The Christian Reformed Board of Home Missions of Canada

Financial Statements

For the year ended June 30, 2016

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Contents

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Independent Auditor's Report

To the Governing Board of Christian Reformed Board of Home Missions of Canada

We have audited the accompanying financial statements of the Christian Reformed Board of Home Missions of Canada (the "Organization"), which comprise the statement of financial position as at June 30, 2016, and the statements of activities, changes in net assets 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 Organization'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 Organization'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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Christian Reformed Board of Home Missions of Canada derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Christian Reformed Board of Home Missions of Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses and cash flows from operations for the years ended June 30, 2016 and 2015, current assets as at June 30, 2016 and 2015, and net assets as at July 1 and June 30 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended June 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
September 29, 2016

Christian Reformed Board of Home Missions of Canada
Statement of Financial Position

June 30, 2016

	Unrestricted	Restricted	Total
Assets			
Cash	$ 868,583	$ 303,721	$ 1,172,304
Accounts receivable	3,292	-	3,292
Due from related party (Note 2)	78,206	-	78,206
Equipment, furniture and fixtures (net of accumulated amortization of $1,335)	191	-	191
	$ 950,272	$ 303,721	$ 1,253,993
Liabilities			
Accounts payable and accrued liabilities	$ 42,064	$ -	$ 42,064
Due to related party (Note 2)	885,417	-	885,417
	927,481	-	927,481
Net Assets			
Unrestricted	22,791	-	22,791
Restricted	-	303,721	303,721
	22,791	303,721	326,512
	$ 950,272	$ 303,721	$ 1,253,993

On behalf of the Board:

C. Geleynse _______________ Director

_______________ Director

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

Christian Reformed Board of Home Missions of Canada
Statement of Financial Position

June 30, 2015

	Unrestricted	Restricted	Total
Assets			
Cash	$ 679,804	$ 260,845	$ 940,649
Accounts receivable	3,480	-	3,480
Due from related party (Note 2)	78,486	-	78,486
Equipment, furniture and fixtures (net of accumulated amortization of $5,182)	344	-	344
	$ 762,114	$ 260,845	$ 1,022,959
Liabilities			
Accounts payable and accrued liabilities	$ 86,611	$ -	$ 86,611
Due to related party (Note 2)	512,570	-	512,570
	599,181	-	599,181
Net Assets			
Unrestricted	162,933	-	162,933
Restricted	-	260,845	260,845
	162,933	260,845	423,778
	$ 762,114	$ 260,845	$ 1,022,959

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

Christian Reformed Board of Home Missions of Canada
Statement of Activities

For the year ended June 30, 2016

	Unrestricted	Restricted	Total
Revenue and other support			
Denominational ministry shares	$ 1,242,105	$ -	$ 1,242,105
Gifts and offerings:			
General program	468,226	109,076	577,302
Missionary support	1,634	-	1,634
Grants	37,500	-	37,500
Interest income	8,469	-	8,469
Other income	1,977	-	1,977
	1,759,911	109,076	1,868,987
Expenses			
Program services			
Goal leaders	215,020	-	215,020
Ministry teams department	1,116,274	66,200	1,182,474
Total program services	1,331,294	66,200	1,397,494
Support services			
Management and general	330,526	-	330,526
Resource development	238,233	-	238,233
Total support services	568,759	-	568,759
	1,900,053	66,200	1,966,253
Excess (deficiency) of revenue and other support over expenses	$ (140,142)	$ 42,876	$ (97,266)

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

Christian Reformed Board of Home Missions of Canada
Statement of Activities

For the year ended June 30, 2015

	Unrestricted	Restricted	Total
Revenue and other support			
Denominational ministry shares	$ 1,211,434	$ -	$ 1,211,434
Gifts and offerings:			
General program	510,525	35,860	546,385
Missionary support	21,269	-	21,269
Grants	43,750	-	43,750
Interest income	9,728	-	9,728
Other income	515	-	515
	1,797,221	35,860	1,833,081
Expenses			
Program services			
Goal leaders	228,753	-	228,753
Ministry teams department	1,273,488	59,868	1,333,356
Total program services	1,502,241	59,868	1,562,109
Support services			
Management and general	328,718	-	328,718
Resource development	210,085	-	210,085
Total support services	538,803	-	538,803
	2,041,044	59,868	2,100,912
Deficiency of revenue and other support over expenses	$ (243,823)	$ (24,008)	$ (267,831)

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

Christian Reformed Board of Home Missions of Canada
Schedule of Functional Expenses

For the year ended June 30, 2016

	Goal Leaders	Ministry Teams Department	Management and General	Resource Development	Total
Expenses					
Salaries	$ 104,309	$ 133,516	$ 36,530	$ 83,796	$ 358,151
Employee benefits	15,608	18,678	6,016	13,699	54,001
Payroll taxes	5,564	7,378	1,847	3,587	18,376
Professional fees	1,146	-	10,182	9,734	21,062
Supplies and services	4,649	18,685	21	3,200	26,555
Telephone	2,163	-	-	2,252	4,415
Postage and shipping	346	-	650	13,806	14,802
Occupancy	-	13,155	-	-	13,155
Printing and promotion	-	-	-	6,045	6,045
Travel	15,569	33,906	14,041	13,567	77,083
Conferences	3,467	3,765	2,194	2,750	12,176
Training	24,858	2,131	-	125	27,114
Ministry grants	41,200	349,855	-	-	391,055
Amortization	-	-	153	-	153
Miscellaneous	-	-	24,856	2,842	27,698
Cost sharing (Note 2)	(15,187)	601,405	175,597	67,103	828,918
Allocated support services	11,328	-	58,439	15,727	85,494
Total expenses	$ 215,020	$ 1,182,474	$ 330,526	$ 238,233	$ 1,966,253

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

Christian Reformed Board of Home Missions of Canada
Schedule of Functional Expenses

For the year ended June 30, 2015

	Goal Leaders	Ministry Teams Department	Management and General	Resource Development	Total
Expenses					
Salaries	$ 101,039	$ 222,647	$ 33,367	$ 84,276	$ 441,329
Employee benefits	12,718	22,607	5,927	13,802	55,054
Payroll taxes	5,598	11,322	1,831	3,846	22,597
Professional fees	-	-	9,545	9,423	18,968
Supplies and services	12,605	18,930	299	1,243	33,077
Telephone	1,903	-	-	1,757	3,660
Postage and shipping	91	-	1,906	12,999	14,996
Occupancy	-	24,486	-	-	24,486
Printing and promotion	21	-	-	2,444	2,465
Travel	56,005	62,127	5,093	15,779	139,004
Conferences	1,907	-	2,114	2,131	6,152
Training	25,244	2,437	-	125	27,806
Ministry grants	4,950	293,809	-	-	298,759
Amortization	-	-	152	-	152
Miscellaneous	-	-	32,161	2,496	34,657
Cost sharing (Note 2)	(2,025)	674,991	190,829	46,839	910,634
Allocated support services	8,697	-	45,494	12,925	67,116
Total expenses	$ 228,753	$ 1,333,356	$ 328,718	$ 210,085	$ 2,100,912

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

Christian Reformed Board of Home Missions of Canada
Statement of Changes in Net Assets

For the year ended June 30, 2016

	Unrestricted	Restricted	Total
Balance as at June 30, 2014 (Unaudited)	$ 406,756	$ 284,853	$ 691,609
Deficiency of revenue and other support over expenses	(243,823)	(24,008)	(267,831)
Balance as at June 30, 2015	162,933	260,845	423,778
Excess (deficiency) of revenue and other support over expenses	(140,142)	42,876	(97,266)
Balance as at June 30, 2016	**$ 22,791**	**$ 303,721**	**$ 326,512**

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

Christian Reformed Board of Home Missions of Canada
Statement of Cash Flows

For the year ended June 30	2016	2015
Cash provided by (used in)		
Operating activities		
Deficiency of revenue and other support over expenses for the year	$ **(97,266)**	$ (267,831)
Adjustments to reconcile deficiency of revenue and other support over expenses to net cash provided by operating activities		
Amortization of capital assets	**153**	152
Unrealized foreign exchange loss on due to related parties	**199,927**	102,206
Changes in non-cash working capital balances		
Accounts receivable	**188**	1,124
Accounts payable and accrued liabilities	**(44,547)**	7,591
Due from related party	**280**	(2,069)
Due to related party	**172,920**	(79,424)
Net change in cash	**231,655**	(238,251)
Cash, beginning of year	**940,649**	1,178,900
Cash, end of year	$ **1,172,304**	$ 940,649

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

1. Significant Accounting Policies

Nature of Organization
The Christian Reformed Board of Home Missions of Canada (the "Organization") operates under the direction of the Synod of the Christian Reformed Church in North America ("CRCNA"). The Organization is incorporated under the Canada Not-for-Profit Corporations Act as a not-for-profit corporation without share capital and is a registered charity under the Income Tax Act. The purpose of the Organization is to give leadership to the Christian Reformed Church in its task of bringing the gospel to the people of Canada. The Organization encourages and assists congregations and classes in their work of evangelism and guides church growth development and other evangelistic ministries. As part of its ministry, the Organization makes ministry support grants to Christian Reformed Churches in Canada.

The Organization administers its home missions work in association with the Christian Reformed Board of Home Missions, a Michigan non-profit corporation, through a joint ministry agreement which they have established. The Organization accounts for its proportionate share of shared costs incurred by the joint ministry.

Basis of Accounting
The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting
The Organization follows the Restricted Fund method of accounting for contributions. The Organization ensures, as part of its fiduciary responsibilities, all funds received with a restricted purpose are expensed for that purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Restricted Fund - the Restricted Fund is used to account for revenue and expenses relating to net assets which are subject to donor-imposed stipulations. The donors of these assets have stipulated that the net assets either be loaned to churches or invested and that any income earned be subject to the same stipulations. Also included are allocations of resources via inter-fund transfers that are restricted internally by the Organization's Board of Directors.

(ii) Unrestricted Fund - the Unrestricted Fund reports resources available for day-to-day operations of the Organization. These donations are not considered to be implicit external restrictions. The general costs of supporting the day-to-day operations are reported as expenses in the Unrestricted Fund.

Capital Assets
Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life using the straight-line basis as follows:

Office equipment	-	10 years

During the year, the Organization wrote off fully amortized office equipment in the amount of $4,000 (2015 - $Nil).

1. Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are generally considered unrestricted contributions to the Organization unless a donor specifies otherwise, in which case they would be reflected as revenue of the Restricted Fund.

Contributions, including unconditional promises to give, are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Conditional promises to give are not recognized until they become unconditional (i.e., when the conditions on which they depend are substantially met). Contributions of assets other than cash are recorded at their estimated fair value. Denominational ministry shares are recommended gifts from churches based on active professing members aged 18 and over.

Ministry Grants

When grants are awarded they are recognized as an expense, with a corresponding commitment liability.

Pensions

The Organization contributes to a multi-employer defined benefit pension plan on behalf of ordained ministers. Other participants in this plan include related organizations. Since sufficient information is not available to use defined benefit accounting, the Organization accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

The Organization also maintains a defined contribution pension plan for non-ordained employees.

Foreign Currency Translation

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange losses of $24,856 (2015 - $32,161) are included in miscellaneous expenses. Unrealized foreign exchange losses of $199,927 (2015 - $102,206) are included within the cost sharing expenses.

Disclosure of Allocated Expenses

The Organization engages in program and support services. The cost of each program or support service includes salaries, employee benefits, supplies and other expenses that are directly related to each program or support service. Salaries and employee benefits that relate to more than one program are allocated between departments. All allocations are based on an estimate of time in each function.

June 30, 2016

1. Significant Accounting Policies (Continued)

Use of Estimates
The preparation of financial statements in accordance 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 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments
Financial Instruments are recorded at fair value when acquired or issued. All financial instruments are subsequently reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Income Taxes
No provision for income taxes is required as the Organization is exempt from income taxes under the Income Tax Act.

2. Related Party Balances and Transactions

The following table summarizes the amounts due from (to) related parties, which are organizations related through common control:

	2016	2015
Due from related party		
The Christian Reformed Church in North America - Canada Corporation	$ 78,206	$ 78,486
Due to related party		
Christian Reformed Board of Home Missions, a Michigan non-profit corporation	$ (885,417)	$ (512,570)

The amounts due from (to) related parties are unsecured, non-interest-bearing, and have no fixed terms of repayment.

During the year, $828,918 (2015 - $910,634) of expenses were allocated to the Organization from the Christian Reformed Board of Home Missions, a Michigan non-profit corporation. The Organization paid $166,894 (2015 - $132,384) to The Christian Reformed Church in North America - Canada Corporation for management and support services.

These transactions were made in the normal course of business and have been recorded in appropriate expense accounts at the exchange amounts.

3. Pension Plans

CRCNA participates in two retirement plans of the Christian Reformed Church under which all of its full-time regular employees with specified periods of service are eligible.

Ordained Ministers
The Organization makes contributions to the Retirement Plan for Ministers of the Christian Reformed Church in Canada (the "Plan"), which is a multi-employer defined benefit plan, on behalf of members of its staff. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. However, the Plan is accounted for as a defined contribution plan as insufficient information is available to account for the Plan as a defined benefit plan. The Organization is only one of a number of employers that participates in the Plan and the financial information provided to the Organization on the basis of the contractual agreements is usually insufficient to reliably measure the Organization's proportionate share in the Plan assets and liabilities on defined benefit accounting requirements.

The funding valuation for the Plan shows a surplus of $4,103,500 (2015 - $848,900). The total required contributions to the Plan for 2016 are $3,141,500 (2015 - $3,444,900), which includes special payments totaling $2,134,900 (2015 - $2,431,900), current service costs of $731,600 (2015 - $738,000) and administrative expenses of $275,000 (2015 - $275,000).

The Organization contributes an amount specified by the Plan's administrator, the Synod of the CRCNA. Contributions to the Plan are received primarily from supporting Christian Reformed Church members on a denominational ministry share basis and certain participating organizations. The amount contributed to the plan for 2016 was $9,840 (2015 - $9,840). The contributions were made for current service and these have been recognized in net income.

Unordained Employees
Unordained employees of the Christian Reformed Church are covered by a group registered retirement savings plan, under which CRCNA contributes a specified percentage of its employees' base salary. During the year ended June 30, 2016, the contributions to this plan were $21,206 (2015 - $20,924).

4. Financial Instruments Risks

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations of credit risk related primarily to its accounts receivable and due from related party. This risk has not changed from the prior year.

4. Financial Instruments Risks (Continued)

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the Organization's accounts payable and accrued liabilities and due to related party. This risk has not changed from the prior year.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to currency risk on the amount due to a related party as the amount is denominated in U.S. dollars. This risk has not changed from the prior year.