

Financial Statements of

**THE EVANGELICAL FREE
CHURCH OF CANADA**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Evangelical Free Church of Canada

Opinion

We have audited the financial statements of Evangelical Free Church of Canada (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 and its results of 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 auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical 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 opinion.



Responsibilities of Management 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Abbotsford, Canada
May 4, 2024

THE EVANGELICAL FREE CHURCH OF CANADA

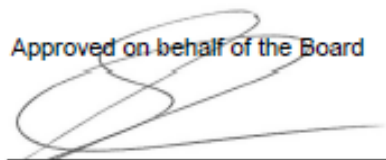
Statement of Financial Position

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 802,483	\$ 642,961
Short-term investments (note 2)	16,498	116,500
Accounts receivable (note 3)	135,599	159,915
Prepaid expenses	37,292	68,066
	<u>991,872</u>	<u>987,442</u>
Investments (note 2)	1,520,131	1,621,845
Capital assets (note 4)	773,198	885,555
Prepaid lease asset (note 11)	3,139,008	3,124,101
	<u>\$ 6,424,209</u>	<u>\$ 6,618,943</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 220,975	\$ 216,202
Current portion of long-term debt (note 6)	70,111	73,394
	<u>291,086</u>	<u>289,596</u>
Non-current liabilities:		
Long-term debt (note 6)	271,057	347,416
Long-term lease liability (note 11)	54,670	31,129
	<u>325,727</u>	<u>378,545</u>
Fund balances:		
General Fund	(189,200)	50,255
Designated Fund - International and National (note 7)	5,758,428	5,662,379
Endowment Fund	238,168	238,168
	<u>5,807,396</u>	<u>5,950,802</u>
Commitments (note 9)		
	<u>\$ 6,424,209</u>	<u>\$ 6,618,943</u>

See accompanying notes to financial statements.

Approved on behalf of the Board



Shaun Wick, Board of Directors Chair



Doug Lesniert, Finance and Audit Committee Chair

THE EVANGELICAL FREE CHURCH OF CANADA

Statement of Operations and Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	General Fund	Designated Fund - International and National	Endowment Fund	2023 Total	2022 Total
Revenue:					
Designated receipts	\$ -	\$ 5,171,860	\$ -	\$ 5,171,860	\$ 5,065,298
Donations and church support	507,497	-	-	507,497	559,249
Investment income	30,194	-	4,670	34,864	36,264
Other income	39,882	-	-	39,882	18,367
	577,573	5,171,860	4,670	5,754,103	5,679,178
Administration fees:					
Charged on designated funds	656,073	(656,073)	-	-	-
Catalysts and directors recovery	129,007	(129,007)	-	-	-
	785,080	(785,080)	-	-	-
Total revenue	1,362,653	4,386,780	4,670	5,754,103	5,679,178
Expenses:					
Leadership and ministry development:					
Board, governance and committees	33,147	-	-	33,147	19,268
Designated disbursements and adjustments	-	4,384,755	-	4,384,755	4,056,850
Salaries and benefits	758,395	-	-	758,395	710,389
Travel and sundry	101,668	-	-	101,668	94,534
	893,210	4,384,755	-	5,277,965	4,881,041
Ministry support and administrative:					
Communications	20,244	-	-	20,244	27,940
Conferences	16,917	-	-	16,917	1,808
Foreign exchange gain	2,087	-	-	2,087	14
Missionary care	4,448	-	-	4,448	5,963
Office operations	168,779	-	-	168,779	175,649
Professional fees	27,794	-	-	27,794	27,526
Salaries and benefits	461,394	-	-	461,394	425,188
	701,663	-	-	701,663	664,088
Total expenses	1,594,873	4,384,755	-	5,979,628	5,545,129
Excess (deficiency) of revenue over expenses before undernoted	(232,220)	2,025	4,670	(225,525)	134,049
Amortization	(10,922)	(39,737)	-	(50,659)	(57,197)
Gain on disposal of capital assets	-	132,778	-	132,778	14,777
Excess (deficiency) of revenue over expenses	(243,142)	95,066	4,670	(143,406)	91,629
Interfund transfers (note 8)	3,687	983	(4,670)	(0)	-
Fund balances, beginning of the year	\$ 50,255	\$ 5,662,379	\$ 238,168	\$ 5,950,802	\$ 5,859,173
Fund balances, end of the year	\$ (189,200)	\$ 5,758,428	\$ 238,168	\$ 5,807,396	\$ 5,950,802

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ (143,406)	\$ 91,629
Items not involving cash:		
Amortization of capital assets	50,659	57,197
Loss (gain) on disposal of capital assets	(132,778)	(14,777)
Prepaid lease expense	74,639	63,447
Increase in long-term lease liability	23,541	31,129
Changes in non-cash working capital:		
Accounts receivable	24,316	8,083
Prepaid expenses	30,774	7,402
Accounts payable and accrued liabilities	(4,773)	(809)
	(77,028)	243,301
Financing:		
Repayment of long-term debt	(79,642)	(566,876)
	(79,642)	(566,876)
Investing:		
Decrease (increase) in investments	201,716	374
Proceeds from disposal of capital assets	203,190	31,944
Purchase of capital assets	(8,714)	(5,253)
Increase in prepaid lease asset	(80,000)	-
	316,192	27,065
Decrease in cash during the year	159,522	(296,510)
Cash, beginning of the year	642,961	939,471
Cash, end of the year	\$ 802,483	\$ 642,961
Non-cash transactions:		
Increase in long-term lease liability	\$ 23,541	\$ 31,129

See accompanying notes to financial statements.

THE EVANGELICAL FREE CHURCH OF CANADA

Notes to Financial Statements

Year ended December 31, 2023

General:

The Evangelical Free Church of Canada (the "Entity") is a not-for-profit organization. The Entity was incorporated under the Canada Not-For-Profit Corporations Act and is a registered charity under the Income Tax Act. The Entity is an association and fellowship of autonomous and interdependent congregations of like faith and policy whose purpose shall be to glorify God.

1. Significant accounting policies:

(a) Basis of presentation:

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

The General Fund accounts for the Entity's administration other than that which is missions related.

The Designated Fund - International and National reports only restricted resources that are used to carry out specific activities, and the related administration, of the Entity within Canada and abroad.

The Endowment Fund reports resources contributed for endowment. Income earned in this fund is subsequently transferred to other funds, upon board approval, to carry out specific activities of that fund.

(b) Revenue recognition:

The Evangelical Free Church of Canada follows the restricted fund method of accounting for contributions.

All restricted contributions are recognized as revenue in the appropriate restricted fund in the year received.

Unrestricted contributions are recognized as revenue of the general fund in the year received.

Unless otherwise restricted, investment income is recognized as revenue in the general fund.

Administration fees are charged on designated funds to recover leadership, ministry development, ministry support and administrative expenses up to preauthorized limits.

Restricted contributions for which there is no restricted fund are recognized in the general fund using the deferral method of accounting - in that the contribution is only recognized as revenue at the time the related expenses are incurred.

(c) Capital assets:

Capital assets are recorded at cost. Contributed assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are amortized at the following annual rates using the described methods:

Asset	Basis	Rate
Buildings held in trust	Straight-line	15-30 years
Computer hardware	Declining balance	30%
Computer software	Straight-line	7 years
Furniture and equipment	Declining balance	20%
Leasehold improvements	Declining balance	10%

The Entity reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Entity's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement operations at the amount by which the carrying amount of the net capital asset exceeds its fair value or replacement cost.

THE EVANGELICAL FREE CHURCH OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Income taxes:

The Entity is a registered charity under the Income Tax Act and is not subject to income taxes provided certain requirements of the Income Tax Act are met.

(e) Foreign currency translation:

Monetary items denominated in a foreign currency are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Revenues and expenses are translated at average rates of exchange during the year. Exchange gains and losses are included in the statement of operations for the period.

(f) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Free standing derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Entity has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE EVANGELICAL FREE CHURCH OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Investments:

	2023	2022
<u>At amortized cost</u>		
Amounts due from the Evangelical Free Church of Canada Prairie District Trust Foundation (PDTF), bearing interest at 2% to 4% per annum and maturing between 2025 and 2028	833,500	\$ 1,033,500
GIC term investments with the Royal Bank of Canada, bearing interest at 2.25% to 2.4%, and maturing between 2024 and 2025	616,498	616,498
Accrued interest earned on investments	28,054	32,011
<u>At fair value</u>		
Abundance Canada	58,577	56,336
	1,536,629	1,738,345
Current portion of investments	16,498	116,500
	\$ 1,520,131	\$ 1,621,845

3. Accounts receivable:

	2023	2022
Merchant accounts receivable	\$ 118,553	\$ 112,488
Other receivables	14,127	29,993
Goods and services tax receivable	2,919	17,434
	\$ 135,599	\$ 159,915

4. Capital assets:

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land held in trust	\$ 214,982	\$ -	\$ 214,982	\$ 238,983
Buildings held in trust	852,108	326,000	526,108	612,255
Computer hardware and software	66,615	51,155	15,459	13,506
Furniture and equipment	38,656	22,007	16,649	20,811
	\$ 1,172,361	399,163	\$ 773,198	\$ 885,555

When the Entity's agents use funds made available by the Entity to acquire, construct, or improve real capital property which is used in achieving the Entity's charitable objectives, ownership remains with the Entity, and the Entity remains entitled to any proceeds upon sale of the property. As foreign regulations may not allow a foreign buyer to be on title, this capital property is recorded as land and buildings held in trust, and the buildings held in trust are amortized over their estimated useful lives.

THE EVANGELICAL FREE CHURCH OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$6,745 (2022 – \$6,406) which includes amounts payable for payroll related taxes and workers' safety insurance.

6. Long-term debt

	2023	2022
Loan payable to PDTF in monthly instalments of \$7,397 including interest at 4% per annum, maturing October 2026	\$ 341,168	\$ 420,810
Current portion of long-term debt	(70,111)	(73,394)
	\$ 271,057	\$ 347,416

In 2021, the Entity entered into a loan agreement with the PDTF and obtained \$1 million in additional funding for costs associated with the Fosmark Centre construction project which was completed in 2021.

The loan is secured by bonds with PDTF totalling \$833,500, and by a general security agreement over all present and after acquired property of the Entity.

In 2023, the Entity made no additional lump sum principal payments (2022 - \$500,000).

Principal repayments are due approximately as follows:

2024	70,111
2025	79,444
2026	82,653
2027	85,992
Thereafter	22,968
	\$ 341,168

THE EVANGELICAL FREE CHURCH OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023, with comparative information for 2022

7. Designated Funds - International and National:

The Designated Funds - International and National is made up of the following:

	2023	2022
Capital Assets Held in Trust	\$ 741,090	\$ 851,238
Capital Projects and Trust Funds	120,201	154,232
Long-term Missions	1,115,123	1,350,210
Mission Projects	1,505,048	1,239,857
Short-term Missions	26,895	19,730
Special Lease Project - Fosmark	2,186,503	1,983,786
Operating Reserve (internally restricted)	4,502	4,260
Emergency Fund (internally restricted)	59,066	59,066
	\$ 5,758,428	\$ 5,662,379

The internally restricted funds are not available for other purposes without the approval of the Board of Directors.

8. Interfund transfers:

The net interfund transfer of \$3,687 from the Endowment Fund to the General Fund is comprised of unrestricted funds to be used in regular operations, as approved by the board of directors. The net interfund transfer of \$983 from the Endowment Fund to the General Fund is comprised of funds to be used for designated purposes, as approved by the board of directors. The total interfund transfer of \$4,670 (2022 - \$4,769) from the Endowment Fund to the General Fund and Designated Fund is comprised of interest earned on the endowment fund in the previous year and is used for international missions.

9. Commitments:

The Entity has entered into various building and equipment operating leases, as well as maintenance agreements, with estimated minimum annual payments as follows:

2024	\$ 72,363
2025	63,298
2026	68,309
2027	60,452
2028	56,673
Thereafter	6,356,505
	\$ 6,677,599

THE EVANGELICAL FREE CHURCH OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2023, with comparative information for 2022

10. Financial risks and concentration of risk:

The Entity's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, it is management's opinion that the Entity is not exposed to significant currency or credit risks. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

(a) Liquidity risk:

Liquidity risk is the risk the Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Entity manages its liquidity risk by monitoring its operating requirements. The Entity prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Entity is exposed to interest rate risk primarily through its fixed rate investments and long-term debt.

There have been no changes to the risk exposures outlined above from the prior year.

11. Prepaid lease asset:

In 2021, the Entity entered into an arrangement with Trinity Western University ("TWU") where a new office space has been constructed in TWU's Fosmark Centre, which is being occupied by the Entity and another party commencing September 2021, for a period of fifty years. Under the terms of the agreement the Entity was responsible for its share of the costs related to the construction of this new office space, with these costs being accumulated as a prepaid lease asset and applied to lease payments throughout the period of occupancy.

In 2022, the Entity entered into discussions with TWU to amend the agreement to clarify the portion of lease costs that the Entity is responsible for over the 50 year lease term. The total lease costs charged to the Entity from January 31, 2023 to December 31, 2023 was \$128,639 (2022 - \$170,102). Of this amount, \$64,194 (2022 - \$63,447) was deducted from the prepaid lease asset. As at December 31, 2023, \$40,904 (2022 - \$53,381) was recorded in accounts payable and accrued liabilities and \$23,541 (2022 - \$31,129) recorded to long-term lease liability.

In 2023, the Entity entered into an 89 year prepaid lease for a property in Rwanda. The total lease costs charged to the Entity from January 2023 to December 31, 2023 was \$80,000. Of this amount, \$898 was deducted from the prepaid lease asset and recorded as a Designated Projects expense.

12. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements.