

2014

the meeting
house

ANNUAL REPORT

INTRODUCTION

We are now half way through our Transform Mission. We have accomplished major goals and are continuing to make significant progress. With that said, we still have a distance to go. The key to success in a mission is to remain focused, make necessary course corrections and continue to work hard at the vision God gave us. We are excited to launch into the second half with anticipation of what God will accomplish through our church family.

This November meeting is the first time we will meet in accordance with our new by-law and requirements of the Canadian government. Here are the key documents for you to review.

- **Ministry Report 2013-2014**
Online – Check out some inspiring stories, pictures, videos and updates on your site's facebook page or online at thereturninghouse.com/ministryreport.

- **Annual Report 2013-2014**
Includes our Overseers Report and their Nominating Committee Report, as well as the Audited Financial Statements from The Meeting House.

It is a privilege to serve you. Thank you for joining with us. We look forward to seeing you there!

Peace,



Bruxy Cavey
Teaching Pastor



Tim Day
Senior Pastor

OVERSEERS' REPORT

It has only been a short time since we last met for the annual general meeting, but during this brief time it has been a remarkable journey to appreciate and learn the amazing ways that our community is showing and embracing God's love.

The impact that The Meeting House community is having in the lives of people here, and around the world is astonishing to say the least. I am reminded of James 1:22 —

"Don't just listen to the word. You fool yourselves if you do that. You must do what it says."

We can all feel proud of the efforts we have made to assist those in need as servants of God and, hopefully, bring a sense of community and caring to those who would otherwise lose faith.

It has been exciting to hear about the "doings" around The Meeting House. These examples come to mind:

1. Our **kidmax** curriculum inspired a student in grade five to raise money for homeless individuals in downtown Toronto. He used the money he raised to provide care packages that he personally delivered to those in need.
2. Issa Ebombolo, started three peace clubs in Zambia, because of Meeting House support. The peace clubs work with students in high schools to teach peace in practical ways, and provide concrete strategies for dealing with conflict and reconciling relationships. With the support of The Meeting House, the three peace clubs have now grown to over 650 clubs throughout southern Africa.
3. Bruxy's Frosh series reminded us of living out life in community and his exhortation to be in a huddle to go deeper and challenging

and helping each other to live more Christ-like each week.

I have been reminded about the beauty of community and how it can transform us individually and the world around us with Jesus' irreligious message.

I want to thank our leadership team led by Bruxy Cavey and Tim Day for their humble and heart-filled leadership. We are blessed with a standard of excellence that The Meeting House staff strives to achieve in what they do each and every day. As a community, we are also blessed by the support and bond we have with our denomination, the Brethren In Christ.

The incredible passion of our volunteers makes our community happen. We are able to do what we do because of people giving their time and talents – THANK YOU. Also, thanks to our community for its ongoing financial support and making individual and personal sacrifices to give. The following report shows the impact of that financial support including growing 14 sites and four preview/teaching venues in Ontario, providing podcasts around the world, and supporting daycares and hospitals in southern Africa.

I am personally thankful for the Overseers and their wisdom of community leadership. May God continue to use our community for his glory as we continue to serve and grow in our love for the Lord and our community, those on our streets and people in other continents.

Peace,



David Lees
Chair, Overseers Board

2014 ANNUAL MEETING MINUTES

Saturday, May 3, 2014 | 9:30 am

Welcome & Prayer

The meeting was opened by Bruxy Cavey. He thanked everyone for taking the time to come together to review our ministry year and gather with our broader BIC community after this meeting. Mark Coombs brought greetings on behalf of the Overseers and made introductions.

Spring Survey Highlights

Tim Day and Bruxy Cavey shared highlights from our spring survey and home church tours – recent teaching series, new sites, global compassion through AIDS Care and the Africa Exchange team, new resources for our invite goal with *God Enters Stage Left*, and the Oakville expansion. We have reached the half-time mark for our Transform mission. For the second half of our mission we seek to follow God and embark on expanding into the US. Our new budget is an expression of this calling as we step out in faith to be obedient.

Approval of 2013 Annual Meeting Minutes

Mark Coombs reported that we have quorum for the meeting with 31% of our 1,088 members. The motion to approve the 2013 Annual Meeting Minutes was moved by Timen Jansen and seconded by Karen LaForet. There were no questions and the motion was carried.

Overseers' Report

Mark Coombs reviewed highlights from the Overseers report in the Leadership Community report. We are blessed by unity and an amazing group of staff, leaders, and volunteers in community. Our Overseers served on subcommittees and supported staff in the areas of finance, human resources, legal/organizational, audit, etc. We have a strong base of 332 Elders who serve 184 home churches across our community. They reach out in their communities and serve in compassion efforts. We are thankful for the generosity of our community to respond to financial needs.

Review of Financial Results

Rod Tombs and Mathew Moore reviewed financial highlights from the past year. We have healthy finances – strong balance sheet and income statement – and continue to see growth. In the last months we have seen leveling as a result of poor weather last winter. We are looking forward to stretching ourselves in the next year to pursue our goals of expansion and curriculum and not sacrifice our core ministries. Mat talked about

the encouraging financial support for our General, Growth and Compassion Funds. The auditors of our 2012-2013 audit gave us another clean audit. Rod reviewed the Fund balances followed by a summary of income and expenses in our three Funds. The projected budget income and expenses for 2013-2014 were reviewed. We are including budgets for launching the Brantford site and maintaining our expenses with minimal staff hires. A chart showing the consolidated budget was reviewed which highlights an overview of our spending.

Financial Motions

Motion to accept the 2012-2013 audited Financial Statements as presented. Moved by Timen Jansen and seconded by Mary Ellen Kaye. Rod responded to a few questions from the floor before the motion was carried. Motion to accept the 2014-2015 Budget as presented by TJ Heideman and seconded by Johnny Blackfield. Mat Moore responded to a few questions and comments before the motion was carried. Motion to appoint Grant Thornton as auditors for the 2013-2014 Financial Statements was moved by Timen Jansen and seconded by Delvin Fletcher. There were no questions and the motion carried.

Nominating Committee Report

Mark Coombs reviewed the criteria for the role of Overseers. A motion to accept the slate of Overseers for a 3-year term – Matthew Kerr, Tammy Smith and Darrell Winger – was moved by Gary Winger and seconded by Brian Pengelly. Mark Coombs responded to a question before the motion was carried.

Bylaw Update

David Lees gave an overview of the By-law change process. The review of our membership process was done to align with our mission and staff. Our core community was part of our former mission – serving, giving, attending home church and baptism. We will continue to receive feedback from our core community. The legal definition of members to include historical members, pastoral staff and overseers. Motion to accept moved by Russ Skinner and seconded by Timen Jansen. David Lees and Tim Day responded to questions around the new definition of members to serve our community well as we grow and expand. People were encouraged to follow-up with David Lees or Tim Day with questions.

Mark Coombs moved that the meeting be adjourned and closed in prayer.

NOMINATING COMMITTEE REPORT

This year's annual general meeting is our first as a newly continued corporation under the Canada Not-for-Profit Corporations Act (the "NFP Act") and The Meeting House's new by-law, approved in May 2014. Unlike past annual meetings where members have elected a portion of the Board of Overseers, members at this first annual general meeting are required to elect the entire Board of Overseers, each to specified terms. This requirement is set out in section 5.04(c) of our by-law and will only happen once. Going forward, Overseers will be nominated for election in staggered terms, consistent with our past practice and principles of good governance.

The Overseers' Nominating Committee, together with the Board, met to review our Overseers' team complement for approval at this first annual general meeting following continuation under the NFP Act, including the role, composition and functional needs of the Board of Overseers. It is the recommendation of the Board that all Overseers currently serving on the Board as of the date of this report be re-elected to return and continue as Overseers into the same terms and year of term as follows:

- **Jennifer Carkner**
nominated to return and serve for one year, the final year of her 2nd three-year term; attends Oakville site, currently serving as Secretary
- **Anthony DeGazon**
nominated to serve and return for one year, the final year of his 2nd three-year term; attends Oakville site
- **Michelle Dermenjian**
nominated to serve and return for two years, the second year of her 2nd three-year term; attends Parry Sound site

- **Michael Messenger**
nominated to serve and return for two years, the second year of his 2nd three-year term; attends Oakville site, currently serving as Vice-Chair
- **Matthew Kerr**
nominated to serve and return for three years, the first year of his 2nd three-year term; attends Ottawa site
- **David Lees**
nominated to serve and return for one year, the final year of his 1st three-year term; attends Uptown Toronto site, currently serving as Chair
- **Mathew Moore**
nominated to serve and return for one year, the final year of his 1st three-year term; attends Burlington site, currently serving as Treasurer
- **David Ho**
nominated to serve and return for two years, the second year of his 1st three-year term; attends High Park site
- **Darrell Winger**
nominated to serve and return for three years, the first year of his 1st three-year term; attends Oakville site

We want to thank Tammy Smith for her passionate leadership at The Meeting House. She resigned as an Overseer in mid-October and we wish her well as she continues to serve the Kingdom in other ways. The vacancy left by Tammy's resignation has not been filled and it is the intention of the Board to allow the Nominating Committee to take the necessary time to conduct a search for suitable candidates, who would then be recommended for election at our next members' meeting.

Respectfully submitted on behalf
of the Nominating Committee,

Jenn Carkner | Matthew Kerr | Ron Burkholder

FINANCIAL REPORT

On behalf of the Finance Team and staff, we would like to thank you for your generous donations which enabled us to continue our ongoing work as well as move forward with our growth and compassion initiatives.

The General fund offerings fell behind budget this year after our difficult winter weather. We had hoped to catch up by the end of June, however the increase we realized didn't match our forecast last May. As a result we still fell short by just under \$240,000. In response, costs were trimmed, and some replacement staff hires were held back allowing us to end the year with a small cash shortfall of only \$43,321. Our cash reserves remain in order.

The Oakville building expansion was completed within budget. An additional mortgage of \$2.43 million was required which was less than the approved mortgage amount of \$2.5 million. New curriculum for children and youth ministries continue to be developed with funds from the Growth fund as well as other growth and invite initiatives and new site development.

Support of over \$800,000 was distributed to local and global ministries from our Compassion fund. Two Africa Learning Teams visited various projects in the summer and we had the privilege of hosting the team from Africa here last winter.

Attached are the Audited Statements for year ended June 30, 2014. If you have questions about these reports please feel free to contact us at finance@themeetinghouse.com.

Motions to Table:

- Motion to accept the 2013-2014 Audited Statements as presented
- Motion to appoint Grant Thornton Chartered Accountants as auditor for the 2014-15 fiscal year.

Respectfully submitted,



Judy Maranta, CPA, CMA
Finance Manager



Mathew Moore, CPA, CA
Treasurer

The Meeting House receives offerings that pay our expenses and enables the ministry of The Meeting House. Our primary fund — the General Fund — covers for the majority of these costs. The General Fund is where people typically give their regular offerings (tithe). We have two additional funds related to our mission — the Growth and Compassion Funds — that stretch us to give above and beyond our regular offerings.

- **General Fund** — provides finances for how we communicate the message of Jesus, care for people, help them grow in their relationship with God and mobilize them to serve within and beyond The Meeting House.
- **Growth Fund** — provides the capital and start-up funds required to launch and expand our sites, and create new discipleship tools to resource our community.
- **Compassion Fund** — raises money to give externally to global and local compassion partners.



Grant Thornton

Financial Statements

The Meeting House Church Family

June 30, 2014

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Independent Auditor's Report

To the Directors of
The Meeting House Church Family

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We have audited the accompanying financial statements of The Meeting House Church Family, which comprise the statement of financial position as at June 30, 2014 and the statements of General Fund activity and changes in fund balance, Restricted Funds activity and changes in fund balances, Property Fund activity and changes in fund balance, changes in fund balances 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 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.

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Meeting House Church Family as at June 30, 2014, 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.

Mississauga, Canada
October 18, 2014

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

The Meeting House Church Family
Statement of General Fund Activity and Changes in Fund
Balance

Year ended June 30	2014	2013
Revenue		
Offerings	\$ 7,373,251	\$ 7,287,180
Rental and sales income	305,533	450,936
Ministry reimbursements	158,673	139,884
Interest and other	<u>68,331</u>	<u>33,647</u>
	<u>7,905,788</u>	<u>7,911,647</u>
Expenditures		
Adult ministries	1,782,407	1,705,472
Facilities	1,647,601	1,425,401
Weekend services	968,643	1,039,874
Administration	798,203	852,856
Communications	701,872	621,230
Youth	632,597	677,915
Kidmax	383,233	411,072
Shared staff expense	308,620	256,417
Missions and partnership support	267,240	250,020
Interest on long-term debt (Note 7)	127,016	154,850
Rent and sales expense	<u>98,725</u>	<u>109,270</u>
	<u>7,716,157</u>	<u>7,504,377</u>
Excess of revenue over expenditures	<u>189,631</u>	<u>407,270</u>
Fund balance, beginning of year	<u>666,997</u>	<u>678,651</u>
Interfund transfers		
Purchase of property and equipment	(7,546)	(5,549)
Repayment of loan principal	(205,015)	(183,375)
Funding of property and equipment reserve fund	(30,000)	(30,000)
Support to the Growth Fund	-	(200,000)
Support of church start-up expenses	<u>9,609</u>	<u>-</u>
	<u>(232,952)</u>	<u>(418,924)</u>
Net change in fund balance	<u>(43,321)</u>	<u>(11,654)</u>
Fund balance, end of year	<u>\$ 623,676</u>	<u>\$ 666,997</u>

The Meeting House Church Family
Statement of Restricted Funds Activity and Changes in Fund
Balances

Year ended June 30	Growth Fund	Compassion Fund	Church Start-up Fund	Total 2014	Total 2013
Revenue					
Capital campaign offerings	\$ 1,269,732	\$ 1,170,569	\$ -	\$ 2,440,301	\$ 2,450,812
Other income	12,246	10,000	-	22,246	37,407
Investment income	8,426	13,396	-	21,822	31,359
	<u>1,290,404</u>	<u>1,193,965</u>	<u>-</u>	<u>2,484,369</u>	<u>2,519,578</u>
Expenditures					
Compassion - local and global	70,000	809,514	-	879,514	866,014
Expansion - new and current sites	577,395	-	-	577,395	306,393
Curriculum and growth and invite goals	573,137	-	-	573,137	113,050
Administration	-	135,010	-	135,010	160,139
Promotion and web site	10,550	3,209	-	13,759	125,053
	<u>1,231,082</u>	<u>947,733</u>	<u>-</u>	<u>2,178,815</u>	<u>1,570,649</u>
Excess of revenue over expenditures	59,322	246,232	-	305,554	948,929
Fund balance, beginning of year	<u>2,070,855</u>	<u>930,608</u>	<u>100,000</u>	<u>3,101,463</u>	<u>2,316,051</u>
Interfund transfers					
Purchase of property and equipment	(4,099,481)	-	-	(4,099,481)	(363,517)
Proceeds of new mortgage	2,430,000	-	-	2,430,000	-
Support from the General Fund	-	-	-	-	200,000
Support of church start-up expenses	-	-	(9,609)	(9,609)	-
Net change in fund balance	<u>(1,610,159)</u>	<u>246,232</u>	<u>(9,609)</u>	<u>(1,373,536)</u>	<u>785,412</u>
Fund balance, end of year	<u>\$ 460,696</u>	<u>\$ 1,176,840</u>	<u>\$ 90,391</u>	<u>\$ 1,727,927</u>	<u>\$ 3,101,463</u>

The Meeting House Church Family
Statement of Property Fund Activity and Changes in Fund
Balance

Year ended June 30	2014	2013
Revenue		
Gain on disposal of property and equipment	\$ 18,361	\$ -
Interest income	4,706	4,034
Insurance proceeds	-	91,122
	23,067	95,156
Expenditures		
Amortization of property and equipment	601,086	558,454
Property repairs and replacement equipment	52,618	84,273
Loss on disposal of property and equipment	-	34,284
	653,704	677,011
Deficiency of revenue over expenditures	(630,637)	(581,855)
Fund balance, beginning of year	5,804,304	5,803,718
Interfund transfers		
Purchase of property and equipment	4,107,027	369,066
Repayment of loan principal	205,015	183,375
Funding of property and equipment reserve fund	30,000	30,000
Proceeds of new mortgage	(2,430,000)	-
	1,912,042	582,441
Net change in fund balance	1,281,405	586
Fund balance, end of year	\$ 7,085,709	\$ 5,804,304

The Meeting House Church Family Statement of Changes in Fund Balances

Year ended June 30	General Fund	Restricted Funds	Property Fund	Total 2014	Total 2013
Fund balances, beginning of year	\$ 666,997	\$ 3,101,463	\$ 5,804,304	\$ 9,572,764	\$ 8,798,420
Excess (deficiency) of revenue over expenditures before transfers	189,631	305,554	(630,637)	(135,452)	774,344
Interfund transfers					
Purchase of property and equipment	(7,546)	(4,099,481)	4,107,027	-	-
Loan principal repayments	(205,015)	-	205,015	-	-
Property and equipment reserve fund	(30,000)	-	30,000	-	-
Proceeds of new mortgage	-	2,430,000	(2,430,000)	-	-
Transfer from Church Start-up Fund	<u>9,609</u>	<u>(9,609)</u>	-	-	-
Fund balances, end of year	<u>\$ 623,676</u>	<u>\$ 1,727,927</u>	<u>\$ 7,085,709</u>	<u>\$ 9,437,312</u>	<u>\$ 9,572,764</u>

The Meeting House Church Family Statement of Financial Position

As at June 30	General Fund	Restricted Funds	Property Fund	Total 2014	Total 2013
Assets					
Current					
Cash and cash equivalents (Note 4)	\$ 942,779	\$ 1,679,376	\$ 370,727	\$ 2,992,882	\$ 4,494,287
Pledges receivable (Note 2)	-	968,094	-	968,094	1,070,807
Taxes recoverable	47,569	-	-	47,569	59,106
Miscellaneous receivables	26,955	-	-	26,955	41,612
Prepaid expenses and deposits	27,858	63,850	-	91,708	64,832
Resource Centre inventory	10,785	-	-	10,785	12,070
Interfund loan	(55,065)	55,065	-	-	-
	1,000,881	2,766,385	370,727	4,137,993	5,742,714
Pledges receivable (Note 2)	-	1,971,442	-	1,971,442	3,340,501
Property and equipment (Note 5)	-	-	12,593,993	12,593,993	9,097,442
	\$ 1,000,881	\$ 4,737,827	\$ 12,964,720	\$ 18,703,428	\$ 18,180,657
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 6)	\$ 361,795	\$ 70,364	\$ 5,703	\$ 437,862	\$ 513,786
Deferred revenue	15,410	-	-	15,410	34,476
Deferred pledge revenue (Note 2)	-	968,094	-	968,094	1,070,807
Long-term debt (Note 7)	-	-	294,704	294,704	204,359
	377,205	1,038,458	300,407	1,716,070	1,823,428
Deferred pledge revenue (Note 2)	-	1,971,442	-	1,971,442	3,340,501
Long-term debt (Note 7)	-	-	5,578,604	5,578,604	3,443,964
	377,205	3,009,900	5,879,011	9,266,116	8,607,893
Fund balances					
Working capital reserve	623,676	-	-	623,676	666,997
Internally restricted					
Church Start-up Fund	-	90,391	-	90,391	100,000
Property Fund	-	-	370,727	370,727	355,185
Invested in property and equipment	-	-	6,714,982	6,714,982	5,449,119
Externally restricted					
Growth Fund	-	460,696	-	460,696	2,070,855
Compassion Fund	-	1,176,840	-	1,176,840	930,608
	623,676	1,727,927	7,085,709	9,437,312	9,572,764
	\$ 1,000,881	\$ 4,737,827	\$ 12,964,720	\$ 18,703,428	\$ 18,180,657

On behalf of the Overseers Committee



Director



Director

See accompanying notes to the financial statements.

The Meeting House Church Family Statement of Cash Flows

Year ended June 30

2014

2013

Increase (decrease) in cash and cash equivalents

Operating

Excess (deficiency) of revenue over expenditures	\$ (135,452)	\$ 774,344
Items not affecting cash		
Amortization of property and equipment	601,086	558,454
Loss (gain) on disposal of property and equipment	(18,361)	34,284
	<u>447,273</u>	<u>1,367,082</u>

Change in non-cash working capital items

Pledges receivable	1,471,772	(4,411,308)
Taxes recoverable	11,537	(23,853)
Miscellaneous receivables	14,657	(35,825)
Prepaid expenses and deposits	(26,876)	29,378
Resource Centre inventory	1,285	720
Accounts payable and accrued liabilities	(75,924)	201,264
Deferred revenue	(19,066)	15,539
Deferred pledge revenue	<u>(1,471,772)</u>	<u>4,411,308</u>
	<u>(94,387)</u>	<u>187,223</u>
	<u>352,886</u>	<u>1,554,305</u>

Financing

Loan principal repayments	(205,015)	(183,375)
Proceeds on long-term debt	<u>2,430,000</u>	<u>-</u>
	<u>2,224,985</u>	<u>(183,375)</u>

Investing

Proceeds from sale of property and equipment	27,751	6,952
Purchase of property and equipment	(4,107,027)	(390,012)
	<u>(4,079,276)</u>	<u>(383,060)</u>

Increase in cash and cash equivalents

(1,501,405)

987,870

Cash and cash equivalents (Note 4)

Beginning of year	<u>4,494,287</u>	<u>3,506,417</u>
End of year	<u>\$ 2,992,882</u>	<u>\$ 4,494,287</u>

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

1. Purpose of the Organization

The Meeting House Church Family (the "Organization") was established to honour God by proclaiming the irreligious message of Jesus and fostering loving communities of fully-committed Christ-followers. The Organization was incorporated under the laws of Ontario on June 4, 2004 as a Not-For-Profit Organization and is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the Organization and applied in these financial statements are summarized below.

Fund accounting

The accounts are maintained in accordance with the principles of fund accounting, whereby fund balances of the Organization are classified for accounting and reporting purposes into funds to be used according to the directions of the donor or as determined by the Organization.

General Fund

The General Fund consists of unrestricted contributions and other revenue and related expenditures pertaining to the operations of the Organization

Restricted Funds

Externally restricted fund - Growth Fund

The Growth Fund consists of amounts designated by donors to assist in church growth and other programs as established by the Overseers Committee (the "Overseers"). Such programs include, but are not limited to, establishing and expanding regional sites, acquisition and improvements of buildings and other assets.

Externally restricted fund - Compassion Fund

The Compassion Fund consists of amounts designated by donors to assist in compassionate ministries and other programs. Such programs include, but are not limited to, local and global compassionate initiatives, and outreach opportunities.

Internally restricted fund - Church Start-up Fund

The Church Start-up Fund consists of amounts designated by the Overseers to be used to fund initial costs incurred in the establishment of regional sites.

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

2. Summary of significant accounting policies (continued)

Property Fund

The Property Fund consists of the assets, liabilities, revenue and expenditures related to the Organization's property and equipment.

Interfund transfers

Transfers between funds are made when resources of one fund have been authorized to finance activities and acquisitions in another fund.

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions.

All offerings which are externally restricted by the donor with an associated restricted fund are recorded in the appropriate restricted fund in the year received. Externally restricted offerings to the General Fund are recorded as deferred revenue and subsequently recognized as revenue as the related expenses are incurred.

Unrestricted offerings are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rent, sales, investment, interest and all other income are recognized as earned.

Pledge receivable and deferred pledge revenue

Periodically, the Organization raises funds for special growth or compassionate initiatives. These initiatives occur over multi-year periods, and donors commit to multi-year pledges. Because of the material amounts involved in these campaigns, the Organization recognizes the pledges as receivable when made. However as the related expenditure will not occur until the funds are received and the final amount that will be received on the pledges is uncertain, the Organization records the corresponding revenue as deferred pledge revenue.

On payment of a pledge, the related deferred revenue and receivable are reversed, and the actual revenue and cash received are recorded.

Resource Centre inventory

The cost of Resource Centre inventory comprises the purchase price and other costs directly attributable to its acquisition. Resource Centre inventory is stated at the lower of cost and net realizable value and relieved from Resource Centre inventory on a first-in, first-out basis. Net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs necessary to make the sale.

Resource Centre inventory is adjusted to net realizable value when the cost of Resource Centre inventory is not estimated to be recoverable. The amount of any write-down of Resource Centre inventory to net realizable value and all losses of Resource Centre inventory are recognized as an expense in the period the write-down occurs.

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

2. Summary of significant accounting policies (continued)

Property and equipment

Purchased property and equipment are recorded in the Property Fund at cost less accumulated amortization, which is provided for over the expected useful life of the assets as follows:

Building	4% declining balance
Sound and video equipment	20% declining balance
Furniture and equipment	20% declining balance
Computer hardware and software	30% declining balance
Vehicles and trailers	30% declining balance

Contributed goods and services

Contributed goods and capital donations are recorded at fair market value as at the date of contribution.

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

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in limited circumstances. The Organization's financial instruments are comprised of cash and cash equivalents, taxes recoverable, miscellaneous receivables, accounts payable and long-term debt.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value and financial assets and liabilities obtained in related party transactions are initially measured at their exchange amount. The Organization subsequently measures all of its financial assets and liabilities at amortized cost.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the excess or deficiency of revenue over expenditures as appropriate in the year they become known.

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

3. Objectives, policies and processes for managing capital

The Organization's capital is comprised of the net amounts invested in property and equipment, unrestricted funds and internally and externally restricted funds.

Working capital reserve fund - General Fund

The Overseers' objective is to maintain a working capital reserve fund balance sufficient to meet the annual working capital requirements and the purchase of new equipment. This is an amount determined by the Overseers based on the annual budget (less \$150,000 of the available line of credit). Staff prepares and the Overseers review the annual budget which projects the working capital reserve fund balance required. After the budget is approved by the Overseers and congregation, the Treasurer monitors the actual results against the forecast and notifies the Overseers when changes to plans are required.

Internally restricted funds - Church Start-up Fund

The objective of the Church Start-up Fund is to provide a reserve to fund initial costs incurred in the establishment of regional sites as determined by the Overseers.

Internally restricted fund - Property Fund

The Overseers' objective is to maintain a reserve of funds that can be drawn on to fund major building and property repairs and improvements and replace broken or obsolete equipment. The Property Fund is replenished by an annual budgeted transfer from the General Fund based on the spending expectations in the Property Fund replacement plan. The Treasurer monitors the status of the fund and reports to the Overseers on its usage.

Invested in property and equipment

The Organization invests in property and equipment in order to provide worship and devotional programming that enhances the personal experience of all participants.

The Finance and Directors teams are responsible for this investment and define the policies to be followed to ensure the smooth functioning of the building and equipment and their maintenance.

The teams develop the annual capital budget which is submitted to the Overseers for examination. The Overseers authorize the funds for the budget, with revisions throughout the year as required. The budget is executed by the Finance and Directors teams and monthly reports are submitted to the Overseers.

Where cash funds are not required in the short-term, the Finance Manager invests their balances in short-term, low risk and highly liquid financial instruments for both internally and externally restricted funds.

Externally restricted funds - Growth Fund

The objective of the Growth Fund is to provide for church growth, and other programs as established by the Overseers. The Director team is responsible for carrying out the objectives of this fund as set out in the plan. The Treasurer monitors the status of the fund and reports to the Overseers on its usage.

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

3. Objectives, policies and processes for managing capital (continued)

Externally restricted funds - Compassion Fund

The objective of the Compassion Fund is to provide for compassionate ministries and other programs as established by the Overseers. The Director team is responsible for carrying out the objectives of this Fund as set out in the plan. The Treasurer monitors the status of the Fund and reports to the Overseers on its usage.

Other restrictions

The Organization is subject to the disbursement requirements set by the Canada Revenue Agency for Canadian charities and as at the end of fiscal 2014, was in compliance with these requirements.

The Organization is not subject to any external capital requirements other than those outlined above.

4. Cash and cash equivalents

	2014	2013
General Fund		
Cash	\$ 141,599	\$ 388,031
High interest savings account	<u>801,180</u>	<u>921,715</u>
	<u>942,779</u>	<u>1,309,746</u>
Restricted Funds		
Growth Fund - High interest savings account	495,473	1,887,478
Compassion Fund - High interest savings account	<u>1,183,903</u>	<u>941,878</u>
	<u>1,679,376</u>	<u>2,829,356</u>
Property Fund		
High interest savings account	<u>370,727</u>	<u>355,185</u>
	<u>\$ 2,992,882</u>	<u>\$ 4,494,287</u>

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

5. Property and equipment

	Cost	Accumulated Amortization	2014 Net	2013 Net
Land	\$ 2,070,000	\$ -	\$ 2,070,000	\$ 2,070,000
Building	11,592,628	2,312,944	9,279,684	5,912,100
Sound and video equipment	2,248,309	1,513,636	734,673	662,513
Furniture and equipment	858,112	535,094	323,018	213,764
Computer hardware and software	504,212	423,091	81,121	106,725
Vehicles and trailers	<u>412,762</u>	<u>307,265</u>	<u>105,497</u>	<u>132,340</u>
	<u>\$ 17,686,023</u>	<u>\$ 5,092,030</u>	<u>\$ 12,593,993</u>	<u>\$ 9,097,442</u>

Additions to property and equipment during the year were as follows:

	2014	2013
Building	\$ 3,677,620	\$ 300,574
Sound and video equipment	237,837	64,311
Furniture and equipment	168,896	-
Computer hardware and software	7,546	-
Vehicles and trailers	<u>15,128</u>	<u>25,127</u>
	<u>\$ 4,107,027</u>	<u>\$ 390,012</u>

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$52,652 (2013 - \$70,280).

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

7. Long-term debt

	2014	2013
Mortgage with the Royal Bank of Canada, bearing interest at 3.17%, due October 29, 2017, payable by monthly instalments of principal plus interest of \$26,421 and secured by the Bristol Circle property and a general security agreement	<u>\$ 3,443,308</u>	\$ 3,648,323
Mortgage with the Royal Bank of Canada, bearing interest at 3.88%, due on June 20, 2019, payable by monthly installments plus interest of \$14,573 and secured by a general security agreement	<u>2,430,000</u>	-
	5,873,308	3,648,323
Current portion	<u>294,704</u>	204,359
	<u>\$ 5,578,604</u>	<u>\$ 3,443,964</u>

Interest incurred on the above loans in the amount of \$127,016 (2013 - \$154,850) was expensed in the statement of General Fund activity and changes in fund balance.

Minimum principal repayments over the next five fiscal years are as follows:

2015	\$ 294,704
2016	303,080
2017	313,455
2018	2,882,122
2019	<u>2,079,947</u>
	<u>\$ 5,873,308</u>

The Church intends to refinance the mortgages upon maturity.

8. Line of credit

A line of credit is available up to a maximum of \$250,000 and bears interest at the bank prime rate plus 0.5%. The line is secured by a general security agreement on all assets except real property. At year end, there was no amount drawn on this line.

In Fiscal 2013, a line of credit was available up to a maximum of \$2,500,000 and bore interest at the bank prime rate plus 0.75%. The loan was secured by a general security agreement on all assets except real property. In Fiscal 2013, there was no amount drawn on this line. During Fiscal 2014, this line was converted to a mortgage as indicated in Note 7.

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

9. Commitments

The Organization is committed under operating leases for equipment extending for various periods to March 2017. Future minimum annual payments required over the next three years are as follows:

2015	\$ 35,160
2016	35,160
2017	17,580

The Organization entered into an agreement with the Mennonite Central Committee (MCC) to enable the Organization to support MCC's compassionate ministries. Future commitments over the next three years are as follows:

2015	\$ 409,950
2016	434,950
2017	484,100

10. 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 the financial statements in assessing the extent of risk related to financial instruments. It is management's opinion that the Organization is not exposed to significant risk arising from its financial instruments.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counter party to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Organization. The Organization's main credit risks relate to its taxes recoverable and miscellaneous receivable.

The Organization provides for its exposure to credit risk by creating an allowance for doubtful accounts when appropriate. As at June 30, 2014, the allowance for doubtful accounts is \$Nil (2013 - \$Nil).

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in raising funds to meet commitments associated to its financial liabilities. The Organization is exposed to liquidity risk mainly in respect to its accounts payable and long-term debt.

The Organization's financing facilities include a requirement to maintain a debt service coverage ratio not less than 1.30:1 that is to be assessed at the end of each fiscal year. The Organization is in compliance with this covenant as at June 30, 2014.

The Organization manages its liquidity risk by forecasting cash flows from operations, investing and financing activities, including a working capital reserve held in the General Fund, to ensure that it has sufficient funds available to meet current and foreseeable financial obligations.

The Meeting House Church Family

Notes to the Financial Statements

June 30, 2014

10. Financial instruments (continued)

Interest rate risk

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. Interest rate cash flow risk is the risk that the cash flows of the Organization will fluctuate due to changes in market interest rates.

The Organization's exposure to interest rate price risk is limited to its fixed interest bearing debt. As the Organization does not have variable interest bearing debt or investments, the Organization is not exposed to interest rate cash flow risk.