

Financial Statements of

**CENTRE FOR CHRISTIAN
STUDIES CANADA INC.**

Years ended December 31, 2012 and 2011

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Central Council of Centre For Christian Studies Canada Inc.

We have audited the accompanying financial statements of Centre for Christian Studies Canada Inc., which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations and changes in fund balances, and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations which include general donations included as part of operating revenue on the statement of operations and changes in fund balances, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, current assets and fund balances.

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 Centre for Christian Studies Canada Inc. as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants

March 7, 2013

Winnipeg, Canada

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	Operating Fund	Investment Fund	Endowment Fund	Total unrestricted	Bursary Fund	December 31, 2012 Total	December 31, 2011 Total	January 1, 2011 Total
Assets								
Current assets:								
Cash	\$ 138,059	\$ -	\$ -	\$ 138,059	\$ 34,828	\$ 172,887	\$ 184,978	\$ 127,045
Accounts receivable	6,004	-	-	6,004	-	6,004	22,860	3,728
Prepaid expenses	-	-	-	-	-	-	-	3,273
Investments (note 3)	-	-	2,028,045	2,028,045	688,160	2,716,205	2,665,481	2,833,870
	144,063	-	2,028,045	2,172,108	722,988	2,895,096	2,873,319	2,967,916
Cash surrender value of life insurance policy (note 4)	-	-	9,814	9,814	-	9,814	12,454	9,498
Capital assets (note 5)	96,865	-	-	96,865	-	96,865	104,141	99,678
	\$ 240,928	\$ -	\$ 2,037,859	\$ 2,278,787	\$ 722,988	\$3,001,775	\$ 2,989,914	\$ 3,077,092
Liabilities, Deferred Contribution and Fund Balances								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 5,308	\$ -	\$ 17	\$ 5,325	\$ -	\$ 5,325	\$ 37,433	\$ 8,547
Tuition received in advance (note 6)	5,420	-	-	5,420	-	5,420	2,910	27,217
	10,728	-	-	10,745	-	10,745	40,343	35,764
Deferred contribution (note 7):								
Expenses of future periods	35,877	-	-	35,877	-	35,877	23,877	12,877
Grants received in advance	-	-	-	-	30,390	30,390	45,353	-
	35,877	-	17	35,877	30,390	66,267	69,230	12,877
Fund balances:								
Invested in capital assets	96,865	-	-	96,865	-	96,865	104,141	99,678
Restricted	-	-	-	-	692,598	692,598	654,410	711,186
Unrestricted	97,458	-	2,037,842	2,135,300	-	2,135,300	2,121,790	2,217,587
	194,323	-	2,037,842	2,232,165	692,598	2,924,763	2,880,341	3,028,451
	\$ 240,928	\$ -	\$ 2,037,859	\$ 2,278,787	\$ 722,988	\$3,001,775	\$ 2,989,914	\$ 3,077,092

See accompanying notes to financial statements.

On behalf of the Central Council:

_____ Member

_____ Member

DRAFT

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Statements of Operations and Changes in Fund Balances

Years ended December 31, 2012 and 2011

	Operating Fund	Investment Fund	Endowment Fund	Total unrestricted	Bursary Fund	2012 total	2011 total
Revenue:							
Operating (schedule A) Program	\$ 275,707	\$ -	\$ -	\$ 275,707	\$ -	\$ 275,707	\$ 230,213
(schedule B)	131,119	-	-	131,119	-	131,119	138,145
Contributions and other aid - United Church of Canada	-	-	-	-	33,663	33,663	11,146
Increase in value of life insurance policy	-	-	1,418	1,418	-	1,418	2,956
Donations	-	-	11,612	11,612	700	12,312	15,371
Interest and other investment income	110	-	118,512	118,622	48,842	167,464	109,958
Unrealized increase (decrease) in fair value of investments	-	-	5,678	5,678	(11,704)	(6,026)	(163,590)
	406,936	-	137,220	544,156	71,501	615,657	344,199
Expenses:							
Amortization	8,977	-	-	8,977	-	8,977	7,734
Bursaries	-	-	-	-	51,568	51,568	37,120
Life insurance (note 4)	-	-	4,058	4,058	-	4,058	1,950
Investment fees	50	-	12,581	12,631	4,170	16,801	17,553
Operating (schedule A) Program	458,011	-	-	458,011	-	458,011	394,312
(schedule B) Governance	21,358	-	-	21,358	-	21,358	14,138
(schedule C)	10,462	-	-	10,462	-	10,462	19,502
	498,858	-	16,639	515,497	55,738	571,235	492,309
Excess (deficiency) of revenue over expenses	(91,922)	-	120,581	28,659	15,763	44,422	(148,110)
Fund balances, beginning of year	208,761	119,568	1,897,602	2,225,931	654,410	2,880,341	3,028,451
Transfer to (from) funds	77,484	(119,568)	19,659	(22,425)	22,425	-	-
Fund balances, end of year	\$ 194,323	\$ -	\$ 2,037,842	\$ 2,232,165	\$ 692,598	\$ 2,924,763	\$ 2,880,341

See accompanying notes to financial statements.

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 44,422	\$ (148,110)
Items not affecting cash:		
Change in CSV of life insurance policy	2,640	(2,956)
Amortization of capital assets	8,977	7,734
Change in non-cash working capital:		
Accounts receivable	16,873	(19,132)
Prepaid expenses	-	3,273
Accounts payable and accrued liabilities	(32,124)	28,886
Grants received in advance	(14,963)	45,353
Change in tuition received in advance	2,510	(24,307)
Change in deferred contributions related to expenses of future periods	12,000	11,000
	<u>40,335</u>	<u>(98,259)</u>
Investing activities:		
Capital asset additions	(1,702)	(12,197)
Decrease (increase) in investments	(50,724)	168,389
	<u>(52,426)</u>	<u>156,192</u>
(Decrease) increase in cash position	(12,091)	57,933
Cash position, beginning of year	184,978	127,045
Cash position, end of year	<u>\$ 172,887</u>	<u>\$ 184,978</u>

See accompanying notes to financial statements.

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements

Years ended December 31, 2012 and 2011

1. Organization and description:

Centre for Christian Studies Canada Inc. (CCS) was established as a result of the amalgamation of The Anglican Women's Training College and Covenant College in 1969 and from thereon operated under the name Centre for Christian Studies. The application for letters patent of amalgamation was filed May 29, 1991 and became official November 26, 1991. CCS was incorporated under the Manitoba Corporations Act August 4, 1998 with the name being officially changed to Centre for Christian Studies Canada Inc. CCS however, still operates under the name Centre for Christian Studies. CCS has no share capital.

CCS is a registered charitable organization and operates a theological education centre. CCS offers a four year diploma in *Diaconal Ministries; Studies in Transformation and Action*. Upon completion the diploma students may be commissioned in The United Church of Canada. In March of each fiscal year, students are invited to apply for bursaries and they are awarded to them based on need and previous awarded bursaries.

On January 1, 2011, CCS adopted Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, CCS has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no adjustments to net assets as at December 31, 2011 and January 1, 2011 or excess of revenue over expenditures as a result of the transition to ASNPO.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant policies:

(a) Fund accounting:

Operating Fund (unrestricted):

The organization accounts for the general revenues and expenditures such as general donations, rental income and contributions from The United Church of Canada in the Operating Fund.

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Significant accounting policies (continued):

Investment Fund (unrestricted):

Prior to fiscal 2012, the organization accounted for investment income earned on items maintained for future capital projects in the Investment Fund. Effective January 1, 2012, the Board adopted a new accounting policy which would combine the Investment Fund and the Endowment Fund. All amounts held in the Investment fund were transferred into the Endowment Fund as at that date.

Endowment Fund (unrestricted):

The Endowment Fund was established to sustain the operations of CCS. The investment income earned on the investments is intended to support the annual operation of CCS and its programs.

Bursary Fund (restricted):

The Bursary Fund is maintained for specific purposes including awards to students in financial need. The funds are disbursed at the discretion of the Bursary Working Group. The Bursary Fund is designated into three categories as illustrated in note 8

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to the Operating Fund, the Investment Fund and the Endowment Fund are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CCS 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.

(d) Investments:

Investments are classified as held-for-trading financial instruments and are carried at fair value. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in excess of revenue over expenditures. The fair value of investments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost. Amortization of capital assets has been provided in the accounts on a declining balance basis at rates which will write off the cost of the assets over their estimated useful lives as follows:

Asset	Rate
Building	5%
Computer	30%
Equipment	20%
Furniture	20%
Sign	20%

(f) Income taxes:

The organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

(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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Investments:

The investments in each fund consist of the following:

	December 31, 2012 fair value	December 31, 2011 fair value	January 1, 2011 fair value
Investment Fund:			
Short-term investments	\$ –	\$ 119,530	\$ 118,541
Endowment Fund:			
Short-term investments	10,319	787	223,082
Fixed income	225,756	463,198	540,231
Mutual funds	45,896	345,530	465,675
Common shares	1,746,074	1,075,182	788,003
	<u>2,028,045</u>	<u>1,884,697</u>	<u>2,016,991</u>
Bursary Fund:			
Short-term investments	7,818	980	10,894
Mutual funds	108,270	272,326	284,740
Common shares	572,072	382,087	396,843
	<u>688,160</u>	<u>655,393</u>	<u>692,477</u>
Operating Fund:			
Short-term investment	–	5,861	5,861
	<u>\$ 2,716,205</u>	<u>\$ 2,665,481</u>	<u>\$ 2,833,870</u>

4. Cash surrender value of life insurance policy:

The ownership of three life insurance policies was donated to CCS and recorded as donations in the years donated. The ongoing premiums paid by the insured are recorded as donation revenue and insurance premium expense. During the year, CCS received \$4,058 related to one life insurance policy that ended during 2012.

5. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 25,000	\$ –	\$ 25,000
Building	104,307	54,924	49,383
Furniture	24,614	22,997	1,617
Computer	29,652	25,414	4,238
Equipment and sign	38,810	22,183	16,627
	<u>\$ 222,383</u>	<u>\$ 125,518</u>	<u>\$ 96,865</u>

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

5. Capital assets (continued):

December 31, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 25,000	\$ –	\$ 25,000
Building	104,307	52,324	51,983
Furniture	24,614	22,593	2,021
Computer	29,345	23,598	5,747
Equipment and sign	37,416	18,026	19,390
	<u>\$ 220,682</u>	<u>\$ 116,541</u>	<u>\$ 104,141</u>

January 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 25,000	\$ –	\$ 25,000
Building	104,307	49,588	54,719
Furniture	24,614	22,088	2,526
Computer	28,414	21,135	7,279
Equipment and sign	26,150	15,996	10,154
	<u>\$ 208,485</u>	<u>\$ 108,807</u>	<u>\$ 99,678</u>

6. Tuition received in advance:

Deferred tuition relates to tuition fees received in the current period that is related to courses offered in the next program year.

	December 31, 2012	December 31, 2011	January 1, 2011
Balance, beginning of year	\$ 2,910	\$ 27,217	\$ 32,113
Amounts received during the year	5,420	2,910	27,217
	<u>8,330</u>	<u>30,127</u>	<u>59,330</u>
Less amounts recognized into revenue in the year	2,910	27,217	32,113
Balance, end of year	<u>\$ 5,420</u>	<u>\$ 2,910</u>	<u>\$ 27,217</u>

CENTRE FOR CHRISTIAN STUDIES CANADA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Deferred contribution:

Deferred contribution relates to contributions and other grants received in the Operating Fund and Bursary Fund in the current period and relate to monies received in advance from United Church of Canada to the student aid and expenditures and to be incurred in the next operating year.

	December 31, 2012	December 31, 2011	January 1, 2011
Balance, beginning of year	\$ 69,230	\$ 12,877	\$ 12,270
Adjustments during the year	32,500	56,353	–
	101,730	69,230	12,270
Less amounts recognized into revenue in the year	(35,463)	–	607
Balance, end of year	\$ 66,267	\$ 69,230	\$ 12,877

8. Bursary Fund balances:

The Bursary Fund balance is comprised of three components. A portion of the funds has been designated by certain donors and is permanent. This portion of the Bursary Fund is referred to as the Permanent Designated Fund. A second portion of the funds has been designated by donors and can be used to provide bursaries to students. This portion is referred to as the Expendable Designated Fund. The final remaining category balance is the Non-Designated Fund which represents the accrued earnings of the fund and is expendable.

Each bursary fund will be accorded a pro-rata value in the general fund for accounting purposes. In a year when a given bursary is partially awarded or not awarded at all, the capital value will increase by its excess earnings in that year. Should the Fund's performance exceed the target income of 5% or the need for bursaries is less than 5% of the then current value of the Fund, the excess funds shall be added to the General Bursary Fund.

Approximately 57 percent of the Bursary Fund balance is invested in equities and other similar instruments whose redeemable value can fluctuate. Although all investments are cashable on short notice, the Bursary Fund is exposed to some risk that the value of those investments could decline. During the year the loss on these types of investments total \$11,704 (December 31, 2011 - loss \$47,228; January 1, 2011 - gain \$40,002) and were allocated to the funds as outlined above.

9. Financial instruments:

Market risk:

Market risk is the risk that the value of the organization's investments could fluctuate due to changes in market prices of investments in equity and other similar instruments.

Fair value:

The fair value of accounts receivable, accounts payable and accrued liabilities, and tuition received in advance approximates their carrying value due to their short term to maturity.

DRAFT

CENTRE FOR CHRISTIAN STUDIES CANADA INC.**Operating Fund**

Operating Revenues and Expenditures

Years ended December 31, 2012 and 2011

	2012	2011
Operating revenue:		
Contribution - United Church of Canada	\$ 141,070	\$ 115,796
General donations	80,686	85,627
Other contributions	23,457	11,184
History books	125	387
Rental and other miscellaneous	30,184	17,024
Investment income	185	195
	\$ 275,707	\$ 230,213
Operating expenses:		
Human resources	\$ 344,783	\$ 320,312
Building	37,699	15,857
Administration and office	45,394	39,153
Promotion and recruitment	30,135	18,400
	\$ 458,011	\$ 393,722

CENTRE FOR CHRISTIAN STUDIES CANADA INC.**Operating Fund**

Program Revenues and Expenditures

Years ended December 31, 2012 and 2011

	2012	2011
Program revenue:		
Tuition	\$ 125,355	\$ 136,373
Other	5,764	1,772
	<u>\$ 131,119</u>	<u>\$ 138,145</u>
Program expenses:		
Travel and accommodation	\$ 5,590	\$ 6,439
Photocopying, postage and printing	1,213	322
Copyright	1,435	2,338
Resource	30	1,870
Honoraria	3,600	1,400
Rent	2,150	825
Other projects and programs	7,340	944
	<u>\$ 21,358</u>	<u>\$ 14,138</u>

CENTRE FOR CHRISTIAN STUDIES CANADA INC.**Operating Fund**

Governance Expenditures

Years ended December 31, 2012 and 2011

	2012	2011
Council projects	\$ 4,361	\$ 316
Central council travel	-	2,940
Annual service of celebration	1,943	1,838
Central council meetings	2,470	1,072
Development committee	-	310
Annual general meeting	338	14
Program committee	-	380
Communications committee	-	365
Volunteer recruitment and support committee	-	18
Finance committee	41	108
Human resources search committee	1,215	12,141
Other	94	-
	\$ 10,462	\$ 19,502