

**CHURCH OF THE REDEEMER**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**CHURCH OF THE REDEEMER**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of the  
**Church of the Redeemer**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Church of the Redeemer, which comprise the statement of financial position as at December 31, 2017, the statement of operations, statement of changes in net assets, statement of 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 entity'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 entity'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.

## INDEPENDENT AUDITORS' REPORT (Continued)

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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 charitable organizations, the Church derives significant revenue from cash donations the completeness of which is not susceptible to satisfactory audit procedures. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Church. Therefore we were not able to determine whether any adjustments might be necessary to operating revenue, excess of revenues over expenses and cashflows for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and net assets balances as at the beginning and the end of the years ended December 31, 2017 and December 31, 2016. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Note 1 describes the Church's accounting policy with respect to equipment. It indicates that the Church expenses capital improvements and purchases of equipment in the year of acquisition. Canadian accounting standards for not-for-profit organizations require that equipment and improvements be recorded at cost when acquired and amortization be recognized for assets with limited useful lives as an expense over the useful lives of the assets. Equipment includes furniture and fixtures and equipment. The effects of this departure from Canadian accounting standards for not-for-profit organizations on the unaudited financial statements have not been determined for the year ended December 31, 2017 and December 31, 2016 .

### *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 Church of the Redeemer as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**KRIENS-LAROSE, LLP**

*Kriens - La Rose, LLP*  
**Chartered Professional Accountants**  
**Licensed Public Accountants**

CHURCH OF THE REDEEMER  
 STATEMENT OF FINANCIAL POSITION  
 AS AT DECEMBER 31, 2017

	General Fund 2017 \$	Capital Accumulation Fund 2017 \$	Maintenance Reserve Fund 2017 \$	Refugee Settlement Committee Fund 2017 \$	Total 2017 \$	Total 2016 \$
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	257,354	(45,450)	32,077	48,392	292,373	513,356
Accounts receivable	36,853	-	-	-	36,853	59,509
Prepaid expenses	18,431	-	-	-	18,431	14,097
HST recoverable	24,272	-	-	-	24,272	55,665
Due from general fund (Note 5)	-	131,065	-	-	131,065	-
	336,910	85,615	32,077	48,392	502,994	642,627
<b>INVESTMENTS (Note 2)</b>						
Rectory fund	628,824	-	-	-	628,824	583,624
Church controlled investment fund	998,794	-	-	-	998,794	905,324
	1,627,618	-	-	-	1,627,618	1,488,948
Church property (Note 1)	1	-	-	-	1	1
	1,964,529	85,615	32,077	48,392	2,130,613	2,131,576

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_, Chairperson

\_\_\_\_\_, Treasurer

CHURCH OF THE REDEEMER  
**STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2017

	General Fund 2017 \$	Capital Accumulation Fund 2017 \$	Maintenance Reserve Fund 2017 \$	Refugee Settlement Committee Fund 2017 \$	Total 2017 \$	Total 2016 \$
<b>LIABILITIES</b>						
<b>CURRENT</b>						
Accounts payable	62,942	87,307	-	-	150,249	321,540
Government remittances payable	7,081	-	-	-	7,081	6,862
Current assessment (Note 3)	133,787	-	-	-	133,787	154,479
Deferred revenue	41,264	-	-	-	41,264	4,950
Due to capital accumulation fund (Note 5)	131,065	-	-	-	131,065	-
	376,139	87,307	-	-	463,446	487,831
Deferred assessment (Note 3)	354,030	-	-	-	354,030	333,338
	730,169	87,307	-	-	817,476	821,169
<b>NET ASSETS</b>						
Total net assets	1,234,360	(1,692)	32,077	48,392	1,313,137	1,310,407
	1,964,529	85,615	32,077	48,392	2,130,613	2,131,576

CHURCH OF THE REDEEMER  
**STATEMENT OF OPERATIONS - GENERAL FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Actual \$	2017 Budget \$ (Note 6)	2016 Actual \$
<b>REVENUES (Schedule)</b>			
Donations and space rental	1,218,981	1,010,200	928,095
Investment income	162,845	23,000	109,959
Subsidies	6,800	6,800	6,800
	1,388,626	1,040,000	1,044,854
<b>EXPENSES (Schedule)</b>			
Personnel	608,515	625,616	611,990
Diocesan assessment (Note 3)	153,758	141,812	131,412
Property	113,271	120,000	114,288
General office	101,945	71,500	32,220
Church program	62,620	68,940	44,910
Drop-in program	47,159	28,650	28,306
FaithWorks (Note 6)	31,622	32,937	30,544
	1,118,890	1,089,455	993,670
Excess (deficiency) of revenues over expenses from operations	269,736	(49,455)	51,184

CHURCH OF THE REDEEMER  
**STATEMENT OF OPERATIONS - RESTRICTED FUND -  
 CAPITAL ACCUMULATION FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	\$	\$
<b>REVENUES</b>		
Step into the future donations	59,592	371,350
Interest income	32	1,788
Toronto heritage grant	-	70,000
	59,624	443,138
<b>EXPENSES</b>		
Step into the future	260,686	690,792
Our faith our hope campaign	50,000	50,000
Bank and investment fees	194	468
	310,880	741,260
(Deficiency) of revenues over expenses for the year	(251,256)	(298,122)



CHURCH OF THE REDEEMER  
**STATEMENT OF OPERATIONS - RESTRICTED FUND -**  
**MAINTENANCE RESERVE FUND**  
FOR THE YEAR ENDED DECEMBER 31, 2017

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	2017	2016
	\$	\$
<hr/>		
<b>REVENUES</b>		
Donations	38,150	-
<hr/>		
<b>EXPENSES</b>		
Repairs and improvements	34,480	-
<hr/>		
Excess of revenues over expenses for the year	3,670	-

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CHURCH OF THE REDEEMER  
**STATEMENT OF OPERATIONS - RESTRICTED FUND -  
REFUGEE SETTLEMENT COMMITTEE FUND**  
FOR THE YEAR ENDED DECEMBER 31, 2017

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	2017	2016
	\$	\$
<hr/>		
<b>REVENUES</b>		
Donations	17,390	73,559
<hr/>		
<b>EXPENSES</b>		
Settlement support	36,810	21,002
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Excess (deficiency) of revenues over expenses for the year	(19,420)	52,557

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**SCHEDULE TO STATEMENT OF OPERATIONS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Actual \$	2017 Budget \$ (Note 6)	2016 Actual \$
<b>UNDESIGNATED DONATIONS</b>			
Envelopes	744,165	800,000	702,504
Bequests	153,396	-	-
Grants (Note 10)	14,000	-	-
	911,561	800,000	702,504
<b>DESIGNATED DONATIONS</b>			
Drop-in program	103,870	100,000	98,048
Other	95,653	26,000	53,328
FaithWorks (Note 6)	28,604	38,750	24,997
Grants (Note 10)	20,807	-	-
	248,934	164,750	176,373
Space rental/weddings	58,486	45,450	49,218
	1,218,981	1,010,200	928,095
<b>SUBSIDIES</b>			
Diocesan subsidies	6,800	6,800	6,800
<b>INVESTMENT INCOME</b>			
Unrealized gain on investments (Note 8)	138,670	-	86,887
Diocesan Consolidated Trust fund	24,175	23,000	23,072
	162,845	23,000	109,959

**SCHEDULE TO STATEMENT OF OPERATIONS - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Actual \$	2017 Budget \$ (Note 6)	2016 Actual \$
<b>PERSONNEL</b>			
Support staff	217,204	244,092	330,167
Clergy	198,839	210,706	174,054
Musicians	174,791	170,818	96,294
Honoraria	17,681	-	11,475
	608,515	625,616	611,990
<b>PROPERTY</b>			
Church Utilities	51,119	53,000	56,458
Insurance	20,111	24,500	21,399
Contracts	19,524	14,257	15,501
Maintenance and supplies	18,521	15,000	12,579
Major repairs	2,000	10,000	5,108
Parking	1,996	3,243	3,243
	113,271	120,000	114,288

**SCHEDULE TO STATEMENT OF OPERATIONS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Actual \$	2017 Budget \$ (Note 6)	2016 Actual \$
<b>CHURCH PROGRAM</b>			
Hospitality	13,202	11,325	5,701
Worship and spirituality	12,238	14,500	11,290
Outreach	10,483	4,000	7,587
Adult learning	7,944	2,775	7,577
Youth Ministry	7,468	9,200	949
Stewardship Committee	3,179	3,200	3,491
Church school	2,694	3,750	2,147
Music	1,072	2,200	1,210
Pastoral care	1,061	2,150	1,595
Synod	936	500	-
Advertising/profile	776	5,750	1,258
Redeemer rainbow	600	600	500
Board of management	543	-	1,171
Advisory Board	213	2,200	226
Newcomers	211	-	135
White gifts	-	-	73
Catechesis	-	1,250	-
Parish Selection Committee	-	500	-
Nursary	-	500	-
Aboriginal issues WG	-	4,340	-
Accessibility	-	200	-
	62,620	68,940	44,910

**SCHEDULE TO STATEMENT OF OPERATIONS - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Actual \$	2017 Budget \$ (Note 6)	2016 Actual \$
<b>DROP-IN PROGRAM</b>			
Food	16,712	14,500	16,512
Drop-in resource worker	12,227	2,500	120
Supplies, coffee, miscellaneous	7,909	7,500	8,495
Community education	5,145	-	21
Volunteer training & appreciation	1,909	2,150	513
Nurses supplies	1,727	2,000	2,405
Security	1,530	-	240
	47,159	28,650	28,306
<b>GENERAL</b>			
Office expenses	69,998	54,500	55,861
Digital expansion project (Note 10)	20,807	-	-
Legal and accounting	11,098	8,500	7,821
Clergy	42	8,500	417
Bad debts	-	-	(31,879)
	101,945	71,500	32,220

CHURCH OF THE REDEEMER  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund 2017 \$	Capital Accumulation Fund 2017 \$	Maintenance Reserve Fund 2017 \$	Refugee Settlement Committee Fund 2017 \$	Total 2017 \$	Total 2016 \$
Balance, beginning of year	1,206,100	8,088	28,407	67,812	1,310,407	1,504,788
Excess (deficiency) of revenues over expenses for the year	269,736	(251,256)	3,670	(19,420)	2,730	(194,381)
Interfund transfers (Note 5)	(241,476)	241,476	-	-	-	-
Balance, end of year	1,234,360	(1,692)	32,077	48,392	1,313,137	1,310,407
Restricted funds	41,000	(1,692)	32,077	48,392	119,777	150,009
Unrestricted funds	1,193,360	-	-	-	1,193,360	1,160,398
	1,234,360	(1,692)	32,077	48,392	1,313,137	1,310,407

CHURCH OF THE REDEEMER  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund 2017 \$	Capital Accumulation 2017 \$	Total 2017 \$	Total 2016 \$
<b>CASH FROM OPERATING ACTIVITIES</b>				
<b>Contributions received:</b>				
Envelopes	803,136	-	803,136	792,151
Other	95,653	-	95,653	53,328
Drop-in program	103,870	-	103,870	98,048
Space use/weddings	58,486	-	58,486	49,218
Bequests	153,396	-	153,396	-
Diocesan subsidies	6,800	-	6,800	6,800
Maintenance	38,150	-	38,150	70,000
Grants	34,807	-	34,807	-
Refugees	17,390	-	17,390	73,559
Faithworks	28,604	-	28,604	24,997
Building project	-	59,592	59,592	371,350
	1,340,292	59,592	1,399,884	1,539,451
<b>Cash paid for:</b>				
Suppliers and employees	(994,482)	(496,834)	(1,491,316)	(1,332,410)
Diocese	(153,758)	-	(153,758)	(131,412)
	(1,148,240)	(496,834)	(1,645,074)	(1,463,822)
Interest and other income	24,175	32	24,207	24,860
Net change in cash	216,227	(437,210)	(220,983)	100,489
Interfund transfers (Note 5)	(110,411)	110,411	-	-
Cash, beginning of year	232,007	281,349	281,349	412,867
Cash (indebtedness), end of year	337,823	(45,450)	292,373	513,356



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## PURPOSE OF THE ORGANIZATION

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The Church of the Redeemer (the Church) is established and operates under the Constitution and Canons of the Incorporated Synod of the Diocese of Toronto. The Church is registered as a charitable organization under the Income Tax Act and as such, is exempt from the payment of income taxes.

### 1. SIGNIFICANT ACCOUNTING POLICIES

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The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

#### **Financial Instruments**

The Church initially measures its financial assets and liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payables

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

#### **Prepaid Expenses**

Prepaid expenses are recorded for goods and services being received in the next fiscal year but paid for in the current fiscal year.

#### **Fund Accounting**

The Church follows the restricted fund method of accounting.

The General fund accounts for the Church's religious operations, program delivery, and administrative activities. This fund reports resources for general operations.

The Capital Accumulation Fund accounts for the assets, liabilities, revenues and expenses related to any future development of the Church.

The Maintenance Reserve Fund accounts for the assets, liabilities, revenues and expenses related to the maintenance of the Church.

The Refugee Settlement Committee Fund accounts for the assets, liabilities, revenues and expenses related to assistance provided for refugees.

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1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**Donated Services**

During the year voluntary services were provided. Because these services are not normally purchased by the Church and because of the difficulty in determining their fair value, donated services are not recognized in these statements.

**Revenue Recognition**

**Donations**

Donations are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted donations are recognized as revenue of the capital accumulation fund, maintenance reserve fund and refugee settlement committee fund.

Unrestricted donations are recognized as revenue of the General fund.

**Rentals**

Rentals of the Church's facilities are recognized as revenue of the General fund when earned.

**Diocesan Consolidated Trust Fund**

Unrestricted investment income of the Diocesan consolidated trust fund is recognized as revenue of the General fund.

**Investment income**

Investment income is recognized on the accrual basis in accordance with applicable terms of the investments.

Any unrealized gain or loss on investments, which is the difference between the investment book value and fair value of the investments is included in the Statement of Operations - General Fund. Transaction costs are expensed as incurred.

**Equipment and Property**

Equipment and property including capital improvements, furniture and equipment are expensed in the year of acquisition. The Church of the Redeemer is an incorporated parish of the Diocese of Toronto within the Anglican Church of Canada. All real property, regardless of how the title reads, is held in trust for the Synod of the Diocese of Toronto. Improvements to the Church are recorded as expense in the year they are acquired. The Church building at 162 Bloor Street West has been recorded in the accounts at a nominal value of \$1.

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1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**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 reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

2. **INVESTMENTS**

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**Church Controlled Investment Fund**

The Church-controlled investment fund currently consists of 1,639 units (2016 - 1,639 units) in Sceptre Investment Counsel Limited's Endowment Foundation Trust (EFT) section of their pooled investment fund. In 2017, the Church did not have any transactions during the year (2016 - no transactions).

On May 1, 1993 12,152 EFT units were purchased at a unit value of \$101.85 for a market value of \$1,237,739. These units were purchased with proceeds from the sale of all units held in Sceptre's Balanced section of the pooled fund. The total gain realized on the sale of these units amounted to \$568,473. Through an agreement with the diocese 62.7% of this gain or \$356,389 was included as a deferred investment gain in the Church's General Fund and is transferred to the General Fund's unrestricted balance over time as EFT units are redeemed.

During the period May 1, 1993 to December 31, 2014 10,513 EFT units have been redeemed. The Church's 1993 deferred gain on the sale of these units is \$320,390. This leaves \$35,999 (2016 - \$35,999) in the Church's General Fund to be transferred to the General Fund's unrestricted balance as future EFT units are redeemed.

The book value of the investments as at December 31, 2017 is \$182,173 (2016: \$182,173).

**Rectory Fund**

The rectory at 225 Glenview Avenue was sold in the 2001 year for \$505,225. As required by Diocesan regulation the net proceeds of \$476,592, after payment of legal fees and real estate commission, were deposited with the Diocese and are invested with the Diocesan Consolidated Trust Fund (D.C.T.F).

The Investment as at December 31, 2017 consists of 2,628 (2016 - 2,628) D.C.T.F units in a fund managed by Mercer Global Investments; Foyston Gordon & Payne and Letko Brosseau. The book value of the investment at December 31, 2017 is \$490,882 (2016 - \$490,882).

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**2. INVESTMENTS (Continued)**

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**The Church's investment policy is:**

*(a) Safety of Capital*

The funds shall be conservatively invested to protect the capital against undue financial and market risk.

*(b) Adequate Income*

The funds shall be invested so as to generate adequate income for the operation of the Church.

*(c) Corporate Responsibility*

To the extent that is practical, the Board of Management shall ensure that the funds are invested in companies that are socially responsible.

**3. DEFERRED DIOCESAN ASSESSMENT**

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The total deferred assessment owing is \$354,030 (2016 - \$333,338). Deferred assessment includes provisions for unpaid assessment on church income and unpaid assessment on the 1993 gain as outlined in note 2.

As of December 31, 2017, the diocese has not assessed the Church on any of its 2017 assessable income, any of its 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 assessable income, two-thirds of its 2008 assessable income and one third of its 2007 assessable income. Assuming that the assessment rate of 25.00% (2016: 25.00%) of assessable income remains constant the church will pay \$354,030 (2016 - \$333,338) in respect to assessable income for these years.

Through an agreement with the diocese 37.3% of the gain realized in 1993 or \$212,075 was deemed a deferred assessment on the gain. The deferred assessment is recognized as EFT units are redeemed and paid to the diocese if money is used to fund church operations. No units were redeemed in 2017, 2016, 2015, 2014, 2013 and 2012, while in 2011 174 units were redeemed to fund operations. The amount of the 1993 deferred assessment associated with the sale of these units in 2011 was \$3,087.

During the period May 1, 1993 to December 31, 2017 10,513 EFT units have been redeemed and the amount of the 1993 deferred assessment associated with the sale of these units is \$181,769. Thus leaving \$30,306 (2016 - \$30,306) owing to be paid as EFT units are redeemed. The diocesan assessment expense in the year represents the estimated assessment based on the statement of operations for the year.

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**4. LINE OF CREDIT**

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The Church has a revolving line of credit facility from the CIBC of \$40,000. The credit is available at prime rate and is secured by a general security agreement covering all present and after acquired personal property of the Church. On December 31, 2017, the line of credit was nil.

**5. INTERFUND TRANSFERS**

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The interfund transfers represents funds transferred between the funds during the year as approved by the Board of Management.

**6. BUDGET**

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The budgeted figures as presented for comparative purposes are unaudited and are those approved by the congregation at the Vestry meeting.

The budget figures for FaithWorks represents the Church's annual commitment to the FaithWorks program.

**7. CITY OF TORONTO FUNDING**

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The Church entered into a contract with the City of Toronto in January, 2013 to participate in a social assistance program for the purpose of increasing the social capital capacity of local neighbourhoods as well as the employability and skill level of recipients of social assistance. The program reimburses employment costs of the Church for qualified employees. The Church received \$33,065 of assistance related to the 2017 fiscal year during 2017. The Church has a receivable balance as at December 31, 2017 of \$36,514 (2016 - \$12,035)

**8. UNREALIZED GAIN ON INVESTMENTS**

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The unrealized gain on investments is the total change in the market value of the Rectory fund investment and the Church controlled investment from December 31, 2016 to December 31, 2017.

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9. COMMITMENTS

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**Lease Commitment**

The Church entered into a lease for a printer in the 2016 fiscal year, which expires on June 27, 2022. The lease has been accounted for as an operating lease. Future obligations due approximate \$33,327 and include the following annual payments.

	\$
2018	7,406
2019	7,406
2020	7,406
2021	7,406
2022	3,703
	<hr/>
	33,327

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**Historic Preservation Construction Contract**

The Church entered into a contract during the 2016 fiscal year for the replacement of the front steps and associated works for the Step Into The Future Building Program. The Church has a remaining obligation under this agreement of \$87,307 as at December 31, 2017. The construction was complete in the 2017 fiscal year, and the Church is in the process of getting the final certificate of payment for the release of holdback funds.

10. GRANTS

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The Church entered an agreement dated June 2, 2017 for a "Communicating in a Wireless World" grant in the amount of \$27,500 from the Incorporated Synod of the Diocese of Toronto. The grant is to assist in renewing and expanding digital capabilities. In fiscal year 2017, \$20,807 of the funds have been used for digital expansion and \$6,693 remains deferred.

The Church entered an agreement dated September 13, 2017 for the Youth Apprenticeship Program in the amount of \$7,150 from the Incorporated Synod of the Diocese of Toronto. The grant is to be used for wages paid to the Youth Ministry Apprentice. In fiscal year 2017, \$2,123 of the funds have been used and \$5,027 remains deferred.

**10. GRANTS (Continued)**

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The Church entered into an agreement dated June 15, 2017 for a Ministry Development Grant in the amount of \$15,000 from the Incorporated Synod of the Diocese of Toronto. The grant is to be used for wages paid to the Pastoral Associate. In fiscal year 2017, \$9,456 of the funds have been used and \$5,544 remains deferred.

The Church also received \$14,000 in other grants to be used for the highest priority of the Church's needs.

As at December 31, 2017, \$34,807 in grants (\$14,000 undesignated and \$20,807 designated) have been recognized as revenue, and \$17,264 remains deferred. The remaining \$11,579 has been netted against the appropriate payroll accounts.

**11. FINANCIAL INSTRUMENTS**

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The Church is exposed to various risks through its financial instruments. The following presents the Church's risk exposure and concentration at December 31, 2017

**Credit Risk**

Credit risk is the risk 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 credit risk would occur with their accounts receivable. Actual exposure to credit losses has been minimal in prior years. The allowance for doubtful accounts is \$0 (2016: \$0).

**Liquidity Risk**

Liquidity risk is the risk the Church will encounter difficulties in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly in respect of its accounts payable. The Church expects to meet these obligations as they come due by generating sufficient cash flow from operations, and from unrestricted net assets. There has been no change in the risk assessment from the prior period.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Church has a moderate interest rate risk.

**11. FINANCIAL INSTRUMENTS (Continued)**

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**Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Church is not exposed to foreign currency risk.

**Other Price Risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Church is not exposed to other price risk.