

CHRISTIAN STEWARDSHIP SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

CHRISTIAN STEWARDSHIP SERVICES
INDEX TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Changes in Fund Balances	5
Statement of Revenues and Expenses - General Fund	6
Statement of Receipts and Disbursements - Restricted Fund	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 14



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: Christian Stewardship Services

We have audited the accompanying financial statements of Christian Stewardship Services, which comprise the statement of financial position as at June 30, 2015 and the statements of changes in fund balances, revenues and expenditures - general fund, receipts and disbursements - restricted fund 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Christian Stewardship Services as at June 30, 2015 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.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
October 8, 2015

Chartered Professional Accountants
Licensed Public Accountants

CHRISTIAN STEWARDSHIP SERVICES
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 164,079	\$ 100,758
Short term investments	109,275	103,270
Accounts receivable	24,536	27,686
Prepaid expenses	<u>4,946</u>	<u>6,030</u>
	<u>302,836</u>	<u>237,744</u>
CAPITAL ASSETS (note 4)	<u>10,449</u>	<u>11,300</u>
TOTAL GENERAL FUND ASSETS	<u>313,285</u>	<u>249,044</u>
RESTRICTED ASSETS - designated for restricted liabilities and reserves		
Restricted Assets - Deposits and endowments	46,244,117	40,562,076
Restricted Assets - Annuities	<u>5,599,698</u>	<u>5,464,072</u>
Total Investments (note 7)	<u>51,843,815</u>	<u>46,026,148</u>
	<u>\$ 52,157,100</u>	<u>\$ 46,275,192</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ <u>32,509</u>	\$ <u>26,011</u>
RESTRICTED LIABILITIES (note 8)		
Restricted Fund obligations - Deposits	40,768,117	35,315,943
Restricted Fund obligations - Endowments	5,445,400	5,210,290
Restricted Fund obligations - Annuities	<u>5,068,675</u>	<u>4,886,213</u>
Total Restricted Fund obligations	<u>51,282,192</u>	<u>45,412,446</u>
NET ASSETS		
UNRESTRICTED GENERAL FUND	280,776	223,033
RESTRICTED FUND RESERVE - ANNUITIES	531,023	577,859
RESTRICTED FUND RESERVE - DEPOSITS	<u>30,600</u>	<u>35,843</u>
	<u>842,399</u>	<u>836,735</u>
	<u>\$ 52,157,100</u>	<u>\$ 46,275,192</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

CHRISTIAN STEWARDSHIP SERVICES
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
UNRESTRICTED GENERAL FUND		
NET ASSETS, beginning of year	\$ 223,033	\$ 238,635
Net surplus (deficit) for the year	<u>57,743</u>	<u>(15,602)</u>
NET ASSETS, end of year	<u>\$ 280,776</u>	<u>\$ 223,033</u>
RESTRICTED FUND RESERVE - ANNUITIES		
NET ASSETS, beginning of year	\$ 577,859	\$ 606,260
Transfers for the year	<u>(46,836)</u>	<u>(28,401)</u>
NET ASSETS, end of year	<u>\$ 531,023</u>	<u>\$ 577,859</u>
RESTRICTED FUND RESERVE - DEPOSITS		
NET ASSETS, beginning of year	\$ 35,843	\$ 38,540
Transfers for the year	<u>(5,243)</u>	<u>(2,697)</u>
NET ASSETS, end of year	<u>\$ 30,600</u>	<u>\$ 35,843</u>

CHRISTIAN STEWARDSHIP SERVICES
STATEMENT OF REVENUES AND EXPENSES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Budget (note 5)	2015	2014
REVENUES			
Partner fees	\$ 264,373	\$ 255,693	\$ 242,078
School sponsor fees	32,000	36,867	34,320
Administration fees	355,000	384,208	313,810
Consulting fees	144,000	16,395	7,756
Portfolio management fees	100,000	94,201	78,695
Gift disbursement fees	10,000	13,303	11,852
Donations to CSS	1,500	16,187	355
Cost recovery and consultation	31,000	21,457	12,335
Interest and other income	900	6,585	4,076
	<u>938,773</u>	<u>844,896</u>	<u>705,277</u>
EXPENSES			
Advertising and marketing	19,000	22,876	21,063
Amortization	4,000	6,459	2,877
Board meetings	5,500	5,913	3,402
Insurance	5,000	2,535	2,533
Interest and bank charges	1,500	1,401	938
Membership fees	5,000	2,941	4,855
Office expenses	11,200	12,203	14,330
Office equipment and computer upgrade	3,500	7,597	4,018
Professional and consulting fees	22,000	32,990	32,545
Rent	22,000	18,422	16,863
Salaries	764,073	606,865	554,636
Staff education	10,000	4,375	4,450
Telephone	11,000	12,671	10,780
Travel	55,000	49,905	47,289
Uncollectible accounts	0	0	300
	<u>938,773</u>	<u>787,153</u>	<u>720,879</u>
SURPLUS (DEFICIT) FROM GENERAL OPERATIONS	<u>\$ 0</u>	<u>\$ 57,743</u>	<u>\$ (15,602)</u>

CHRISTIAN STEWARDSHIP SERVICES

STATEMENT OF RECEIPTS AND DISBURSEMENTS - RESTRICTED FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Deposits and Endowments	Annuities	Total 2015	Total 2014
RECEIPTS				
Deposit agreements	\$ 6,906,957	\$ 0	\$ 6,906,957	\$ 7,135,986
Annuities	0	340,000	340,000	585,000
Bequests	762,413	0	762,413	326,431
Endowments	268,616	0	268,616	575,106
Life insurance premiums	114,294	0	114,294	154,992
Donations of life insurance	121,850	0	121,850	203,185
Designated gifts	<u>1,807,996</u>	<u>0</u>	<u>1,807,996</u>	<u>3,256,404</u>
	<u>9,982,126</u>	<u>340,000</u>	<u>10,322,126</u>	<u>12,237,104</u>
INCOME				
Investment income	1,319,781	207,053	1,526,834	2,936,455
Change in fair market value of investments (note 6)	<u>1,279,266</u>	<u>102,731</u>	<u>1,381,997</u>	<u>(84,315)</u>
	<u>2,599,047</u>	<u>309,784</u>	<u>2,908,831</u>	<u>2,852,140</u>
	<u>12,581,173</u>	<u>649,784</u>	<u>13,230,957</u>	<u>15,089,244</u>
DISBURSEMENTS				
Paid to agreement holders	2,768,586	0	2,768,586	2,287,100
Gifts disbursed to charities	3,519,222	0	3,519,222	2,643,854
Annuity payments	0	497,114	497,114	479,316
Administration and management fees	497,030	17,044	514,074	408,977
Life insurance premiums	<u>114,294</u>	<u>0</u>	<u>114,294</u>	<u>154,992</u>
	<u>6,899,132</u>	<u>514,158</u>	<u>7,413,290</u>	<u>5,974,239</u>
Excess of receipts over disbursements	5,682,041	135,626	5,817,667	9,115,005
Transfer from reserve	<u>5,243</u>	<u>46,836</u>	<u>52,079</u>	<u>31,098</u>
	5,687,284	182,462	5,869,746	9,146,103
RESTRICTED LIABILITIES, beginning of year				
	<u>40,526,233</u>	<u>4,886,213</u>	<u>45,412,446</u>	<u>36,266,343</u>
RESTRICTED LIABILITIES, end of year				
	<u>\$ 46,213,517</u>	<u>\$ 5,068,675</u>	<u>\$ 51,282,192</u>	<u>\$ 45,412,446</u>

CHRISTIAN STEWARDSHIP SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus (deficit) from general operations for the year	\$ 57,743	\$ (15,602)
Items not requiring an outlay of cash		
Amortization	6,459	2,877
Transfer from reserve	<u>(52,079)</u>	<u>(31,098)</u>
	12,123	(43,823)
Changes in non-cash working capital		
Accounts receivable	3,150	(6,357)
Prepaid expenses	1,084	(1,030)
Accounts payable and accrued liabilities	<u>6,498</u>	<u>(1,959)</u>
	<u>22,855</u>	<u>(53,169)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(5,608)	(2,604)
Restricted assets	(5,861,761)	(8,736,276)
Restricted liabilities	5,869,746	9,134,980
Short term investments	<u>(6,005)</u>	<u>(103,270)</u>
	<u>(3,628)</u>	<u>292,830</u>
NET INCREASE IN CASH	19,227	239,661
NET CASH, BEGINNING OF YEAR	<u>1,665,037</u>	<u>1,425,376</u>
NET CASH, END OF YEAR	<u>\$ 1,684,264</u>	<u>\$ 1,665,037</u>
CASH CONSISTS OF:		
Cash	\$ 164,079	\$ 100,758
Cash - restricted	<u>1,520,185</u>	<u>1,564,279</u>
	<u>\$ 1,684,264</u>	<u>\$ 1,665,037</u>

CHRISTIAN STEWARDSHIP SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. NATURE OF ORGANIZATION

Christian Stewardship Services is a not for profit organization incorporated under the laws of Canada without share capital and is a registered charity under the Income Tax Act. Christian Stewardship Services is exempt from income tax. Its purpose is to provide financial counselling services and educational seminars to individuals in order to promote and encourage Christian principles of giving and stewardship, as well as, acting as an investment portfolio manager which provides mortgages to qualified Christian organizations and manages funds on behalf of its investors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the restricted fund method of accounting for contributions in which externally restricted contributions are recognized upon receipt in the appropriate fund corresponding to the purpose for which they were contributed. Externally restricted contributions of the general fund are recognized as revenue when the related expenditure occurs. Unrestricted contributions are recognized in the general fund when received or receivable and collection is reasonably assured.

(b) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Furniture and equipment	- 20 % declining balance basis
Computer hardware	- 30 % declining balance basis
Leasehold improvements	- 5 years straight line basis
Computer software	- 30 % declining balance basis

(c) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

CHRISTIAN STEWARDSHIP SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include collectibility of mortgages and loans and the actuarial liabilities of the Restricted Fund annuities. Actual results could differ from those estimates.

The organization's policy is to obtain an actuarial valuation of the Restricted Fund annuities every three years. A report on the actuarial liabilities as of June 30, 2013 followed accepted actuarial practices in Canada. This report made assumptions regarding mortality, rate of return on investments, reinvestment of the provincial bonds, future interest rates, administration expenses and future inflation rates.

(e) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for bonds and equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net surplus.

Financial assets measured at amortized cost include cash, short term investments, accounts receivable, restricted assets - deposits and endowments and restricted assets - annuities.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, restricted fund obligations - deposits, restricted fund obligations - endowments and restricted fund obligations - annuities.

The organization's financial assets measured at fair value include a number of other investments, i.e. quoted shares.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

CHRISTIAN STEWARDSHIP SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) CONTRIBUTED SERVICES

During the year, a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed services are not recorded in the financial statements.

(g) FUND ACCOUNTING

General fund

The general fund reports resources available for the organization's counselling and education programs and administrative activities.

Restricted fund

The restricted fund reports the receipts and disbursements relating to the deposit agreements, designated gifts, remainder trusts, life insurance policies, endowments and annuities. The restricted fund disbursements are made according to the agreements made with each individual donor. A brief description of the major funds follows:

- i) The deposit agreements are revocable and the interest earned is shared between the deposit holder and their preferred charities or can be paid entirely to charity.
- ii) Designated gifts are general gifts given to the organization that still need to be distributed to charities in the future.
- iii) Remainder trusts allow the donor to continue to receive income. At some future date, the principal will be disbursed to the charity stipulated in the agreement.
- iv) The organization is the beneficiary of the life insurance policies. The life insurance proceeds will be distributed to the charities selected by the donor of the policy upon their death.
- v) Endowments are irrevocable gifts which may perpetually pay annual interest income or pay interest and capital to the charities stipulated in the agreement according to the agreed schedule of distribution.
- vi) The annuities are charitable gift annuities which pay an annual guaranteed lifetime income, with any residual upon death being given to the charities designated in the agreement.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from the financial instruments.

The extent of the organization's exposure to these risks did not change in 2015 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

Credit risk

The organization is exposed to credit risk which may result from failure to collect loans, mortgages or interest charges. This risk is mitigated by obtaining security in excess of the loan amounts, by monitoring the organization's payment history and by limiting the proportion of total loans to a single entity.

CHRISTIAN STEWARDSHIP SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

3. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The organization's liabilities bear interest at the average rate of return on its investment portfolio. Accordingly, it is management's opinion that the organization is not exposed to significant interest rate risk.

Currency risk

The organization holds foreign equities and other investments which exposes it to the risk of fluctuating exchange rates. This risk is mitigated by limiting the organization's exposure to foreign investments. As at June 30, 2015, foreign investments constituted 10.4% (2014 - 10.4%) of the organization's Restricted Fund investments. Foreign investments are quoted in Canadian dollars through the related portfolios. As such, any gains or losses of exchange are captured in the fair market value adjustments made to those investments.

Market risk

A portion of the organization's investments consist of Canadian and foreign equities. These portfolio investments are subject to market fluctuations that impact the organization's rate of return on investment and the amounts it is able to pay depositors and annuitants. This risk is mitigated by monitoring the performance of the portfolio and by redirecting these equities to fixed rate loans, mortgages and bonds when appropriate.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
Furniture and equipment	\$ 4,598	\$ 4,598	\$ 0	\$ 1,203
Equipment	20,720	16,941	3,779	4,610
Leasehold improvements	6,987	3,132	3,855	386
Computer software	<u>8,206</u>	<u>5,391</u>	<u>2,815</u>	<u>5,101</u>
	<u>\$ 40,511</u>	<u>\$ 30,062</u>	<u>\$ 10,449</u>	<u>\$ 11,300</u>

5. BUDGET

The budget figures are unaudited and are presented for information purposes only.

CHRISTIAN STEWARDSHIP SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

6. CHANGE IN FAIR MARKET VALUE OF INVESTMENTS

The organization records all bonds and equity instruments that are quoted in an active market at fair market value. The change from one year to the next is recorded through the specified restricted fund balance as outlined below. The changes in fair market value for the year ended, June 30, 2015 are as follows:

June 30, 2014	Deposits	Annuities	Total
Fair market value	\$ 11,460,698	\$ 4,095,932	\$ 15,556,630
Cost	<u>10,993,348</u>	<u>3,893,569</u>	<u>14,886,917</u>
Excess	<u>467,350</u>	<u>202,363</u>	<u>669,713</u>
June 30, 2015			
Fair market value	12,488,401	3,512,947	16,001,348
Cost	<u>10,741,785</u>	<u>3,207,853</u>	<u>13,949,638</u>
Excess	<u>1,746,616</u>	<u>305,094</u>	<u>2,051,710</u>
Total increase in FMV	<u>\$ 1,279,266</u>	<u>\$ 102,731</u>	<u>\$ 1,381,997</u>

7. RESTRICTED FUND INVESTMENTS

	2015	2014
Provincial bonds	\$ 1,239,801	\$ 1,295,429
Institutional mortgages and loans	33,369,547	28,090,331
Cash - restricted	1,520,185	1,564,279
Life insurance policies	1,087,502	965,652
Accrued interest receivable	9,600	9,600
Accrued receivable	56,778	4,874
Less: deferred income to be distributed	(31,810)	(20,549)
Less: reserve for possible losses on loans and mortgages	<u>(169,336)</u>	<u>(144,669)</u>
	<u>37,082,267</u>	<u>31,764,947</u>
Investments held by fund manager		
Cash and equivalents	1,428,498	1,777,758
Government and corporate bonds	5,325,099	5,416,997
Canadian equities	2,633,166	2,439,958
U.S. and international equities	<u>5,374,785</u>	<u>4,626,488</u>
	<u>14,761,548</u>	<u>14,261,201</u>
	<u>\$ 51,843,815</u>	<u>\$ 46,026,148</u>

The current portion of these restricted fund investments, the portion that is due by the end of the next fiscal year is \$3,001,163 (2014 - \$2,078,700).

The bonds have maturity dates from 2015 to 2017 and coupon rates ranging from 6.00% to 8.50%, which approximates their yield rates. Bonds held by the fund manager earn from 1.20% to 9.98% and have maturity dates between 2015 and 2047.

Loans and mortgages mature at various dates from July 2015 to June 2020 and earn interest at rates that range from 5.0% to 8.0%.

CHRISTIAN STEWARDSHIP SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

8. RESTRICTED FUND DEPOSIT OBLIGATIONS

	2015	2014
Deposit agreements	\$ 35,648,249	\$ 30,201,322
Deferred annuities	33,375	31,550
Designated gifts	3,778,570	3,645,834
Remainder trusts	127,852	127,756
Life insurance policies	1,087,502	965,651
Excess of distributions over investment earnings	<u>92,569</u>	<u>343,830</u>
	40,768,117	35,315,943
Endowments	5,445,400	5,210,290
Annuities	<u>5,068,675</u>	<u>4,886,213</u>
	<u>\$ 51,282,192</u>	<u>\$ 45,412,446</u>

9. RESTRICTED FUND RESERVE - ANNUITIES

A report on the actuarial liabilities of the annuities was received in September 2013. This report indicated that the actuarial liabilities exceeded the carrying value of the Restricted Fund annuity assets by \$487. The liability for the current year was calculated as follows:

Present value of annuity payments	\$ 5,423,910
Present value of future administration expenses	<u>189,308</u>
Total liabilities	5,613,218
Total assets	<u>5,599,698</u>
Assets less liabilities	<u>\$ (13,520)</u>