



Consolidated Financial Statements

Inter-Varsity Christian Fellowship of Canada

August 31, 2018

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Independent Auditor's Report

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To the Members of
Inter-Varsity Christian Fellowship of Canada

We have audited the accompanying consolidated financial statements of Inter-Varsity Christian Fellowship of Canada, which comprise the consolidated statement of financial position as at August 31, 2018, and the consolidated statements of activities and 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Inter-Varsity Christian Fellowship of Canada as at August 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.

Grant Thornton LLP

Toronto, Canada
December 13, 2018

Chartered Professional Accountants
Licensed Public Accountants

Inter-Varsity Christian Fellowship of Canada

Consolidated Statement of Financial Position

August 31

2018

2017

Assets

Current

Cash

Unrestricted	\$ -	\$ 30,164
Restricted	140,547	115,677
Short-term investments	462,483	336,679
Amounts receivable and other	<u>1,005,389</u>	<u>1,617,861</u>

	<u>1,608,419</u>	<u>2,100,381</u>
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Long-term

Investments

Internally designated	1,847,794	2,433,080
Restricted	50,000	225,006
Held for endowment	500,008	500,008
Property and equipment (Note 3)	<u>13,681,613</u>	<u>10,729,490</u>

	<u>16,079,415</u>	<u>13,887,584</u>
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	<u>\$ 17,687,834</u>	<u>\$ 15,987,965</u>
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Liabilities

Current

Bank indebtedness	\$ 2,255,587	\$ -
Amounts payable and accrued liabilities	175,170	350,603
Deferred revenue	<u>66,287</u>	<u>33,514</u>
	<u>2,497,044</u>	<u>384,117</u>

Fund balances

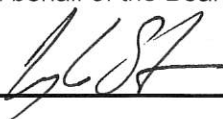
Operating	(6,856,365)	955,445
Invested in property and equipment (Note 4)	12,851,015	10,729,490
Internally designated (Note 5)	8,498,978	3,078,222
Externally restricted (Note 5)	197,154	340,683
Endowment (Note 5)	<u>500,008</u>	<u>500,008</u>

	<u>15,190,790</u>	<u>15,603,848</u>
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	<u>\$ 17,687,834</u>	<u>\$ 15,987,965</u>
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Commitments and contingencies (Note 6)

On behalf of the Board



Director



Director

Inter-Varsity Christian Fellowship of Canada

Consolidated Statement of Activities and Changes in Fund Balances

Year ended August 31

	Operating Fund	Property Fund	Special Purpose Funds (Note 5)	2018	2017
Revenue					
Donations	\$ 8,221,103	\$ -	\$ 3,861,178	\$12,082,281	\$ 10,054,318
Camp income	7,369,442	1,759	98,605	7,469,806	7,861,064
Campus income	266,422	-	-	266,422	254,452
Other revenue	144,041	-	21,744	165,785	-
Rental from Inter-Varsity	-	-	-	-	-
Investment income	(5,888)	-	100,616	94,728	116,369
	<u>15,995,120</u>	<u>1,759</u>	<u>4,082,143</u>	<u>20,079,022</u>	<u>18,286,203</u>
Expenses					
Camp ministries	10,688,215	478,302	135,506	11,302,023	10,730,275
Campus ministries	5,067,706	-	1,879,926	6,947,632	5,789,013
National Resource Ministries	346,738	-	23,860	370,598	397,668
National Services	861,938	-	335,308	1,197,246	1,082,669
Uncollectible amounts (Note 8)	674,581	-	-	674,581	-
	<u>17,639,178</u>	<u>478,302</u>	<u>2,374,600</u>	<u>20,492,080</u>	<u>17,999,625</u>
Excess (deficiency) of revenue over expenses	(1,644,058)	(476,543)	1,707,543	(413,058)	286,579
Interfund transfers	<u>(6,167,752)</u>	<u>2,598,068</u>	<u>3,569,684</u>	<u>-</u>	<u>-</u>
Changes in fund balances	(7,811,810)	2,121,525	5,277,227	(413,058)	286,579
Fund balances, beginning of year as previously stated	955,445	10,729,490	3,918,913	15,603,848	15,207,909
Accounting change	-	-	-	-	109,361
Fund balances, beginning of year, as restated	<u>955,445</u>	<u>10,729,490</u>	<u>3,918,913</u>	<u>15,603,848</u>	<u>15,317,270</u>
Fund balances, end of year	<u>\$ (6,856,365)</u>	<u>\$12,851,015</u>	<u>\$ 9,196,140</u>	<u>\$15,190,790</u>	<u>\$ 15,603,849</u>

See accompanying notes to the consolidated financial statements.

Inter-Varsity Christian Fellowship of Canada

Consolidated Statement of Cash Flows

Year ended August 31

2018

2017

Increase (decrease) in cash

Operating

(Deficiency) excess of revenue over expenses	\$ (413,058)	\$ 395,939
Items not involving cash		
Amortization of property and equipment	478,302	428,654
Unrealized investment (gains) losses	<u>(100,842)</u>	<u>424,272</u>
	<u>(35,598)</u>	<u>1,248,865</u>

Net change in non-cash working capital items

Amounts receivable and other	612,472	(154,743)
Amounts payable and accrued liabilities	<u>(142,660)</u>	<u>(395,472)</u>

469,812 (550,215)

434,214 698,650

Financing

Bank indebtedness	<u>2,255,587</u>	<u>-</u>
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Investing

Changes in investments (net)	735,330	(78,182)
Additions to property and equipment	<u>(3,430,425)</u>	<u>(699,004)</u>
	<u>(2,695,095)</u>	<u>(777,186)</u>

Net decrease in cash for the year

(5,294) (78,536)

Cash

Beginning of year	<u>145,841</u>	<u>224,377</u>
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End of year	<u>\$ 140,547</u>	<u>\$ 145,841</u>
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Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

1. Nature of organization

The mission of Inter-Varsity Christian Fellowship of Canada ("Inter-Varsity") is the transformation of Canada's youth, students and graduates into fully committed followers of Jesus Christ and is a member movement of International Fellowship of Evangelical Students.

Inter-Varsity is incorporated under the Canada Not-for-Profit Corporations Act and is a charitable and not-for-profit organization, registered by the Canada Revenue Agency (CRA) for tax-deductible contributions.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies used are as follows:

Basis of presentation

Inter-Varsity's consolidated financial statements include the accounts of Inter-Varsity Ministries Foundation (the "Foundation"). The Foundation is incorporated under the Canada Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act. Inter-Varsity's Board of Directors (the "Board") is responsible for appointing the members of the Foundation's Board of Directors. The Foundation secures funds for Inter-Varsity and all resources of the Foundation must be used for the benefit of Inter-Varsity.

Estimates

The preparation of the consolidated financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to the collectability of amounts receivable and the useful lives of property and equipment. Actual results may differ from those estimates.

Fund accounting

Inter-Varsity uses fund accounting to present its financial statements whereby resources for particular purposes are classified for accounting and reporting purposes into one of the following funds:

(i) Operating fund

Operating fund, which includes camp and campus ministries, accounts for Inter-Varsity's program delivery and administration activities.

(ii) Property fund

Property fund includes investments in property and equipment.

Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

2. Summary of significant accounting policies (continued)

Funding accounting (continued)

(iii) Special purpose funds

Special purpose funds comprise internally designated funds to record donations or funds designated by management for specific purposes for camp and campus ministries (Note 5); externally restricted funds to record donations with external restrictions (Note 5); and an endowment fund to be maintained permanently which relates to the Cathy Nicoll Alberta Pioneer Camp Leadership Program for leadership training purpose (Note 5).

Revenue recognition

Inter-Varsity follows the restricted fund method of accounting for restricted contributions. Externally restricted contributions are recognized as revenue of the appropriate restricted fund in the fiscal year in which they are received. Unrestricted contributions are recognized as revenue in the fiscal year received or receivable if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as revenue of the endowment fund in the fiscal year in which they are received.

Investment income of the externally restricted and endowment funds is recognized as revenue of those funds when earned and in proportion to fund balances.

Camp fees and fees for conferences and events are recognized as revenue of the operating fund when the related camp sessions, conferences and events are held.

Contributions by volunteers

Volunteers contribute many valuable hours to assist Inter-Varsity in carrying out its objectives and ministries. Many of the camp and campus ministries of Inter-Varsity would not be possible without the contribution of dedicated volunteers. These contributions are valued by Inter-Varsity but due to the difficulty in determining the fair value of these contributions, they are not recognized in these consolidated financial statements.

Property and equipment

Property and equipment purchased by Inter-Varsity are recorded at cost and those donated to Inter-Varsity are recorded at their fair market value at the date of acquisition when fair market value can be reasonably estimated. Inter-Varsity provides for the amortization of its property and equipment on a straight-line basis at the following annual rates:

Buildings	30 to 40 years
Equipment	3 to 5 years

Foreign currency translation

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the consolidated statement of financial position date. Revenue and expenses are translated at rates approximating the rates of exchange prevailing on the date of the related transaction. Adjustments arising on the translation of foreign currencies are included in the consolidated statement of activities.

Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

2. Summary of significant accounting policies (continued)

Financial instruments

Inter-Varsity considers any contract creating a financial asset, liability, or equity instrument as a financial instrument, except in limited circumstances. Inter-Varsity's financial instruments comprise cash, amounts receivable, investments, and amounts payable.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value. Inter-Varsity subsequently measures all of its financial assets and liabilities at fair value. Unrealized gains and losses on investments are recognized in the consolidated statement of activities.

3. Property and equipment

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,876,908	\$ -	\$ 1,876,908	\$ 1,876,908
Buildings	16,332,151	5,087,652	11,244,499	8,759,389
Equipment	<u>1,775,173</u>	<u>1,214,967</u>	<u>560,206</u>	<u>93,193</u>
	<u>\$ 19,984,232</u>	<u>\$ 6,302,619</u>	<u>\$ 13,681,613</u>	<u>\$ 10,729,490</u>

4. Investment in property and equipment

Investment in property and equipment is calculated as follows:

	<u>2018</u>	<u>2017</u>
	<u>Net Book Value</u>	<u>Net Book Value</u>
Balance, beginning of the year	\$ 10,729,490	\$ 10,459,140
Amortization of capital assets	(478,302)	(428,654)
Purchase of capital assets	3,430,425	699,004
Capital assets financed through Bank indebtedness	<u>(830,598)</u>	<u>-</u>
Balance, end of year	<u>\$ 12,851,015</u>	<u>\$ 10,729,490</u>

Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

5. Special purpose funds

	Opening Balances September 1, 2017	Revenue	Expenses	Transfers In (Out)	Closing Balances August 31, 2018
Internally designated funds	\$ <u>3,078,222</u>	\$ <u>2,620,880</u>	\$ <u>(684,122)</u>	\$ <u>3,490,605</u>	\$ <u>8,505,585</u>
Externally restricted funds					
Scholarship funds	225,006	42,215	(296,300)	79,079	50,000
National and other funds	<u>115,677</u>	<u>1,419,048</u>	<u>(1,394,178)</u>	<u>-</u>	<u>140,547</u>
	<u>340,683</u>	<u>1,461,263</u>	<u>(1,690,478)</u>	<u>79,079</u>	<u>190,547</u>
Endowment funds	<u>500,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,008</u>
	<u>\$ 3,918,913</u>	<u>\$ 4,082,143</u>	<u>\$ (2,374,600)</u>	<u>\$ 3,569,684</u>	<u>\$ 9,196,140</u>

6. Commitments and contingencies

Operating leases

Inter-Varsity leases a parcel of property at Crimson Lake at nominal annual rates, which is used by Alberta Pioneer Camps.

Inter-Varsity's operating lease agreements for office rent, office equipment and vehicles expire in fiscal 2020. Minimum future payments are as follows:

2019	\$ 274,000
2020	259,000
2021	259,000
2022	<u>259,000</u>
	<u>\$ 1,051,000</u>

Gift from Crossroads Christian Communication Inc. ("Crossroads")

On April 1, 2011, Inter-Varsity received a donation from Crossroads transferring full legal title and control of the properties and operations of five camps operating as Circle Square Ranch located in Halkirk, Alberta; Wolseley, Saskatchewan; Austin, Manitoba; Brantford, Ontario; and Arden, Ontario.

In the event Inter-Varsity elects at any time in the twelve year period following this transfer to (i) sell, lease, license or otherwise dispose, (ii) cease to operate any of the properties for two consecutive summers, or (iii) Inter-Varsity ceases to operate as a camping ministry, and provided that Crossroads is then a charity in good standing with the CRA, Inter-Varsity is obligated to transfer to Crossroads, as an unconditional cash gift, amounts specified in the agreement as fair market value at April 1, 2011.

Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

6. Commitments and contingencies (continued)

These amounts are subject to a reduction over the aforementioned twelve year period as follows: (i) years one through four, a reduction of 5% per year; (ii) years five through eight, a reduction of 7.5% per year; and (iii) years nine through twelve, a reduction of 12.5% per year. However, Inter-Varsity may elect to sell any of the gifted properties over the next twelve years for the express intention of operating a summer camp to replace the property sold, provided the purchase of a new property occurs within twelve months of the receipt of the proceeds of such sale. In that event, Inter-Varsity shall not be obligated to pay any funds to Crossroads as a result of such a disposition.

The Circle Square Ranch Brantford property includes a 10,934 square foot single storey warehouse. As part of the transfer agreement on April 1, 2011, Crossroads retains an option to purchase the portion of the land gifted upon which this warehouse resides for a purchase price of \$10. This purchase option expires on March 31, 2023 and is subject to Crossroads' ability to obtain the required approvals to sever this specified portion of the land at its sole cost and expense.

7. Line of credit

Inter-Varsity has a \$3,000,000 line of credit with The Bank of Nova Scotia, to help with cash flow given the seasonal nature of receipts from the camps. The line is executed through a 'mirror netting' arrangement that monitors the balances in all bank accounts held by Inter-Varsity Christian Fellowship of Canada and Inter-Varsity Ministries Foundation. As at August 31, 2018, the line of credit was drawn down by \$2,255,589.

8. Uncollectible amounts

There was \$674,581 of past due uncollectible receivables that were written off during the year. Included in this is an amount of \$324,856 related to unclaimed HST credits dating back to fiscal 2014 and \$349,725 of long standing trade receivables that management has assessed as uncollectible.

9. Pension plan

Inter-Varsity maintains a defined contribution pension plan for its employees. Included in the consolidated statement of activities are contributions to the plan by Inter-Varsity of \$184,500 (2017 - \$180,148) during the fiscal year.

10. Related party transactions

Inter-Varsity has agency agreements with IVCF-USA and the International Fellowship of Evangelical Students (IFES). Donations and grants to approved programs operated by IVCF-USA totalled \$107,325 (2017 - \$105,393). Donations and grants to approved programs operated by IFES totalled \$1,279,414 (2017 - \$293,417). Donations and grants received from IFES were \$55,967 (2017 - \$52,434).

During the year, Inter-Varsity received donations and grants from Canadian Inter-Varsity Christian Fellowship Inc. (CIVCF) of \$195,540 (2017 - \$896,593). CIVCF was established in 2007 to provide friends and alumni in the United States a means of supporting associated ministries, such as Inter-Varsity.

Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

10. Related party transactions (continued)

Related party transactions are recorded at the exchange amount and are included in the consolidated statement of activities.

11. Financial instruments

Inter-Varsity's main financial instrument exposure, unchanged from the prior year, is detailed as follows:

Credit risk

Credit risk arises from the potential that camp fees are not paid. Inter-Varsity is exposed to credit risk relating to its amounts receivable as failure of any of these parties to fulfill their obligation could result in financial losses. No single party accounts for a significant balance of amounts receivable. The recorded allowance for doubtful accounts is insignificant.

Liquidity risk

Inter-Varsity's liquidity risk represents the risk that Inter-Varsity could encounter difficulty in meeting obligations associated with financial liabilities. Inter-Varsity manages its liquidity risk by maintaining sufficient cash balances and monitoring forecasted and actual cash flows.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Currency risk

Currency risk is the risk arising from the change in price of one currency against another. Inter-Varsity is exposed to currency risk through its investments in US equities.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Inter-Varsity is exposed to interest rate risk on fixed income investments as the value of these investments will change with market fluctuations.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or other factors affecting all similar financial instruments traded in the market. Inter-Varsity is exposed to other price risk through its equity investments.

Inter-Varsity Christian Fellowship of Canada

Notes to the Consolidated Financial Statements

August 31, 2018

12. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2018 consolidated financial statements.