

**Billy Graham Evangelistic
Association of Canada**

Financial Statements
December 31, 2018



Independent auditor's report

To the Members of Billy Graham Evangelistic Association of Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Billy Graham Evangelistic Association of Canada (the Entity) as at December 31, 2018 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.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
June 7, 2019

Billy Graham Evangelistic Association of Canada


Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash and cash equivalents	4,489,771	1,587,751
Short-term investments (note 3)	1,323,836	3,511,575
Accounts receivable	69,690	59,750
Prepaid expenses	70,799	69,890
	<u>5,954,096</u>	<u>5,228,966</u>
Investments (note 3)	3,669,468	3,982,252
Capital assets (note 4)	<u>3,989,866</u>	<u>3,574,250</u>
	<u>13,613,430</u>	<u>12,785,468</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	168,727	157,151
Unearned revenue on subscriptions to DECISION magazine	39,245	41,906
Payable to related parties (note 7)	11,230	41,292
	<u>219,202</u>	<u>240,349</u>
Deferred contributions (note 5)	<u>37,290</u>	<u>175,325</u>
	<u>256,492</u>	<u>415,674</u>
Fund Balances		
Unrestricted	8,641,921	8,070,393
Internally restricted – invested in capital assets	3,989,866	3,574,250
Endowments	<u>725,151</u>	<u>725,151</u>
	<u>13,356,938</u>	<u>12,369,794</u>
	<u>13,613,430</u>	<u>12,785,468</u>
Contractual obligations (note 8)		

Approved by the Board of Directors

 Director

 Director

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

Billy Graham Evangelistic Association of Canada

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2018

				2018	2017
	Operating Fund \$	Capital Fund \$	Endowment Fund \$	Total \$	Total \$
Revenue					
Contributions – general	2,551,997	-	-	2,551,997	2,579,458
Recognition of deferred ministry contributions (note 5)	1,656,173	-	-	1,656,173	1,581,016
Bequests	1,642,057	-	-	1,642,057	1,893,665
Investment and other income	153,700	-	-	153,700	193,694
DECISION magazine subscriptions	63,543	-	-	63,543	68,006
	<u>6,067,470</u>	<u>-</u>	<u>-</u>	<u>6,067,470</u>	<u>6,315,839</u>
Expenditures					
Evangelistic ministries					
City wide evangelism	1,882,402	-	-	1,882,402	2,799,926
International ministries	453,542	-	-	453,542	394,642
Training	28,003	-	-	28,003	389,845
Rapid Response ministry	315,435	-	-	315,435	330,234
DECISION magazine	168,339	-	-	168,339	144,867
Media	159,133	-	-	159,133	154,612
Other ministry	1,258,835	92,297	-	1,351,132	1,405,840
	4,265,689	92,297	-	4,357,986	5,619,966
General and administrative	520,095	22,668	-	542,763	538,657
Fundraising	179,577	-	-	179,577	228,653
	<u>4,965,361</u>	<u>114,965</u>	<u>-</u>	<u>5,080,326</u>	<u>6,387,276</u>
Excess (deficiency) of revenue over expenditures	1,102,109	(114,965)	-	987,144	(71,437)
Fund balance – Beginning of year	8,070,393	3,574,250	725,151	12,369,794	12,441,231
Inter-fund transfer – capital asset additions	(530,581)	530,581	-	-	-
Fund balance – End of year	<u>8,641,921</u>	<u>3,989,866</u>	<u>725,151</u>	<u>13,356,938</u>	<u>12,369,794</u>

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

Billy Graham Evangelistic Association of Canada

Statement of Cash Flows

For the year ended December 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year – Operating Fund	1,102,109	14,544
Interest received in excess of accrued interest	46,524	(6,587)
	<u>1,148,633</u>	<u>7,957</u>
Net increase (decrease) in deferred contributions	(138,035)	132,167
Changes in non-cash working capital		
Accounts receivable	(9,940)	(11,603)
Prepaid expenses	(909)	126,440
Accounts payable and accrued liabilities	11,575	(125,063)
Payable to related parties	(30,062)	(23,545)
Unearned revenue on subscriptions to DECISION magazine	(2,661)	(2,823)
	<u>978,601</u>	<u>103,530</u>
Investing activities		
Purchase of investments	(1,000,000)	(2,931,254)
Proceeds on maturities of investments	3,454,000	2,555,600
Contributions to Capital Fund		24,331
Purchase of capital assets	(530,581)	(50,906)
	<u>1,923,419</u>	<u>(402,229)</u>
Increase (decrease) in cash and cash equivalents during the year	2,902,020	(298,699)
Cash and cash equivalents – Beginning of year	<u>1,587,751</u>	<u>1,886,450</u>
Cash and cash equivalents – End of year	<u>4,489,771</u>	<u>1,587,751</u>
Cash and cash equivalents consist of		
Cash	1,624,801	1,042,582
Money market mutual funds	2,864,970	545,169
	<u>4,489,771</u>	<u>1,587,751</u>

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

Billy Graham Evangelistic Association of Canada

Notes to Financial Statements

December 31, 2018

1 Nature of the Association

The Billy Graham Evangelistic Association of Canada (the Association) was incorporated under Part II of the Canada Corporations Act by letters patent dated July 2, 1968, and was continued under the Canada Not-for-Profit Corporations Act on November 8, 2013. The purpose of the Association is to propagate the Gospel of the Lord Jesus Christ and to equip others to do likewise. Support is received from individual donors through contributions, deferred giving programs and evangelistic activities.

As ambassadors of Christ, the Association seeks to help all people understand that God has reconciled the world to Himself through the death and resurrection of His Son; that Jesus Christ, who knew no sin, took upon Himself the sin of all mankind and in doing so, has ensured that our sin would not be counted against us. Jesus has become for us wisdom from God; that is, our righteousness, holiness and redemption (2 Corinthians 5: 11-21, 1 Corinthians 1:31).

The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The Association's financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Use of estimates

The preparation of financial statements in conformity with ASNPO requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions are the responsibility of management. These estimates and assumptions are subject to measurement uncertainty and actual results and financial position may differ from those reported in these financial statements. Significant estimates included in these financial statements are useful life of capital assets and accruals.

Fund accounting

The Association follows the restricted fund method of accounting for contributions. The Association maintains the following funds:

- The Operating Fund reports the assets, liabilities, revenue and expenditures relating to ministry and administrative activities of the Association.
- The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Association's capital assets.

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- The Endowment Fund reports the assets and contributions that donors have specified must be maintained in perpetuity.

Revenue recognition

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to a capital purpose are recognized as revenue in the Capital Fund when received. Endowment Fund contributions are recognized as revenue in the Endowment Fund when received. All other restricted contributions are recognized as revenue in the Operating Fund in the year in which related expenses are incurred.

Revenue for subscriptions to DECISION magazine is recorded as deferred revenue and is recognized in revenue over the period of the subscription.

Unrestricted investment income is recognized as revenue of the Operating Fund.

Contributed goods and services

Donations of goods and services are recorded when the fair value is reasonably determinable and when they would otherwise be purchased by the Association.

A portion of the Association's work is dependent on voluntary services from many members and supporters. Because of the difficulty in determining their value, these contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with initial terms to maturity of 90 days or less.

Investments

Fixed income investments, other than guaranteed investment certificates (GICs), are carried at amortized cost. The investments are recorded at fair value at the time of acquisition and thereafter are measured at amortized cost using the effective interest method. GICs are recorded at fair value, which is calculated as the certificate deposit amount plus accrued interest. Equity investments are recorded at fair value determined by reference to published price quotations in an active market. The change in fair value is recorded directly in the statement of operations and changes in fund balances in the Operating Fund. Transaction costs are expensed as incurred.

Investments with maturities greater than 90 days but less than one year have been classified as short-term investments.

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Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded using the straight-line method over the following estimated useful lives:

Building	40 years
Vehicles	15 years
Furniture and equipment	3 to 8 years

Construction-in-progress is not subject to amortization.

Foreign currency translation

Current assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the end of the year. Transactions during the year are translated at exchange rates in effect at the date of the transaction. Exchange gains and losses occurring from the date of the transaction to the date of payment are reflected in the statement of operations and changes in fund balances.

Financial instruments

The Association initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than investments which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities and payable to related parties.

The Association has assessed the relevant financial risks of its financial instruments as follows:

- Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association maintains a low risk portfolio of investments and does not consider that it is exposed to undue credit risk. There has been no change to the risk exposure from the prior year.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is not exposed to interest rate risk as its investments are in fixed rate instruments. There has been no change to the risk exposure from the prior year.

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- Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is not exposed to liquidity risk as it maintains sufficient cash and cash equivalents to meet its ongoing obligations. There has been no change to the risk exposure from the prior year.

3 Investments

	2018		2017	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Corporate bonds	293,075	286,357	2,540,539	2,543,227
GICs	4,642,990	4,706,947	4,892,990	4,950,600
	<u>4,936,065</u>	<u>4,993,304</u>	<u>7,433,529</u>	<u>7,493,827</u>

Corporate bonds and GICs have effective interest rates ranging from 1.60% to 3.16% and mature between 2019 and 2021. The amount maturing in the next fiscal year is \$1,323,836 (2017 – \$3,511,575).

Interest income recorded in 2018 is \$133,366 (2017 – \$131,146).

4 Capital assets

	2018		2017	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Land	1,491,237	-	1,491,237	1,491,237
Building	2,431,311	921,394	1,509,917	1,572,803
Construction-in-progress	500,000	-	500,000	-
Vehicles	524,829	69,692	455,137	485,550
Furniture and equipment	569,309	535,734	33,575	24,660
	<u>5,516,686</u>	<u>1,526,820</u>	<u>3,989,866</u>	<u>3,574,250</u>

During the year, amortization in the amount of \$114,965 (2017 – \$110,312) was recorded in the Capital Fund.

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5 Deferred contributions

The balance pertains to externally restricted contributions to be used for ministry activities that have not been expended as follows:

	2018	2017
	\$	\$
Balance – Beginning of year	175,325	43,158
Amounts received during the year	1,518,138	1,713,183
Amounts recognized as revenue during the year	(1,656,173)	(1,581,016)
Balance – End of year	<u>37,290</u>	<u>175,325</u>

6 Deferred giving program

The Association has a deferred giving program whereby deferred gifts have been made through trust fund participation. These trust funds are managed by the Billy Graham Evangelistic Association. As at December 31, 2018, one trust was under administration, with trust funds totalling \$565,150 (2017 – \$557,436), representing 100% of the assets of the trust. The Association is the sole beneficiary under the trust. No amounts related to the trust funds have been reflected in the records of the Association.

7 Related party transactions

Common control

Samaritan's Purse – Canada and the Association are considered to be related parties as each of these organizations share common directors and a close working relationship.

As at December 31, 2018, the amount due to Samaritan's Purse – Canada was \$46,889 (2017 – \$14,424). This amount was included in payable to related parties. These amounts are subject to normal trade terms as per the cost sharing agreement between the parties and are included in the due to related parties balance. During the year, the Association and Samaritan's Purse – Canada paid reimbursable expenses on behalf of each other.

Affiliated

The Association and Billy Graham Evangelistic Association (BGEA) located in Charlotte, North Carolina are considered affiliated as they share three common directors and a close working relationship. BGEA provides development and response centre support services to the Association. The Association is billed for these services at cost. These and other services provided by BGEA to the Association amounted to approximately \$2,518 (2017 – \$2,943).

As at December 31, 2018, the amount due from BGEA was \$35,659 (2017 – due to BGEA \$26,868). This amount was included in payable to related parties. These amounts are subject to normal trade terms, arose in the normal course of daily operations of the Association, and are included in the due to related parties balance.

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These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of considerations established and agreed to by the related parties.

8 Contractual obligations – related party

The Association and The Samaritan's Purse – Canada (SPC) have entered into a promissory note whereby the Association agrees to loan SPC up to \$4,000,000. The promissory note is repayable over ten years with full prepayment rights. The rate of interest is adjusted annually based on the prevailing interest rate for specified GICs.

As at December 31, 2018, no advances had been made to SPC under the promissory note.

9 Government remittances payable

As at December 31, 2018, the amount of government remittances payable was \$ 12,447 (2017 – \$6,685).

10 Statutory disclosure

As required by Section 7(2) of the Charitable Fundraising Regulation of Alberta, in 2018 the Association paid \$96,695 (2017 – \$104,771) to employees whose principle duties involved fundraising.