



Combined Financial Statements

The Christian and Missionary Alliance in Canada

December 31, 2017

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Independent Auditor's Report

To the Directors of
The Christian and Missionary Alliance in Canada

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509
www.GrantThornton.ca

We have audited the accompanying combined financial statements of The Christian and Missionary Alliance in Canada, which comprise the combined statement of financial position as at December 31, 2017 and the combined statements of activities and combined cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

Independent Auditor's Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of The Christian and Missionary Alliance in Canada as at December 31, 2017, and the results of its combined operations and its combined cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Mississauga, Canada
April 4, 2018

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

The Christian and Missionary Alliance in Canada

Combined Statement of Financial Position

December 31

	Operating Funds	Property Fund	Restricted Funds	2017 Total	2016 Total
Assets					
Current					
Cash and cash equivalents	\$ 2,679,123	\$ -	\$ 16,628	\$ 2,695,751	\$ 2,957,675
Accounts receivable	67,923	-	24,560	92,483	106,111
Prepaid expenses	176,144	-	-	176,144	183,030
	<u>2,923,190</u>	<u>-</u>	<u>41,188</u>	<u>2,964,378</u>	<u>3,246,816</u>
Long-term assets					
Investments, at market value (Note 4)	1,012,851	-	5,562,370	6,575,221	6,443,626
Housing loans receivable (Note 5)	562,998	-	-	562,998	572,998
Property and equipment (Note 6)	73,903	1,235,273	-	1,309,176	1,421,258
Intangible assets (Note 6)	43,194	-	-	43,194	25,424
	<u>1,692,946</u>	<u>1,235,273</u>	<u>5,562,370</u>	<u>8,490,589</u>	<u>8,463,306</u>
	<u>\$ 4,616,136</u>	<u>\$ 1,235,273</u>	<u>\$ 5,603,558</u>	<u>\$11,454,967</u>	<u>\$ 11,710,122</u>
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 691,957	\$ 3,033	\$ -	\$ 694,990	\$ 551,157
Fund balances					
Internally restricted (Note 7)	3,244,084	(3,033)	-	3,241,051	3,185,230
Housing loan reserve	562,998	-	-	562,998	572,998
Invested in property and equipment	117,097	1,235,273	-	1,352,370	1,446,682
Externally restricted	-	-	5,603,558	5,603,558	5,954,055
	<u>3,924,179</u>	<u>1,232,240</u>	<u>5,603,558</u>	<u>10,759,977</u>	<u>11,158,965</u>
	<u>\$ 4,616,136</u>	<u>\$ 1,235,273</u>	<u>\$ 5,603,558</u>	<u>\$11,454,967</u>	<u>\$ 11,710,122</u>

On behalf of the Board of Directors

_____ Director

_____ Director

See accompanying notes to the combined financial statements.

The Christian and Missionary Alliance in Canada

Combined Statement of Operating Fund Activities

Year ended December 31

	Global Advance Fund	Multicultural Ministries Fund	2017 Total	2016 Total
Revenue				
General contributions	\$ 13,654,565	\$ -	\$ 13,654,565	\$ 13,725,356
Districts contributions	78,277	260,566	338,843	401,425
General Assembly registration	167	-	167	400,639
Estates and legacies	266,768	-	266,768	170,178
Investment income (Note 4)	372,507	-	372,507	256,329
Support contribution	157,318	-	157,318	184,754
Sundry	102,945	39,410	142,355	284,258
	<u>14,632,547</u>	<u>299,976</u>	<u>14,932,523</u>	<u>15,422,939</u>
Expenditures				
Global ministries	10,148,260	-	10,148,260	10,460,146
Canadian ministries				
National	1,377,945	-	1,377,945	1,492,622
Multicultural	-	257,912	257,912	292,478
Ambrose and ETEQ grants	742,004	-	742,004	722,004
Seamless link	650,347	-	650,347	872,572
General Assembly	32,656	-	32,656	396,043
Administration (Note 13)	1,482,343	22,192	1,504,535	1,165,391
Communication	383,116	-	383,116	360,309
	<u>14,816,671</u>	<u>280,104</u>	<u>15,096,775</u>	<u>15,761,565</u>
Excess (deficiency) of revenue over expenditures	<u>(184,124)</u>	<u>19,872</u>	<u>(164,252)</u>	<u>(338,626)</u>
Fund balances, beginning of year	3,815,666	80,709	3,896,375	3,904,253
Transfer from (to) Property fund (Note 2)	14,549	-	14,549	(45,461)
Transfer from Restricted funds (Note 2)	<u>177,507</u>	<u>-</u>	<u>177,507</u>	<u>376,209</u>
Fund balances, end of year	<u>\$ 3,823,598</u>	<u>\$ 100,581</u>	<u>\$ 3,924,179</u>	<u>\$ 3,896,375</u>

See accompanying notes to the combined financial statements.

The Christian and Missionary Alliance in Canada Combined Statement of Property Fund Activities

Year ended December 31	2017	2016
Revenue		
Rental income	\$ 3,503	\$ 8,865
Resource property income (Note 4)	<u>22,334</u>	<u>11,196</u>
	<u>25,837</u>	<u>20,061</u>
Expenditures		
Amortization of property	<u>87,583</u>	<u>83,187</u>
Deficiency of revenue over expenditures	(61,746)	(63,126)
Fund balance, beginning of year	1,308,535	1,326,200
Transfer from (to) Operating fund (Note 2)	<u>(14,549)</u>	<u>45,461</u>
Fund balance, end of year	<u>\$ 1,232,240</u>	<u>\$ 1,308,535</u>

The Christian and Missionary Alliance in Canada Combined Statement of Restricted Fund Activities

Year ended December 31	2017	2016
Increases		
Designated contributions	\$ 4,442,265	\$ 5,476,853
Decreases		
Designated funds disbursed	<u>4,615,255</u>	<u>4,892,404</u>
Net increase (decrease) in funds	<u>(172,990)</u>	<u>584,449</u>
Fund balance, beginning of year	5,954,055	5,745,815
Transfer to Operating fund (Note 2)	<u>(177,507)</u>	<u>(376,209)</u>
Fund balance, end of year	<u>\$ 5,603,558</u>	<u>\$ 5,954,055</u>

See accompanying notes to the combined financial statements.

The Christian and Missionary Alliance in Canada

Combined Statement of Cash Flows

Year ended December 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating

Deficiency of revenue over expenditures		
Operating funds	\$ (164,252)	\$ (338,626)
Property fund	(61,746)	(63,126)
Net increase (decrease) in Restricted funds	(172,990)	584,449
Items not involving cash		
Amortization of property and equipment	146,442	141,728
Amortization of intangible assets	7,515	107,709
Realized gains on investments (Note 4)	(19,207)	(41,704)
Unrealized gains on investments (Note 4)	(289,601)	(121,043)
	<u>(553,839)</u>	<u>269,387</u>

Net change in non-cash working capital items

Accounts receivable	13,628	(29,866)
Prepaid expenses	6,886	(40,058)
Accounts payable and accrued liabilities	143,833	35,362
	<u>164,347</u>	<u>(34,562)</u>
	<u>(389,492)</u>	<u>234,825</u>

Investing

Purchase of investments	(1,072,387)	(1,225,014)
Proceeds on disposal of investments	1,249,600	755,976
Repayment of housing loans receivable	10,000	15,000
Purchase of property and equipment	(34,360)	(92,528)
Purchase of intangible assets	(25,285)	(26,664)
	<u>127,568</u>	<u>(573,230)</u>

Net change in cash and cash equivalents during the year (261,924) (338,405)

Cash and cash equivalents, beginning of year 2,957,675 3,296,080

Cash and cash equivalents, end of year \$ 2,695,751 \$ 2,957,675

Cash and cash equivalents consist of cash on hand, cash on deposit, and investments in short-term fixed income securities with original maturities of less than three months, bearing interest at 0.8% to 2.85% (2016 – 0.8% to 2.85%)

Cash and cash equivalents are held as follows:

Cash and cash equivalents - Operating funds	\$ 2,679,123	\$ 2,784,004
Cash and cash equivalents - Restricted funds	16,628	173,671
	<u>\$ 2,695,751</u>	<u>\$ 2,957,675</u>

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

1. Purpose and governing statutes

The Christian and Missionary Alliance in Canada (the C&MA) is a religious denomination which is committed to world evangelization, stressing the fullness of Christ in personal experience, building the Church, and preaching the gospel to the ends of the earth.

The C&MA is incorporated as a not-for-profit organization under the Canada Not-for-profit Corporations Act and also registered as a Canadian charity. As such, C&MA is exempt from income taxes.

These combined financial statements include the financial statements of the C&MA and those of a wholly controlled, incorporated, not-for-profit organization. The not-for-profit organization operates with the same purpose of world evangelization.

2. Summary of significant accounting policies

The combined financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, the more significant of which are outlined below.

Use of estimates

The preparation of combined financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. The most significant estimates include the collectability of accounts and housing loans receivable, amortization of property and equipment and intangible assets and the accrual of liabilities. Actual results could differ from those estimates.

Fund accounting

Separate funds are maintained to account for and to report on the separate activities or objectives as determined by donors or by resolution of the Board of Directors (the "Board").

Operating funds

Global Advance Fund

The Global Advance Fund (GAF) reflects all general programs and activities and missionary work of the C&MA.

Multicultural Ministries fund

The Multicultural Ministries fund reflects the broad scope of Alliance Church planting efforts within Canada.

Internally restricted funds (further detailed in Note 7)

Emergency Reserve

The Emergency Reserve was established in 1993 pursuant to a resolution by the Board to protect the C&MA against unforeseen expenses or reductions in revenue. In accordance with Board policy, this fund is to be built up and then to maintain as an emergency reserve an amount equivalent to one month of global advance fund operating expenses.

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Internally restricted funds (further detailed in Note 7) (continued)

Cash Flow Reserve

The Cash Flow Reserve was established by the Board in 2006. This reserve was established to have sufficient cash on hand to meet approved expenses, especially during the summer and fall months when cumulative expenditures often exceed cumulative revenue.

Operating Reserve

The Operating Reserve was established pursuant to a resolution by the Board in addition to the emergency and cash flow reserve to build and maintain a reserve equal to one month of Global Advance Fund (GAF) expenditures. This reserve fund is intended to provide for unforeseen, unusual expenditures and to provide funding for emergent and/or time-sensitive ministry opportunities. This reserve may only be accessed by Board approval.

Legacy and Matured Gift Annuity Reserve

The Legacy and Matured Gift Annuity Reserve was established by the Board in 2010. This reserve provides further protection against unforeseen expenses or reductions in revenue, over and above the Emergency Reserve. This reserve may only be accessed by Board approval.

GAF Future Spending Reserve

The GAF Future Spending Reserve was established by the Board in 2015, as one means of furthering the goal of sustainable funding and sustainable spending. A portion of undesignated legacy gifts is transferred to this reserve account, to be provided back to GAF for spending in subsequent years.

International Workers Professional Development Reserve

The International Workers (IW) Professional Development Reserve was established pursuant to a resolution by the Board to create a reserve fund to be provided back to GAF for spending in subsequent years to fund costs related to preparing IWs for deployment and to fund costs related to professional development opportunities of already deployed IWs.

Missionary Medical Reserve

The Missionary Medical Reserve was established in 1993 pursuant to a resolution by the Board. This reserve fund maintains funds on hand to deal quickly with a costly medical emergency situation, such as a medical evacuation.

Multicultural Ministries Operating Reserve

The Multicultural Ministries Operating Reserve was established in 1993. Pursuant to a resolution by the Board in 1999, a reserve equivalent to two months of the Multicultural Ministries operating budget was established as a medium term goal.

Mission Project Reserve

The Mission Project Reserve was established pursuant to a resolution by the Board to create a reserve fund to be provided back to GAF for spending in subsequent years to fund costs related to Global Ministries mission projects.

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Internally restricted funds (further detailed in Note 7) (continued)

General Assembly Reserve

An internally restricted fund shall be budgeted in Non-Assembly years, providing for one-half of the estimated net costs of the succeeding General Assembly. In 2017, the amount of \$50,000 was reserved and represents one-half of the total anticipated net cost of the 2018 General Assembly.

Caribbean Sun Impact Reserve

The Caribbean Sun Impact Reserve was established pursuant to a resolution by the Board to create a reserve fund to be provided back to GAF for spending in subsequent years to fund costs related to ministry primarily in Mexico and Central and South America.

Property fund

The Property fund includes revenue, expenditures and net assets related to the C&MA's long-term property and equipment.

Restricted funds

Contributions held pending disbursement

Designated contributions held pending disbursement are contributions received for various designated projects (Note 8).

Property and equipment and intangible assets

Purchased property and equipment and intangible assets, in excess of \$1,000, are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful life as follows:

Property and equipment	
Building	Over 25 years
Building improvements	Over 10 years
Computer equipment	Over 3 years
Furniture and equipment	Over 5 years
Intangible assets	
Major computer software (systems)	Over 5 years
Database system	Over 5 years

Amortization is recorded in the combined statement of Operating Fund Activities and also the Property fund activities as a component of Global Ministries and Canadian Ministries expenditures.

Revenue recognition

The C&MA follows the restricted fund method of accounting. As such, unrestricted contributions and legacies are recognized as revenue of the Operating funds in the year received. Contributions which are externally restricted by the donor are recorded in the appropriate restricted funds in the year received.

Investment income is recognized as earned. Registration fees are recognized when the event takes place. Donated investments are recorded in the accounts at fair market value at the time of receipt.

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments

The C&MA's financial instruments are comprised of cash and cash equivalents, accounts receivable, investments, housing loans receivable and accounts payable.

Financial instruments are initially recorded at fair value and subsequently measured at amortized cost except for investments and housing loans receivable.

Investments are recorded and carried at fair market value. Unrealized gains and losses arising from the change in fair value of investments are recorded in excess (deficiency) of revenue over expenditures for the year.

The housing loans receivable are measured at cost as the amortized cost values, using the effective interest method, are not determinable given the undefined period of the obligations.

Foreign operations and assets

All expenditures and property and equipment purchases for operations in foreign countries are recorded as ministries expenditures when remitted. This policy is based on the assumption that such assets would rarely return to the C&MA once they are sent overseas.

Interfund transfers

Transfers between funds are made when resources of one fund have been authorized to finance activities and acquisitions of another fund. During 2017, in accordance with the terms of the restricted funds, the Board approved the transfer of \$177,507 (2016 - \$376,209) of Restricted funds to appropriate Operating fund activities. The Board approved the following transfer of funds from the Property fund \$14,549 (\$45,461 was transferred to the Property fund) to the Operating fund.

Contributed services

Contributed services are not recognized in the combined financial statements due to the difficulty in determining their fair value.

Allocation of expenditures

Expenses are reported by ministry program and support services. Certain employees perform a combination of ministry, fundraising and administrative activities. As a result, expenses for various staff, office, administrative infrastructure and regulatory compliance costs are allocated based on time dedicated to each activity. Other costs including printed material, video and web site expenses have been allocated based on the level of education and awareness building content for each activity. Expense allocations are applied on a consistent basis from year to year. See Note 9 for details.

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

3. Objectives, policies and processes for managing capital

The C&MA's capital is comprised of the net amounts invested in property and equipment and intangible assets, unrestricted funds, restricted funds, internally restricted funds and endowments and trusts.

Invested in property and equipment and intangible assets

The investment in property and equipment at 30 Carrier Drive in Toronto provides a debt-free facility from which to minister. The C&MA occupies 12,700 square feet (2016 – 12,700) of a 16,500 square foot building. The remaining space allows for future capacity and is rented to tenants, which provides some net rental income. For municipal tax purposes, the property has been assessed to have a value of \$2,194,000 in 2017. The phased-in value used in 2017 was \$2,194,000 (2016 - \$1,940,000).

Capital budgets are approved by the Board as a part of the annual budget approval process. Capital spending is overseen by management and is reviewed by Board members, who receive monthly financial reports.

Restricted, unrestricted and internally restricted funds

Restricted funds are managed according to donor designations. The Board's objective is to maintain unrestricted fund balance reserve levels sufficient to provide for current and future financial needs. Staff and Board members are provided with monthly financial reports which include details of these fund balances. Balances are reviewed and approved by the Board.

4. Investments, at market value

	<u>2017</u>	<u>2016</u>
Operating fund investments (a)	<u>\$ 1,012,851</u>	<u>\$ 691,283</u>
Restricted funds		
Fixed income	2,084,688	1,970,865
Mutual funds	2,976,368	3,211,750
Equities	<u>501,314</u>	<u>569,728</u>
	<u>5,562,370</u>	<u>5,752,343</u>
	<u>\$ 6,575,221</u>	<u>\$ 6,443,626</u>

(a) The C&MA has received restricted donations that have been credited to the Global Advance Fund in the Operating fund. The principal amounts of the donations are to be held long-term, and the interest and dividends earned on those investments are recorded in the Global Advance Fund. The funds are invested in GIC's and mutual funds.

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

4. Investments, at market value (continued)

Investment income for the year is made up of the following:

	<u>2017</u>	<u>2016</u>
Interest	\$ 63,687	\$ 71,350
Dividends and royalty income	22,346	49,132
Unrealized gains on investments	289,601	121,043
Realized gains on investments	<u>19,207</u>	<u>41,704</u>
	<u>\$ 394,841</u>	<u>\$ 283,229</u>

Investment income is reported as follows:

Operating funds	\$ 372,507	\$ 256,329
Property fund	22,334	11,196
Restricted funds	<u>-</u>	<u>15,704</u>
	<u>\$ 394,841</u>	<u>\$ 283,229</u>

5. Housing loans receivable

The C&MA extends loans to employees who relocate as a consequence of assuming duties with the C&MA. The loans are interest-free and employees can make voluntary repayments at any time. Housing loans are fully repayable upon termination of employment.

6. Property and equipment and intangible assets

			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Property and equipment				
Land	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
Building	947,810	434,273	513,537	551,446
Building improvements	1,818,067	1,496,331	321,736	360,120
Computer equipment	94,080	54,713	39,367	50,210
Furniture and equipment	<u>168,318</u>	<u>133,782</u>	<u>34,536</u>	<u>59,482</u>
	<u>\$ 3,428,275</u>	<u>\$ 2,119,099</u>	<u>\$ 1,309,176</u>	<u>\$ 1,421,258</u>
Intangible assets				
Major computer software (systems)	\$ 51,950	\$ 8,756	\$ 43,194	\$ 24,927
Database system	<u>14,902</u>	<u>14,902</u>	<u>-</u>	<u>497</u>
	<u>\$ 66,852</u>	<u>\$ 23,658</u>	<u>\$ 43,194</u>	<u>\$ 25,424</u>

During the year, \$1,316,017 was added to cost and accumulated amortization of building improvements. This represents the 2002, 2004 and 2005 building improvements that are still in use, but were written off in a previous year since the balance was fully amortized.

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

7. Internally restricted funds

	<u>2017</u>	<u>2016</u>
Permanent reserves		
Emergency	\$ 1,337,955	\$ 1,300,053
Cash flow	617,518	607,000
Operating	381,662	248,620
Legacy and Matured Gift Annuity	229,370	294,054
GAF Future Spending	221,834	252,658
International Workers Professional Development	116,496	186,496
Missionary Medical	100,000	100,000
Multicultural Ministries Operating	100,581	80,713
Mission Project	71,464	101,464
General Assembly Reserve	50,000	-
Caribbean Sun Impact	17,204	17,203
	<u>\$ 3,244,084</u>	<u>\$ 3,188,261</u>

8. Funds held pending disbursement

The C&MA receives designated gifts from a variety of sources and generally will hold these funds until the time that they are specifically needed. It is normally advantageous to the ministry purpose of the donation to hold the funds in a hard currency such as the Canadian dollar, rather than immediately sending the funds overseas into a softer currency, where the funds could have a greater risk of devaluation. Designated contributions are provided for a variety of ministry purposes, including the following: Alliance Women's Ministries Projects, Alliance Men's Ministries Projects, Missionary's Car funds, Missionary's Work funds, Approved Special projects, CAMA Services, and others.

9. Allocation of expenditures

Certain administration and communication expenditures have been allocated as follows:

			<u>2017</u>	<u>2016</u>
	<u>Global</u> <u>Ministries</u>	<u>National</u> <u>Ministries</u>	<u>Total</u>	<u>Total</u>
Administration	\$ 524,856	\$ 224,938	\$ 749,794	\$ 860,727
Communication	150,793	64,626	215,419	261,983
	<u>\$ 675,649</u>	<u>\$ 289,564</u>	<u>\$ 965,213</u>	<u>\$ 1,122,710</u>

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

10. Post retirement benefits

The C&MA participates in a defined contribution pension plan to provide post-retirement benefits to its eligible employees. The assets of the plan are held separately from those of the C&MA in an independently administered registered pension plan. The pension expense is equal to the contributions paid by the C&MA and for the year amounted to \$460,221 (2016 - \$455,488) and recorded as expenditures in the combined statement of Operating Fund Activities.

The C&MA makes voluntary retirement supplement payments to certain former employees whose former pension plan arrangement did not provide adequate benefits for retirement. These payments are made on a benevolent, funds permitting, voluntary basis. There is no contractual requirement to make these payments, therefore, no obligation is recorded in these combined financial statements.

11. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of combined financial statements in assessing the extent of risk related to financial instruments.

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 meet its obligation. This risk is mitigated by the C&MA through ensuring revenue is derived from qualified sources. The allowance for doubtful accounts in relation to accounts and housing loans receivable is \$Nil (2016 - \$Nil).

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 C&MA is exposed to interest rate risk with respect to investments with fixed interest rates.

Other price risk

The C&MA is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices would result in changes in the fair value of these instruments.

Currency risk

Currency risk is the risk arising from the change in price of one currency against another. The C&MA is exposed to currency risk with respect to a portion of its cash held in US dollars, and with mutual fund investments in underlying securities that are priced in a currency other than the Canadian dollar. Cash held in US bank accounts at year-end is \$156,277 (2016 – \$277,507). The gain/loss on foreign exchange is insignificant.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The C&MA is exposed to liquidity risk with respect to its accounts payable. The C&MA reduces its exposure to liquidity risk related to accounts payable by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet obligations. Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2016 - \$Nil).

The Christian and Missionary Alliance in Canada

Notes to the Combined Financial Statements

December 31, 2017

12. Subsequent event and commitment

Sale of Property

On January 29, 2018, the C&MA entered into a Purchase and Sale Agreement to dispose of the office building. The sale is projected to close on July 3, 2018. The difference between the disposal net proceeds and its carrying amount will be recognized as a non-taxable gain in 2018. The plan is ultimately to use these net proceeds for new facilities for the National Ministry Centre (NMC).

The net proceeds on sale will be invested in a Building Replacement Fund as approved by the Board of Directors. The proceeds will be invested in a manner that protects capital from any exposure to impairment, maintains the level of liquidity for ultimate investment in new facilities at the highest rate of return possible. The investment income received during the time prior to the purchase of new land and the construction of new facilities will be entirely retained and reinvested back into the Building Replacement Fund.

New Operating Lease for temporary space

On March 16, 2018, an offer to lease 12,382 square feet on one floor was made to temporarily house the NMC office facility. The term of the lease is 3 years and 3 months from May 1, 2018 to July 31, 2021 and has an option to extend for a further year.

Operating lease commitments for these temporary office facilities are as follows:

The future contractual aggregate minimum lease payments over the next four years under this non-cancellable operating lease are as follows for the years ended December 31,

2018	\$ 61,910
2019	\$151,164
2020	\$156,065
2021	\$ 92,091

13. Termination benefits

Administration expenditures include \$298,000 in termination benefits. Of this amount, termination benefits in the amount of \$186,000 are included in accounts payable and accrued liabilities.

14. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2017 combined financial statements.
