

SEVENOAKS ALLIANCE CHURCH

Financial Statements

(Unaudited)

For the Year Ended December 31, 2019

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REVIEW ENGAGEMENT REPORT

To the Members of Sevenoaks Alliance Church

We have reviewed the accompanying consolidated financial statements of Sevenoaks Alliance Church that comprise the statement of financial position as at December 31, 2019, and the statement of operations 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 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 (ASNPO), 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on the consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Sevenoaks Alliance Church as at December 31, 2019, 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.

Provision Chartered Professional Accountants Inc.

Richmond, BC
March 19, 2020

SEVENOAKS ALLIANCE CHURCH
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

(Unaudited)

December 31, 2019 with comparative figures for 2018

	Restricted Funds		General Fund		Total	Total
	Community Care Fund	Missions Fund	Capital Asset Fund	Operating Fund	2019	2018
Assets						
Current assets						
Cash	\$ 16,670	\$ 9,082	\$ 65,407	\$ (5,809)	\$ 85,350	\$ 824,920
Insurance proceeds receivable (note 6)	-	-	-	-	-	296,860
Due from government agencies	-	-	-	4,927	4,927	12,124
Prepaid expense	-	-	-	26,463	26,463	24,033
Due from related party (note 3)	-	106,642	-	158,047	264,689	327,523
	16,670	115,724	65,407	183,629	381,429	1,485,460
Tangible capital assets, net of accumulated amortization (note 4)	-	-	11,853,711	-	11,853,711	10,857,767
	\$ 16,670	\$ 115,724	\$ 11,919,118	\$ 183,629	\$ 12,235,140	\$ 12,343,227
Liabilities and net assets						
Current liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 24,546	\$ 24,546	\$ 8,158
	-	-	-	24,546	24,546	8,158
Interfund loan (note 5)	-	-	(191,417)	191,417	-	-
	-	-	(191,417)	215,963	24,546	8,158
Net assets						
Fund balances						
Invested in capital assets	-	-	11,853,711	-	11,853,711	10,857,767
Externally restricted	16,670	115,724	-	-	132,393	136,730
Unrestricted	-	-	256,824	(32,334)	224,490	1,340,572
	16,670	115,724	12,110,535	(32,334)	12,210,594	12,335,069
	\$ 16,670	\$ 115,724	\$ 11,919,118	\$ 183,629	\$ 12,235,140	\$ 12,343,227

On behalf of the Finance Committee

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

Provision Chartered Professional Accountants Inc.

SEVENOAKS ALLIANCE CHURCH
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

STATEMENT 2

(Unaudited)

For the year ended December 31, 2019 with comparative figures for 2018

	Restricted Funds		General Funds		Total	Total
	Community Care	Missions	Capital Asset	Operating	2019	2018
	Fund	Fund	Fund	Fund		
Revenues						
Contributions	\$ 53,980	\$ 189,443	\$ 66,158	\$ 1,009,299	\$ 1,318,880	\$ 1,411,864
Non-receiptable and miscellaneous	-	-	-	79,220	79,220	98,130
Net realized gain on insurance recovery (note 6)	-	-	8,966	-	8,966	834,014
Interest	-	2,360	3,316	4,806	10,482	9,164
	53,980	191,803	78,440	1,093,325	1,417,549	2,353,172
Expenses						
Salaries and benefits	-	-	-	713,482	713,482	690,300
Ministry programs	51,876	197,934	-	114,931	364,741	397,268
Amortization	-	-	164,049	-	164,049	141,679
Repairs and maintenance	-	-	7,738	67,316	75,053	105,603
Utilities	-	-	-	63,692	63,692	64,086
Supplies and materials	-	-	-	35,648	35,648	36,594
Insurance	-	-	-	35,097	35,097	33,028
Office and administration	-	-	-	29,773	29,773	24,907
District operating assessment	-	-	-	21,752	21,752	20,119
Bank fees and interest	189	121	245	14,365	14,920	13,927
Professional fees	-	-	-	8,210	8,210	9,225
Promotion	-	-	-	5,299	5,299	6,379
Janitorial	-	-	-	4,085	4,085	6,767
Training and recruitment	-	-	-	3,697	3,697	12,639
Travel	-	-	-	2,524	2,524	2,558
	52,065	198,054	172,032	1,119,872	1,542,023	1,565,079
Excess (deficiency) of revenues over expenses	1,915	(6,251)	(93,591)	(26,547)	(124,475)	788,093
Fund balances, beginning of year	14,755	121,975	12,204,126	(5,787)	12,335,069	11,546,976
Fund balances, end of year	\$ 16,670	\$ 115,724	\$ 12,110,535	\$ (32,334)	\$ 12,210,594	\$ 12,335,069

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

SEVENOAKS ALLIANCE CHURCH
STATEMENT OF CASH FLOW

STATEMENT 3

(Unaudited)

Year ended December 31, 2019 with comparative figures for 2018

	Total 2019	Total 2018
Cash flow from operating activities		
Excess (Deficiency) of revenues over expenses	\$ (124,475)	\$ 788,093
Items not involving cash:		
Amortization	164,049	141,679
	39,574	929,772
Changes in non-cash working capital		
Insurance proceeds receivable	296,860	1,240,565
Due from government agencies	7,197	14,185
Prepaid expense	(2,431)	(1,160)
Accounts payable	16,388	-
	357,587	2,183,362
Cash flow from investing activities		
Purchase of capital assets	(1,159,991)	(1,570,172)
Due from related party	62,834	(3,287)
	(1,097,157)	(1,573,459)
Net increase (decrease) in cash	(739,570)	609,903
Cash, beginning of year	824,920	215,017
Cash, end of year	\$ 85,350	\$ 824,920
Supplemental cash flow information		
Interest paid	\$ 772	\$ 2,331

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

SEVENOAKS ALLIANCE CHURCH
NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended December 31, 2019

1. PURPOSE OF THE ORGANIZATION

Sevenoaks Alliance Church ("the Church") is a registered charity under the Income Tax Act. The Church's purpose is to know Jesus and to make Him known.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Fund accounting

The Church follows the restricted fund method of accounting for contributions.

General funds:

The Operating fund accounts for the Church's day to day programs, activities, and administration. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions can be internally restricted for specific church ministries.

The Capital Asset fund reports the assets, liabilities, revenues, and expenses related to capital investment activities. Contributions can be internally restricted for specific capital projects.

Externally restricted funds:

Externally restricted funds include donations received by the Church which have been designated for the following specific purposes by the donor:

The Missions fund is used for supporting programs and activities aimed at strengthening the Christian church globally.

The Community Care fund is used for the financial assistance of individuals in the community at large.

(b) Contributed services

Volunteers contribute a significant amount of their time to the Church each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

(c) Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Amortization is incurred on assets available for use. Amortization is provided on a declining balance basis over the following annual rates:

Buildings	2%
Equipment	10%
Computer equipment	55%

SEVENOAKS ALLIANCE CHURCH
NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended December 31, 2019

2. (Significant accounting policies continued)

Significant donated assets are capitalized at their fair market value at the date of contribution and are amortized in accordance with the above policies. Amortization expense is reported in the Capital Asset fund. The Church records amortization at one half the above rates in the year of acquisition.

(d) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating fund in the year which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Investment income is earned in the Operating fund, Missions fund, and the Capital Asset fund and is used for the Church's day to day programs, activities, administration, mission fund programs, or capital asset replacement.

(e) Financial instruments

The Church's financial instruments consist of cash, accounts receivable, due from government agencies, prepaid expense, due from related party, accounts payable and loans payable.

Accounts receivable, due from government agencies and due from related party are classified as receivables and loans and recorded at amortized cost. Cash and prepaid expense is classified as held-for-trading assets and recorded at fair value.

Accounts payable and loans payable are classified as other financial liabilities and recorded at amortized cost.

Amortized cost in all cases is calculated using the effective interest rate method.

Unless otherwise noted, it is the Finance Committee's opinion that the fair values of these financial instruments approximate their carrying value.

Unless otherwise noted, it is the Finance Committee's opinion that the Church is not exposed to significant interest, currency or credit risk arising from these financial instruments.

(f) Use of estimates

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, estimates and assumptions are made relating to:

Reported amounts of revenue and expenses
Reported amounts of assets and liabilities
Disclosure of contingent assets and liabilities

SEVENOAKS ALLIANCE CHURCH
NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended December 31, 2019

2. (Significant accounting policies continued)

Assumptions are based on a number of factors including historical experience, current events and actions that the Church may undertake in the future, and other assumptions believed reasonable in the circumstances. Actual results could differ from those estimates under different conditions and assumptions. Estimates are used when accounting for certain items such as useful lives for property and equipment, and impairment of long-lived assets.

3. DUE FROM RELATED PARTY

	<u>2019</u>	<u>2018</u>
Due from the Canadian Pacific District, Christian and Missionary Alliance. The amount due bears interest at 2.25% (2018; 2.1%) compounded semi-annually with no specific terms of repayment and is held by the Operating Fund	\$ 158,047	\$ 223,190
Due from the Canadian Pacific District, Christian and Missionary Alliance. The amount due bears interest at 2.25% (2018; 2.1%) compounded semi-annually with no specific terms of repayment and is held by the Missions Fund.	<u>106,641</u>	<u>104,333</u>
	<u>\$ 264,689</u>	<u>\$ 327,523</u>

The following is a summary of transactions between the Church and the Canadian Pacific District, Christian and Missionary Alliance not otherwise described in these financial statements. These transactions occurred during the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed by related parties.

I. The Canadian Pacific District, Christian and Missionary Alliance

a) District operating assessment

The Church paid \$21,752 (\$20,119 in 2018) to the Canadian Pacific District, Christian and Missionary Alliance as a district operating assessment.

b) Group insurance

The Church paid \$50,524 (\$52,492 in 2018) in premiums to the Canadian Pacific District, Christian and Missionary Alliance for the group insurance plan.

c) Missions

The Church forwarded \$10,781 (\$11,838 in 2018) for missions programs administered by the Canadian Pacific District, Christian and Missionary Alliance.

SEVENOAKS ALLIANCE CHURCH
NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended December 31, 2019

3. (Due from related party continued)

d) Liability insurance

The Church paid \$2,097 (\$2,016 in 2018) in insurance premiums for liability insurance administered by the Canadian Pacific District, Christian and Missionary Alliance.

II. The Christian and Missionary Alliance in Canada

The following is a summary of transactions between the Church and the Christian and Missionary Alliance in Canada not otherwise described in these financial statements.

a) Missions

The Church forwarded \$120,312 (\$139,735 in 2018) for missions programs administered by the Christian and Missionary Alliance in Canada.

b) Alliance Retiral Fund

The Church paid \$54,615 (\$53,888 in 2018) in contributions to the Christian and Missionary Alliance in Canada for the retirement plan.

4. TANGIBLE CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Land	\$ 5,405,000	\$ --	\$ 5,405,000	\$ 5,405,000
Buildings	8,968,267	2,760,416	6,207,851	5,194,637
Computers	17,020	16,717	303	674
Equipment	<u>1,164,790</u>	<u>924,233</u>	<u>240,567</u>	<u>257,456</u>
	<u>\$ 14,395,084</u>	<u>\$ 3,537,317</u>	<u>\$11,853,711</u>	<u>\$ 10,857,767</u>

5. INTERFUND LOAN

At December 31, 2019, the Capital Asset fund has loaned \$191,417 to the Operating fund (2018; \$273,139).

The loan is non-interest bearing and due on demand. The loan provides working capital required for day to day programs, activities and administration.

SEVENOAKS ALLIANCE CHURCH
NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

For the year ended December 31, 2019

6. INSURANCE RECOVERY

Total insurance proceeds of \$2,494,060 received as of December 31, 2019.

Insurance proceeds totaling \$1,480,452 have been paid by the insurer to contractors for structural repairs to the building.

Insurance proceeds totaling \$205,782 have been received for interior repairs and equipment and supply replacement.

The insurer has advanced a further \$805,826 to the church for interior repairs.

There are no further insurance proceeds anticipated.

A summary of the loss and estimated replacement values is as follows:

Total insurance proceeds	\$ 2,492,060
Less:	
Supplies replaced	20,757
Realized loss on tangible capital assets	<u>769,091</u>
Net realized gain on insurance recovery	<u>\$ 1,702,212</u>

Net realized gain:	
2017	\$ 859,232
2018	834,014
2019	<u>8,966</u>
Total net realized gain on insurance recovery	<u>\$ 1,702,212</u>

Total expected insurance proceeds from initial estimate	\$ 2,483,094
Less actual amount received as of December 31, 2019	<u>2,492,060</u>
Gain realized in 2019 due to under estimation of proceeds	<u>\$ 8,966</u>