161)		528
White Gift Fund	NIL	207	(207)		NIL
Specific Projects Fund	1,005	210			1,215
Observer	NIL	250	(250)		NIL
Mission & Service	470	7,292	(7,762)		NIL
United Church Women	6,097	2,472	(3,145)		5,424
	29,951	13,267	(27,958)		15,260

*see accompanying notes*

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Forest Hill United Church

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2018

### **PURPOSE OF ORGANIZATION**

Forest Hill United Church (the Church) was founded on May 24, 1940. The Church was established under the federal United Church of Canada Act 1925 and associated provincial Acts of the same year. The Church is a registered charity under the Canadian Income Tax Act.

The Church's mission is to love God, to foster Christian faithfulness, spirituality, commitment and devotion, and to promote love and respect by living generously and giving joyfully to all God's people, and to affirm and strengthen ourselves creatively. We are an inter-cultural faith community.

As a diverse, active and caring Christian community, we are seeking to respond faithfully to a changing world and to civic needs. As a singular community resource, we provide free/low cost space for seniors' groups for fitness and yoga, and for community groups (e.g. Narcotics Anonymous) and individual family groups (primarily local families of limited means/recent immigrants to Canada) for family/community gatherings. Youth tutoring is a significant activity at the Church multiple nights a week along with dance, music and martial arts classes for children and adults. Our space is available to members of the community regardless of faith or ethnicity.

We are an inclusive community of people who seek to live faithfully. In response to God's deep and caring love, we strive to offer that love to others, locally and throughout creation.

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following significant policies:

#### **Fund accounting**

The Church follows the restricted fund method of accounting and has the following funds:

##### **Operating Fund**

The purpose of the Operating Fund is to finance delivery of Church programs and to provide administrative support for all Church activities. Its funds are not restricted.

##### **Welsh Endowment**

A \$15,000 bequest given by Dr. Welsh to provide income for operations. The capital is to remain intact.

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Forest Hill United Church

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fund accounting (continued)

##### Restricted Funds

###### Manse Fund

In 1978 when the manse was sold, Toronto Area Presbytery required that the proceeds of sale of \$119,000 be held in trust. Income earned on the capital may be used for Church operations. The capital can only be used with the approval of the Toronto Area Presbytery.

###### Capital Fund

The Church Capital Fund reports the assets, liabilities, revenue and expenses related to the Church's property and equipment and resources restricted by the donors to be held to maintain those assets. Capital encroachments for other purposes require the approval of the Board. Expenditures are managed by the Board.

###### Memorial Fund

Memorial gifts and, if stipulated, bequests are segregated from operating funds in accordance with the policy of the Board. Funds are used only for expenditures approved by the Board.

#### Financial instruments

The Church initially measures its financial assets and liabilities at fair value. Subsequently financial assets and liabilities are measured at amortized cost, except for investments in marketable securities that are quoted in an active market and cash surrender value of life insurance, which are both measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenue over expenses. Transaction costs that are directly attributable to the acquisition of investments are recognized in net income in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable and accrued interest.

Financial liabilities measured at amortized cost include accounts payable.

The Church's financial assets measured at fair value include investments that are quoted in an active market and cash surrender value of life insurance.

#### Cash and restricted cash

Cash consists of funds held in accounts at the Toronto-Dominion Bank and RBC Dominion Securities Inc. Cash held for special purposes is restricted.



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Forest Hill United Church

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Property and equipment**

Property and equipment is held by the Trustees of Forest Hill United Church under the terms of the Model Trust Deed in Appendix Two of the United Church Manual. This Trust provides that should the congregation cease to exist as an organized body, the proceeds of the sale of the trust property shall be paid to the United Church of Canada. The Board considers that the historical cost of the land and buildings acquired before 1961 has no relevance today, and accordingly, are valued at a nominal \$1. Since 1961 the Church has expensed property and equipment when acquired. Property and equipment expensed when acquired includes equipment, furniture and fixtures, and computers. During the year \$5,581 was expended on accessibility projects and \$8,187 on East window replacement, which were expensed in the Capital Fund.

#### **Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations 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 reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from these estimates.

#### **Revenue recognition**

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income earned on the Restricted Funds is recognized as revenue of the Operating Fund. Restricted investment income earned on the Restricted Funds is recognized as revenue of the appropriate fund.

#### **Contributed services**

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

#### **Transfers between Funds**

The Church accounts for all transfers between funds as a reduction in the fund balance of the Fund making the transfer and as an increase in the fund balance of the recipient Fund.

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**Forest Hill United Church**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2018

**2. INVESTMENTS**

The Church combined the investments held by each Fund into two investment accounts for ease of administration. One account consists solely of a \$50,000 GIC held as security for the Church's line of credit. The second account holds the remaining investments, a mixture of GIC, investment savings account and other publicly traded securities. Net investment income earned by the pooled fund (comprising interest, dividends, gains on sale of securities, net of administration fees and loss on sale of securities) is allocated to each Fund based on the average fair value of each Fund.

**3. BANK INDEBTEDNESS**

The Church has a revolving demand credit facility to a maximum of \$45,000 which bears interest at the Toronto Dominion Bank's prime lending rate plus 1%. The line of credit is secured by a \$50,000 GIC. None of the credit facility was being used at year end.

**4. TORONTO UNITED CHURCH COUNCIL LOAN**

The Church was given a \$25,000 interest free loan from the Toronto United Church Council to help fund the furnace replacement. The loan requires principal repayments of \$417 per month (\$5,000 per annum) over 60 months. Principal repayments required on the loan in the coming years are as follows:

2019	5,000
2020	5,000
2021	5,000
2022	3,333

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Forest Hill United Church

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2018

### 5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Church's financial instruments consist of cash, accounts receivable, investments, accrued interest, bank indebtedness and accounts payable.

#### **Credit risk**

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Church's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable and investments. Cash consists of deposits with major Canadian banks. Investments consist of various equities and fixed income securities and are reviewed regularly to evaluate changes in the status of the issuers of securities authorized for investment under the Church's investment policy. The Church is subject to credit risk through its accounts receivable. Credit risk is limited due to the small number of receivables owed to the Church.

#### **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Church's investments are exposed to market risk. The Church seeks to minimize the potential adverse effects of this risk by regularly monitoring its investments, market and economic events and diversifying of the investment portfolio within the constraints of its Investment Policies.

#### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Church is exposed to interest rate risk on its fixed income investments due to fluctuating interest rates. The Church is also exposed to interest rate risk on its bank indebtedness which bears interest at the bank's prime lending rate which fluctuates.

#### **Fair Value**

The fair value of cash, accounts receivable, accrued interest and accounts payable is approximately equal to their carrying value due to their short-term nature. The quoted market value at December 31, 2018 was used to estimate the fair value of investments.