

Financial Statements of

VERNON ALLIANCE CHURCH

And Independent Practitioners' Review Engagement Report
thereon

Year ended June 30, 2022
(Unaudited)

DRAFT



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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Members of Vernon Alliance Church

We have reviewed the accompanying financial statements of Vernon Alliance Church, which comprise the statement of financial position as at June 30, 2022, the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, 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.

Practitioners' 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 these 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 Vernon Alliance Church as at June 30, 2022, and its results of operations and



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its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

Vernon, Canada

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VERNON ALLIANCE CHURCH

Statement of Financial Position

June 30, 2022, with comparative information for 2021
(Unaudited)

	2022	2021
Assets		
Current assets:		
Cash	\$ 527,520	\$ 572,012
Term deposit	266,411	161,687
Accounts receivable	3,222	15,421
Prepaid expenses	9,934	8,207
	<u>807,087</u>	<u>757,327</u>
Capital assets (note 2)	2,243,725	2,221,996
	<u>\$ 3,050,812</u>	<u>\$ 2,979,323</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 72,982	\$ 37,145
Designated balances	<u>168,378</u>	<u>220,022</u>
	<u>241,360</u>	<u>257,167</u>
Deferred capital contributions (note 3)	278,017	290,924
	<u>519,377</u>	<u>548,091</u>
Net Assets:		
(Schedule 2)		
Unrestricted	565,727	500,160
Investment in capital assets (note 4)	<u>1,965,708</u>	<u>1,931,072</u>
	<u>2,531,435</u>	<u>2,431,232</u>
Related party transactions (note 7)		
Commitments (note 8)		
	<u>\$ 3,050,812</u>	<u>\$ 2,979,323</u>

See accompanying notes to financial statements.

On behalf of the Members:

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Elder

VERNON ALLIANCE CHURCH

Statement of Operations

Year ended June 30, 2022, with comparative information for 2021
(Unaudited)

	2022	2021
Revenue:		
Offerings	\$ 1,234,202	\$ 1,104,664
Missions and other ministries offerings (Schedule 1)	235,102	167,155
Development fund offerings	26,501	14,617
Facilities rental	7,626	3,399
	1,503,431	1,289,835
General and administrative expenses:		
Administration	194,410	154,074
Adult discipleship	80,135	122,920
Benevolent	74,215	172,169
Cross ministry fund	4,314	2,787
Executive leadership	231,417	183,266
Facilities	204,838	163,634
Family ministries	74,842	94,895
IT and creative arts	48,108	81,402
Interest on long-term debt	-	5,163
Mission and other ministries (Schedule 1)	235,102	167,155
Scholarship	1,000	1,000
Staff development and training	8,329	7,910
World concern	40,855	27,618
Worship and fellowship	90,080	45,447
Youth ministry	84,325	87,011
	1,371,970	1,316,451
Excess (deficiency) of revenues over expenses before the undernoted	131,461	(26,616)
Other income (expenses):		
Amortization of capital assets	(76,466)	(78,600)
Amortization of deferred capital contributions	19,367	21,569
Gain (loss) on sale of capital assets	830	(27)
Government assistance (note 5)	25,011	275,882
	(31,258)	218,824
Excess of revenues over expenses	\$ 100,203	\$ 192,208

See accompanying notes to financial statements.

VERNON ALLIANCE CHURCH

Statement of Changes in Net Assets

Year ended June 30, 2022, with comparative information for 2021
(Unaudited)

	Unrestricted	Investment in capital assets	2022 Total	2021 Total
Net assets, beginning of year	\$ 500,160	\$ 1,931,072	\$ 2,431,232	\$ 2,239,024
Excess (deficiency) of revenues over expenses	157,302	(57,099)	100,203	192,208
Investment in capital assets	(98,195)	98,195	-	-
Deferred capital contributions	6,460	(6,460)	-	-
Net assets, end of year	\$ 565,727	\$ 1,965,708	\$ 2,531,435	\$ 2,431,232

See accompanying notes to financial statements.

VERNON ALLIANCE CHURCH

Statement of Cash Flows

Year ended June 30, 2022, with comparative information for 2021
(Unaudited)

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 100,203	\$ 192,208
Items not involving cash:		
Amortization of capital assets	76,466	78,600
(Gain) loss on sale of capital assets	(830)	27
Amortization of deferred capital contributions	(19,367)	(21,569)
Change in non-cash operating working capital:		
Accounts receivable	12,199	3,933
Term deposit	(104,724)	(3,249)
Prepaid expenses	(1,727)	(5,142)
Accounts payable and accrued liabilities	35,837	17,025
Designated balances	(51,644)	34,807
	46,413	296,640
Financing:		
Repayment of long-term debt	-	(157,757)
Deferred capital contributions	6,460	-
	6,460	(157,757)
Investing:		
Decrease in investment in pastors' housing	-	3,225
Purchase of capital assets	(101,528)	(21,868)
Proceeds on disposal of capital assets	4,163	700
	(97,365)	(17,943)
(Decrease) increase in cash	(44,492)	120,940
Cash, beginning of year	572,012	451,072
Cash, end of year	\$ 527,520	\$ 572,012

See accompanying notes to financial statements.

VERNON ALLIANCE CHURCH

Notes to Financial Statements

Year ended June 30, 2022

(Unaudited)

Vernon Alliance Church (the "Church") is a reporting organization in the Canada Pacific District of the Christian and Missionary Alliance in Canada ("CMAC"), which is incorporated under the Society's Act of British Columbia. The Church is a registered charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO"). Management's significant accounting policies are as follows:

(a) Capital assets:

Capital assets consist of property and equipment and are recorded at cost less accumulated amortization. Amortization is provided using the declining balance basis at the following annual rates:

Asset	Rate
Building	3%
Sound studio	10%
Furniture, fixtures and equipment	15%
Computer equipment	25%
Signs	15%

When a capital asset no longer contributes to the Church's ability to provide services, its carrying amount is written down to its residual value, if any.

The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2022

(Unaudited)

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Church follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, including designated balances, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets that are amortized are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions restricted for the purchase of capital assets that will not be amortized are recognized as direct increases to net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(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. The Church 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.

In the case of financial instruments that originate as a result of related party transactions, initial measurement will be at exchange amount or carrying value in accordance with Section 3840, Related Party Transactions, rather than fair value. If the sole relationship is in the capacity of management, the parties involved are deemed to be unrelated for purposes of section 3856, Financial Instruments and as such, transaction will be initially measured at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2022

(Unaudited)

1. Significant accounting policies (continued):

(d) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of net income for the period. Government assistance related to capital expenditures is recorded as reduction of the cost of the related item in capital assets.

(e) Use of estimates:

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 items subject to such estimates and assumptions including the carrying value of capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 741,629	\$ -	\$ 741,629	\$ 741,629
Building	2,504,417	1,257,766	1,246,651	1,265,625
Sound studio	46,865	30,960	15,905	11,033
Furniture, fixtures and equipment	773,146	601,123	172,023	167,808
Computer equipment	207,104	176,221	30,883	35,695
Signs	2,000	1,825	175	206
Assets not available for use	36,459	-	36,459	-
	<hr/> \$ 4,311,620	<hr/> \$ 2,067,895	<hr/> \$ 2,243,725	<hr/> \$ 2,221,996

The land and buildings are owned by CMAC but are purchased, maintained and operated by the Church.

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2022

(Unaudited)

3. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent amounts of donation received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the related assets are amortized.

	2022	2021
Balance, beginning of year	\$ 290,924	\$ 312,493
Amortization for the year	(19,367)	(21,569)
Balance, end of year	\$ 278,017	\$ 290,924

4. Investment in capital assets:

	2022	2021
Capital assets	\$ 2,243,725	\$ 2,221,996
Deferred capital contributions	(278,017)	(290,924)
	\$ 1,965,708	\$ 1,931,072

5. Government assistance:

The Church received Government assistance related to the Canadian Emergency Wage Subsidy ("CEWS"), which was part of the initiative launched by the Canadian Government to assist employers to maintain payroll during the COVID-19 pandemic, as follows:

	2022	2021
CEWS	\$ 25,011	\$ 275,882

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2022

(Unaudited)

6. Credit facility:

The Church has available a \$300,000 operating line of credit with the Vantage One Credit Union. The line of credit bears interest at 0.50% above the credit union's prime lending rate and is secured by a charge against the Church's real property. As at June 30, 2022 the balance on the line of credit is \$nil (2021- \$nil).

7. Related party transactions:

	2022	2021
CMAC National missions and projects	\$ 70,255	\$ 55,931
CMAC District missions and projects	100,787	92,962
Advance to CMAC investment fund	100,000	-
CMAC investment fund income	4,724	3,249
Insurance expenses paid to CMAC	5,466	5,513
Sponsorships and donations to CMAC's Eagle Bay Camp	23,225	6,068
	<hr/> \$ 304,457	<hr/> \$ 163,723

Included in accounts payable is \$7,455 (2021 - \$16,438) due to CMAC.

These transactions are in the normal course of operation and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Commitment:

The Church has entered into an operating lease of a photocopier and is committed to minimum annual lease payments as follows:

2023	\$ 9,322
2024	9,322
	<hr/> \$ 18,644

9. Employee Pension Plan

The Church and its employees contribute to the Alliance Retirement Fund, a multi-employer defined contribution pension plan. The costs are expensed as incurred.

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2022

(Unaudited)

10. Financial instruments and concentration of credit risk:

There has been no change to the risk exposure from 2021.

(a) Fair Value:

The carrying value of cash, term deposit, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or due to a market rate of interest attached to their repayment.

(b) Credit risk:

The maximum credit risk exposure for each financial asset is the carrying amount of that asset.

(c) Concentration of risk:

The Church is heavily dependent on the amount of offerings from the congregation to continue operations. A decline in local or national economic conditions, consumer-spending levels, increased austerity measures, or other adverse conditions could lead to reduced revenue and potential reductions in programming and service levels.

11. Comparative amounts:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

VERNON ALLIANCE CHURCH

Schedule 1 - Mission and Other Ministries Revenue and Expenditures

Year ended June 30, 2022

(Unaudited)

	2022	2021
Offerings:		
Church ministries	\$ 48,960	\$ 26,812
Benevolent ministries	97,264	69,244
Special missions projects	34,532	27,627
Foreign missions	42,971	33,094
Home missions	8,479	6,507
Other designated offerings	2,896	3,871
Total offerings	\$ 235,102	\$ 167,155
Expenditures:		
Church ministries	\$ 48,960	\$ 26,812
Benevolent ministries	97,264	69,244
Special missions projects	34,532	27,627
Foreign missions	42,971	33,094
Home missions	8,479	6,507
Other designated offerings	2,896	3,871
Total expenditures	\$ 235,102	\$ 167,155

VERNON ALLIANCE CHURCH

Schedule 2 - Net Asset Classification of Financial Position

Year ended June 30, 2022

(Unaudited)

	Unrestricted	Invested in capital assets	Total
Assets			
Current assets:			
Cash	\$ 527,520	\$ -	\$ 527,520
Term deposit	266,411	-	266,411
Accounts receivable	3,222	-	3,222
Prepaid expenses	9,934	-	9,934
	807,087	-	807,087
Capital assets	-	2,243,725	2,243,725
Total assets	\$ 807,087	\$ 2,243,725	\$ 3,050,812
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 72,982	\$ -	\$ 72,982
Designated balances	168,378	-	168,378
	241,360	-	241,360
Deferred capital contributions	-	278,017	278,017
Total liabilities	\$ 241,360	\$ 278,017	\$ 519,377
Net Assets			
Total net assets	\$ 565,727	\$ 1,965,708	\$ 2,531,435