

Financial Statements of

CATCH THE FIRE TORONTO

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Church Board of Catch The Fire Toronto

We have audited the accompanying financial statements of Catch The Fire Toronto, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 an 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 our 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, we consider 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 qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, Catch The Fire Toronto derives revenue from donations and cafe sales, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Catch The Fire Toronto. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2017 and December 31, 2016 any adjustments might be necessary to donations and cafe sales revenue and excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended 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 Catch The Fire Toronto as at December 31, 2017, and its result of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 18, 2018
Vaughan, Canada

CATCH THE FIRE TORONTO

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 354,195	\$ 187,882
Accounts receivable	175,892	91,844
Inventories	92,405	103,686
Prepaid expenses and deposits	93,922	64,769
Due from related parties (note 3)	121,901	57,990
	838,315	506,171
Investments (note 4)	232,288	205,013
Capital assets (note 5)	5,695,328	5,455,958
	\$ 6,765,931	\$ 6,167,142
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 107,952	\$ 108,779
Current portion of long-term debt (notes 6 and 8)	—	120,739
	107,952	229,518
Deferred contributions:		
Deferred revenue	56,885	257,891
Deferred capital contributions (note 9)	734,429	—
	791,314	257,891
	899,266	487,409
Long-term debt (notes 6 and 8)	—	1,060,101
Net assets:		
Invested in capital assets (note 10)	5,249,669	4,275,118
Unrestricted	616,996	344,514
	5,866,665	4,619,632
Commitments (note 11)		
	\$ 6,765,931	\$ 6,167,142

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CATCH THE FIRE TORONTO

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Donations, church operations	\$ 4,668,809	\$ 3,224,307
School of ministry fees	578,642	907,419
Conference fees	359,341	443,927
Other (note 3)	419,106	326,837
Sale of books and tapes (note 3)	426,049	464,601
Cafe sales	646,803	295,248
Amortization of deferred capital contributions (note 9)	7,829	—
Foreign exchange gain	8,048	18,931
	7,114,627	5,681,270
Expenses:		
Church operations (note 3)	4,527,681	4,069,424
Books and tapes purchases (note 3)	338,171	284,097
Cafe	248,349	205,508
Amortization	234,160	250,660
School of ministry	231,045	374,024
Interest and credit card fees (note 3)	159,926	129,241
Marketing	67,528	71,482
Interest on long-term debt (note 3)	45,580	44,213
Missions	15,154	11,444
	5,867,594	5,440,093
Excess of revenue over expenses	\$ 1,247,033	\$ 241,177

See accompanying notes to financial statements.

CATCH THE FIRE TORONTO

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

			2017	2016
	Invested in capital assets (note 10)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 4,275,118	\$ 344,514	\$ 4,619,632	\$ 4,378,455
Excess of revenue over expenses (expenses over revenue)	(226,331)	1,473,364	1,247,033	241,177
Net change in investment in capital assets (note 10(b))	1,200,882	(1,200,882)	—	—
Net assets, end of year	\$ 5,249,669	\$ 616,996	\$ 5,866,665	\$ 4,619,632

See accompanying notes to financial statements.

CATCH THE FIRE TORONTO

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,247,033	\$ 241,177
Items not involving cash:		
Amortization of capital assets	234,160	250,660
Amortization of deferred capital contributions	(7,829)	—
Change in non-cash operating working capital	(303,753)	82,001
	1,169,611	573,838
Financing:		
Repayment of bank operating loan	—	(80,000)
Repayment of long-term debt	(1,180,840)	(106,945)
Increase in deferred capital contributions	742,258	—
Repayment of obligations under capital leases	—	(44,625)
Due to/from related parties	(63,911)	(277,068)
	(502,493)	(508,638)
Investments:		
Purchase of investments	(27,275)	(21,732)
Mortgages receivable	—	27,600
Additions to capital assets	(473,530)	(9,354)
	(500,805)	(3,486)
Increase in cash	166,313	61,714
Cash, beginning of year	187,882	126,168
Cash, end of year	\$ 354,195	\$ 187,882

See accompanying notes to financial statements.

CATCH THE FIRE TORONTO

Notes to Financial Statements

Year ended December 31, 2017

Catch The Fire Toronto (the "Church") was established in order to maintain and operate a church and related activities. The Church was incorporated under the Corporations Act (Ontario) without share capital. This includes the conduct of classes for religious education, meetings of a religious and evangelistic nature and television and radio productions. The Church also organizes missionary work and the distribution of religious literature and tapes.

The Church is a registered charitable organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

The Church filed Supplementary Letters Patent under the Corporations Act (Ontario) on September 9, 2011 to change its name from Toronto Airport Christian Fellowship to Catch The Fire Toronto.

1. Significant accounting policies:

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

(a) Revenue recognition:

The Church follows the deferral method of accounting for contributions which include donations.

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

Externally restricted donations and contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization for the related capital assets.

Commission and other revenue are recognized when revenue is earned and collection is reasonably assured. Books and tapes revenue are recognized when revenue is earned and collection is reasonably assured.

(b) Inventories:

Inventories consist of books, tapes and food and are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Church's ability to provide services, its carrying amount is written down to its residual value.

Amortization of capital assets other than land is calculated on a declining-balance basis at the following annual rates:

Buildings and improvements	4%
Equipment and furniture	20%
Computer equipment	30%

(d) Donated goods and services:

A substantial number of unpaid volunteers have made significant contributions of their time toward the operations of the Church. The value of this contributed time is not reflected in these financial statements, as such value is not capable of reasonable estimation.

(e) Translation of foreign currencies:

Transactions denominated in foreign currencies are translated into Canadian dollars on the following bases:

- (i) current monetary assets and liabilities at exchange rates prevailing at the statement of financial position date; and
- (ii) revenue and expenses at the exchange rates prevailing at the transaction dates.

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Church has not elected to carry any such financial instruments at fair value.

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

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

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual amounts could differ from those estimates.

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Related entities:

(a) TACF USA Inc.:

Toronto Airport Christian Fellowship U.S.A. Inc. ("TACF USA Inc.") was incorporated in 1997 for the purpose of communicating the gospel of Jesus Christ by means of television and radio programs in the United States of America. TACF USA Inc. is a registered charitable organization under the Internal Revenue Code (U.S.A.). The Church has the ability to control TACF USA Inc. by virtue of common membership in the Boards of Directors of the two organizations.

A summary of the financial information for TACF USA Inc. (original currency in U.S. dollars) as at and for the year ended December 31, 2017 with comparative information for 2016 is as follows (in Canadian dollars):

	2017	2016
Total assets	\$ 476,302	\$ 489,957
Total liabilities	2,849	15,207
	<u>\$ 473,453</u>	<u>\$ 474,750</u>

	2017	2016
Total revenue	\$ 59,999	\$ 102,636
Total expenses	29,074	39,850
Excess of revenue over expenses	<u>\$ 30,925</u>	<u>\$ 62,786</u>

(b) Catch the Fire Canada and Catch the Fire World:

The Church also exercises significant influence over the following related entities by virtue of board representation and common managerial personnel. These financial statements do not include the net assets and excess of revenue over expenses of the related entities as they are separate legal entities with their own Boards of Directors.

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Related entities (continued):

(i) Catch the Fire Canada ("CTFC"):

CTFC conducts charitable work and ministry operations outside of Toronto but within Canada. CTFC is a registered charitable organization under the Income Tax Act (Canada).

(ii) Catch the Fire World ("CTFW"):

CTFW conducts charitable work and ministry operations around the world. CTFW is a registered charitable organization under the Income Tax Act (Canada).

(iii) Catch the Fire World USA ("CTFW USA"):

CTFW USA conducts charitable work and ministry operations in the United States. CTFW USA is a registered charitable organization under the North Carolina Department of the Secretary of State.

3. Related party transactions:

In addition, Partners in Harvest, Spread the Fire and Catch the Fire USA Inc. ("CTF USA") are related denominational organizations with some cross board representation and shared office staffing.

	2017	2016
Amounts due from (to) related parties:		
TACF USA Inc.	\$ 1,500	\$ 11,989
Spread the Fire	28	325
CTFC	(92,655)	(127,952)
CTFW	212,376	173,152
Partners in Harvest	527	476
CTFW USA	125	—
	<u>\$ 121,901</u>	<u>\$ 57,990</u>

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

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Related party transactions (continued):

During the year, transactions with related parties were as follows:

	2017	2016
Administration fee charged to CTF World	\$ 59,212	\$ 70,697
Salary Grant from CTF Raleigh	58,946	—
Salary Grant from CTF Canada	47,351	—
Salary Grant from CTF World	44,179	—
Administration fee charged to CTF Canada	30,626	158,784
Rent charged to Partners in Harvest	20,428	20,740
Administration fee charged to CTF USA Inc.	3,158	7,823
Other income received from Spread the Fire	411	787
Bond interest paid to a spouse of a director	(1,179)	(1,562)
Purchases of books and CD inventories and paid royalties from a corporation and partnership in which directors of the Church have an ownership interest	(10,242)	(533)
Offerings to Partners in Harvest	(62,912)	(65,245)
World Changer funds to CTF Canada	(167,359)	(95,976)
Offerings to CTF World	(235,401)	(181,618)

These transactions were recorded at the exchange amount, which is the amount of consideration agreed to by the related parties.

4. Investments:

Investments consists of \$232,288 (2016 - \$205,013) of foreign fixed income mutual funds.

5. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,496,177	\$ —	\$ 1,496,177	\$ 1,496,177
Buildings and improvements	6,971,031	3,164,101	3,806,930	3,565,959
Equipment and furniture	3,489,903	3,187,254	302,649	371,593
Computer equipment	67,442	39,922	27,520	22,229
Construction in process	62,052	—	62,052	—
	\$ 12,086,605	\$ 6,391,277	\$ 5,695,328	\$ 5,455,958

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Credit facility:

The Church has a credit facility agreement providing for an operating loan up to \$350,000, a reducing demand loan up to \$353,000. The operating loan and reducing demand loan bear interest at prime plus 1.75% (2016 - 1.75%) and are due on demand. At year end, no funds were drawn on the operating loan (2016 - nil) nor the reducing demand loan (2016 - nil).

The availability of credit is subject to a debt service coverage ratio covenant measured on a annual basis and capital expenditures approved limit.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$28,789 (2016 - \$10,634), which includes amounts payable for non-resident withholding taxes and payroll related taxes.

8. Long-term debt:

During the year, the Church received a restricted donation in the amount of \$1,125,000 intended for the purpose of discharging the outstanding mortgage balance.

As at December 31, 2017, the full balance was repaid in full. Interest and other fees incurred relating to the loan was \$44,401 (2016 - \$42,652).

During the year, the Church also repaid in full the outstanding balance of bonds payable. Total interest incurred during the year was \$1,179 (2016 - \$1,561).

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at a rate corresponding to the amortization rate for the related capital assets.

	2017	2016
Balance, beginning of year	\$ —	\$ —
Contribution received and reclassified from deferred revenue	742,258	—
Less amount recognized as revenue	(7,829)	—
	<u>\$ 734,429</u>	<u>\$ —</u>

10. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2017	2016
Net book value of capital assets	\$ 5,695,328	\$ 5,455,958
Amounts financed by:		
Long-term debt and capital lease obligations	—	1,180,840
Deferred contributions	445,659	—
	<u>\$ 5,249,669</u>	<u>\$ 4,275,118</u>

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Net assets invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2017	2016
Excess of expenses over revenue:		
Amortization of capital assets	\$ (234,160)	\$ (250,660)
Amortization of deferred capital contributions	7,829	–
	<u>\$ (226,331)</u>	<u>\$ (250,660)</u>
Capital assets acquired	\$ 473,530	\$ 9,354
Amounts funded by deferred capital contributions	(453,488)	–
Repayment of long-term debt and capital lease obligations used to finance capital asset additions	1,180,840	151,570
	<u>\$ 1,200,882</u>	<u>\$ 160,924</u>

11. Commitments:

The Church is committed under a non-cancelable lease agreement for rental of equipment and several leases for Sunday service space at multiple locations. Future minimum annual rental payments are approximately as follows:

2018	\$ 89,300
2019	41,500
2020	37,700
2021	37,700
2022	26,600
Thereafter	5,500
	<u>\$ 238,300</u>

CATCH THE FIRE TORONTO

Notes to Financial Statements (continued)

Year ended December 31, 2017

12. Indemnification of officers and directors:

The Church has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Church. The nature of the indemnity prevents the Church from reasonably estimating the maximum exposure. The Church has purchased directors' and officers' liability insurance with respect to this indemnification.

13. Financial risks:

Foreign currency risk:

The Church is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of operations, the Church transacts in U.S. dollars and hold foreign fixed income mutual funds. The Church does not currently enter into forward contracts to mitigate this risk.