

Presbyterian Record Inc.

Financial Statements
December 31, 2008

March 31, 2009

Auditors' Report

To the Directors of Presbyterian Record Inc.

We have audited the balance sheet of **Presbyterian Record Inc.** as at December 31, 2008 and the statement of revenues, expenditures and surplus for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Presbyterian Record Inc.

Balance Sheet

As at December 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash	247,853	141,949
Accounts receivable trade	125,000	-
Due from The Presbyterian Church in Canada	-	84,277
Other assets	34,557	20,589
Prepaid expenses	587	14,916
	<hr/>	<hr/>
	407,997	261,731
Investments	356,721	389,808
Capital assets (note 3)	31,613	14,761
	<hr/>	<hr/>
	796,331	666,300
Liabilities		
Current liabilities		
Accounts payable and accruals	41,687	10,290
Due to The Presbyterian Church in Canada	59,218	-
Subscriptions paid in advance	252,044	230,165
	<hr/>	<hr/>
	352,949	240,455
Surplus	443,382	425,845
	<hr/>	<hr/>
	796,331	666,300
	<hr/>	<hr/>

Approved by the Board of Directors

_____ Director

_____ Director

Presbyterian Record Inc.

Statement of Revenues, Expenditures and Surplus For the year ended December 31, 2008

	2008 \$	2007 \$
Revenues		
Subscription	461,651	501,446
Advertising	229,660	233,438
Interest income	19,154	20,149
Fundraising	105,321	99,747
Canadian Magazine Fund grant	38,583	42,477
Miscellaneous	2,752	1,936
	<hr/> 857,121	<hr/> 899,193
Expenditures		
Production		
Printing and engraving	144,878	134,958
Postage - magazine	81,305	82,203
Promotion - fundraising	19,621	18,853
Photograph material	7,670	2,018
Editorial material	23,755	20,072
Advertising and promotion	63,015	66,667
	<hr/> 340,244	<hr/> 324,771
Operating		
Salaries and benefits	335,555	296,011
Professional fees	15,110	8,685
Postage	5,636	6,429
Office rent	17,814	17,774
Stationery and photocopies	3,286	6,188
Travel - committee and staff	13,698	12,709
Amortization of capital assets	10,587	4,697
Consulting	12,700	5,450
Office and general	37,915	35,319
	<hr/> 452,301	<hr/> 393,262
	<hr/> 792,545	<hr/> 718,033
Excess of revenues over expenditures before net change in unrealized market value of investments	64,576	181,160
Net change in unrealized market value of investments	<hr/> (47,039)	<hr/> (2,850)
Excess of revenues over expenditures for the year	17,537	178,310
Surplus - Beginning of year	<hr/> 425,845	<hr/> 247,535
Surplus - End of year	<hr/> 443,382	<hr/> 425,845

Presbyterian Record Inc.

Notes to Financial Statements

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1 General

Presbyterian Record Inc. (the Record) is a not-for-profit corporation. The organization was incorporated without share capital under the Canada Corporations Act on December 29, 1999 by the General Assembly of The Presbyterian Church in Canada (PCIC) to produce The Record Magazine.

2 Summary of significant accounting policies

The following is a summary of accounting practices followed by the Record:

Revenue recognition

Revenue is recognized on the accrual basis.

Subscription revenues are recognized as revenue in the year to which the subscription relates. Subscriptions paid in advance are recorded as deferred revenue.

Advertising revenues are recognized as revenue when the corresponding issue of the magazine is published.

Book revenues are recognized as revenue when the books are sold.

Investment income is recorded as revenue on the accrual basis.

Investments

Investments are held with PCIC in the consolidated portfolio of stocks and bonds managed by independent investment managers in accordance with a stated investment policy and are valued at market.

Capital assets

Capital assets comprise computer hardware and software, and are amortized on a straight-line basis over their useful lives of five years.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales, cost of sales, other income and expenses during the reporting period. Actual results could differ from those estimates.

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Financial instruments - recognition and measurement

On January 1, 2007, the Record adopted the provisions of The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments. The standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables. Financial liabilities should be classified as held-for-trading or as other liabilities.

The following is a summary of the accounting model the Church has elected to apply to each of its significant categories of financial instruments:

Cash	held-for-trading
Investments	held-for-trading
Amounts receivable from PCIC	loans and receivables
Accounts payable and accruals	other liabilities

- Held-for-trading

Financial assets that are acquired with the intention of generating profits in the near term are accounted for at fair value. Interest earned or accrued is included in interest income. Gains and losses realized on disposal are included in investment income and unrealized gains and losses from changes in fair value are included in net change in unrealized market value of investments.

- Loans and receivables

Loans and receivables are accounted for at amortized cost.

- Other liabilities

Other liabilities are recorded at amortized cost.

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Capital management

The Record defines its capital as the amounts included in its retained earnings. The Record's objective when managing its capital is to safeguard the Record's ability to continue as a going concern so that it can continue to print and distribute The Record magazine to its subscribers.

The Record invests a large portion of its capital in the Consolidated Portfolio administered by The Trustee Board of PCIC.

The Record on a regular basis determines the amount to be invested in light of changes in economic conditions, its need for working capital and the risk characteristics of other underlying assets.

Recent Canadian accounting pronouncements issued and not adopted

- Sections 3862 and 3863

These standards were not adopted by the PCIC as the Accounting Standards Board has stated that adoption is optional for not-for-profit organizations.

- Section 4400, Financial Statement Presentation by Not-For-Profit Organizations

Recent amendments to Section 4400, Financial Statement Presentation by Not-For-Profit Organizations will modify the requirements with respect to various elements of financial statement presentation. These amendments include:

- Reporting certain revenues in gross amounts in the statement of operations;
- Application of Section 1540, Cash Flow to Not-For-Profit organizations;
- Preparation of interim statements in accordance with Section 1751, Interim Financial Statements;
- Amortization of capital assets, regardless of the size of the organization;
- Disclosure of the policy adopted for allocation of fundraising and general support costs where expenses are classified by functions; and
- Elimination of the requirements to treat net assets invested in capital assets as a separate component of net assets.

The new standard applies to financial statements relating to fiscal years beginning on or after January 1, 2009. This standard will impact the Record's disclosures provided but will not affect the Record's results or financial position.

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3 Capital assets

The capital assets consist of the following:

	2008		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer hardware and software	45,208	18,169	27,039
Furniture and fixtures	5,716	1,142	4,574
	<u>50,924</u>	<u>19,311</u>	<u>31,613</u>
			2007
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer hardware and software	23,487	8,726	14,761

4 Statement of cash flows

A statement of cash flows has not been presented, as it would not provide any additional meaningful information.

5 Financial instruments risk disclosures

The main risks the Record's financial instruments are exposed to are foreign exchange risk, credit risk, liquidity risk, market risk and interest rate risk.

Foreign exchange risk

The Record's investments are held in the consolidated portfolio of PCIC. This portfolio holds 10.1% of its investments in the United States and 7.4% in international markets and therefore is subject to foreign exchange risks. The fund managers operate under a detailed Statement of Investment Policy and Procedures and are expected to manage this type of risk. The risk in this area is considered to be moderate.

Credit risk

The Record is exposed to credit risk on accounts receivable, this credit risk is considered to be low.

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Liquidity risk

Given the makeup of its accounts payable and accruals, liquidity risk is considered to be low.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Record. The Record's investments are held in the consolidated portfolio of PCIC and this portfolio is exposed to fair value fluctuations on equities and bonds.

Interest rate risk

The promissory notes and bonds in the consolidated portfolio of PCIC bear interest at a fixed rate, and as such the Record is subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.