

Financial Statements of

VERNON ALLIANCE CHURCH

And Independent Practitioners' Review Engagement Report
thereon

Year ended June 30, 2021
(Unaudited)



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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, 2021, the statement of operations, 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.



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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, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vernon, Canada

September 27, 2021

VERNON ALLIANCE CHURCH

Statement of Financial Position

June 30, 2021, with comparative information for 2020
(Unaudited)

	2021	2020
Assets		
Current assets:		
Cash	\$ 572,012	\$ 451,072
Term deposit	161,687	158,438
Accounts receivable	15,421	19,354
Prepaid expenses	8,207	3,065
	<u>757,327</u>	<u>631,929</u>
Capital assets (note 2)	2,221,996	2,279,455
Investment in pastors' housing (note 3)	-	3,225
	<u>\$ 2,979,323</u>	<u>\$ 2,914,609</u>

Liabilities

Current liabilities:		
Accounts payable and accrued liabilities	\$ 37,145	\$ 20,120
Designated balances	220,022	185,215
Current portion of long-term debt (note 4)	-	18,345
	<u>257,167</u>	<u>223,680</u>
Long-term debt (note 4)	-	139,412
Deferred capital contributions (note 5)	290,924	312,493
	<u>548,091</u>	<u>675,585</u>
Net Assets:		
(Schedule 2)		
Unrestricted	500,160	429,819
Investment in capital assets (note 6)	1,931,072	1,809,205
	<u>2,431,232</u>	<u>2,239,024</u>
Related party transactions (note 9)		
Commitments (note 10)		
	<u>\$ 2,979,323</u>	<u>\$ 2,914,609</u>

See accompanying notes to financial statements.

On behalf of the Members:

_____ Elder

_____ Elder

VERNON ALLIANCE CHURCH

Statement of Changes in Net Assets Earnings

Year ended June 30, 2021, with comparative information for 2020
(Unaudited)

	2021	2020
Revenue:		
Offerings	\$ 1,104,664	\$ 1,282,887
Missions and other ministries offerings (Schedule 1)	167,155	308,936
Development fund offerings	14,617	27,010
Facilities rental	3,399	5,306
	<u>1,289,835</u>	<u>1,624,139</u>
General and administrative expenses:		
Administration	154,073	164,923
Adult discipleship	125,708	123,553
Benevolent	172,169	89,765
Executive leadership	183,266	180,009
Facilities	163,634	173,773
Family ministries	94,895	89,717
IT and creative arts	81,402	52,440
Interest on long-term debt	5,163	6,361
Library resources	-	883
Mission and other ministries (Schedule 1)	167,155	308,936
Scholarship	1,000	2,000
Staff development and training	7,910	16,461
World concern	27,618	32,296
Worship and fellowship	45,447	58,604
Youth ministry	87,011	96,182
	<u>1,316,451</u>	<u>1,395,903</u>
(Deficiency) excess of revenues over expenses before the undernoted	(26,616)	228,236
Other income (expenses):		
Amortization of capital assets	(78,600)	(80,785)
Amortization of deferred capital contributions	21,569	24,536
Loss on sale of capital assets	(27)	(810)
Government assistance (note 7)	275,882	16,933
	<u>218,824</u>	<u>(40,126)</u>
Net excess	\$ 192,208	\$ 188,110

See accompanying notes to financial statements.

VERNON ALLIANCE CHURCH

Statement of Changes in Net Assets

Year ended June 30, 2021, with comparative information for 2020
(Unaudited)

	Unrestricted	Investment in capital assets	2021 Total	2020 Total
Net assets, beginning of year	\$ 429,819	\$ 1,809,205	\$ 2,239,024	\$ 2,050,914
Excess (deficiency) of revenues over expenses	254,402	(62,194)	192,208	188,110
Investment in capital assets	(21,140)	21,140	-	-
Interfund transfers	(162,921)	162,921	-	-
Net assets, end of year	\$ 500,160	\$ 1,931,072	\$ 2,431,232	\$ 2,239,024

See accompanying notes to financial statements.

VERNON ALLIANCE CHURCH

Statement of Cash Flows

Year ended June 30, 2021, with comparative information for 2020
(Unaudited)

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 192,208	\$ 188,110
Items not involving cash:		
Amortization of capital assets	78,600	80,785
Loss on sale of capital assets	27	810
Amortization of deferred capital contributions	(21,569)	(24,536)
Change in non-cash operating working capital:		
Accounts receivable	3,933	(16,370)
Term deposit	(3,249)	(3,466)
Prepaid expenses	(5,142)	3,992
Accounts payable and accrued liabilities	17,025	(13,465)
Designated balances	34,807	15,318
	296,640	231,178
Financing:		
Repayment of long-term debt	(157,757)	(17,639)
Investing:		
Decrease in investment in pastors' housing	3,225	26,550
Purchase of capital assets	(21,868)	(88,808)
Proceeds on disposal of capital assets	700	1,200
	(17,943)	(61,058)
Increase in cash	120,940	152,481
Cash, beginning of year	451,072	298,591
Cash, end of year	\$ 572,012	\$ 451,072

See accompanying notes to financial statements.

VERNON ALLIANCE CHURCH

Notes to Financial Statements

Year ended June 30, 2021
(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, 2021
(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, 2021

(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 and investment in pastors' housing. 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:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 741,629	\$ -	\$ 741,629	\$ 741,629
Building	2,485,132	1,219,507	1,265,625	1,304,768
Sound studio	40,405	29,372	11,033	12,259
Furniture, fixtures and equipment	741,377	573,569	167,808	184,985
Computer equipment	205,629	169,934	35,695	35,572
Signs	2,000	1,794	206	242
	\$ 4,216,172	\$ 1,994,176	\$ 2,221,996	\$ 2,279,455

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, 2021

(Unaudited)

3. Investment in pastors' housing:

The Church has invested funds in residences for the pastors. The investment is unsecured and bears no interest. When the pastor sells the residence, the Church requires the investment to be repaid and receives a pro-rata share of the resulting gain, if any, from the sale.

4. Long-term debt:

	2021	2020
Mortgage	\$ -	\$ 157,757
Less current portion	-	(18,345)
	\$ -	\$ 139,412

5. 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 financial activity on the same basis as the related assets are amortized.

	2021	2020
Balance, beginning of year	\$ 312,493	\$ 337,029
Amortization for the year	(21,569)	(24,536)
Balance, end of year	\$ 290,924	\$ 312,493

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2021

(Unaudited)

6. Investment in capital assets:

	2021	2020
Capital assets	\$ 2,221,996	\$ 2,279,455
Deferred capital contributions	(290,924)	(312,493)
Long-term debt	-	(157,757)
	<hr/> \$ 1,931,072	<hr/> \$ 1,809,205

7. 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:

	2021	2020
CEWS	\$ 275,882	\$ 16,933

8. 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, 2021, the balance on the line of credit is \$nil (2020 - \$nil).

VERNON ALLIANCE CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2021

(Unaudited)

9. Related party transactions:

	2021	2020
CMAC National missions and projects	\$ 59,281	\$ 63,261
CMAC District missions and projects	100,428	103,214
CMAC investment fund income	3,249	3,466
Insurance expenses paid to CMAC	5,513	-
Sponsorships and donations to CMAC's Eagle Bay Camp	6,421	10,640
	<u>\$ 174,892</u>	<u>\$ 180,581</u>

Included in accounts payable is \$16,438 (2020 - \$4,276) 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.

10. Commitment:

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

2022	\$ 9,322
2023	9,322
2024	9,322
	<u>\$ 27,966</u>

11. Employee Pension Plan

The Church and its employees contribute to the Alliance Retiral 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, 2021
(Unaudited)

12. Financial instruments and concentration of credit risk:

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Church is not known at this time. These impacts could include impairment of assets and decreases in revenue. While the Church has not yet realized any significant impact from the pandemic, future conditions are uncertain and as of the financial statement reporting date, there is increased exposure to the risks below:

(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.

13. 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, 2021
(Unaudited)

	2021	2020
Offerings:		
Church ministries	\$ 26,812	\$ 98,528
Benevolent ministries	69,244	110,427
Special missions projects	27,627	37,667
Foreign missions	33,094	48,159
Home missions	6,507	9,995
Other designated offerings	3,871	4,160
Total offerings	\$ 167,155	\$ 308,936
Expenditures:		
Church ministries	\$ 26,812	\$ 98,528
Benevolent ministries	69,244	110,427
Special missions projects	27,627	37,667
Foreign missions	33,094	48,159
Home missions	6,507	9,995
Other designated offerings	3,871	4,160
Total expenditures	\$ 167,155	\$ 308,936

VERNON ALLIANCE CHURCH

Schedule 2 - Net Asset Classification of Financial Position

Year ended June 30, 2021
(Unaudited)

	Unrestricted	Invested in capital assets	Total
Assets			
Current assets:			
Cash	\$ 572,012	\$ -	\$ 572,012
Accounts receivable	15,421	-	15,421
Prepaid expenses and deposits	8,207	-	8,207
Term deposit	161,687	-	161,687
	<u>757,327</u>	<u>-</u>	<u>757,327</u>
Capital assets	-	2,221,996	2,221,996
Total assets	\$ 757,327	\$ 2,221,996	\$ 2,979,323
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 37,145	\$ -	\$ 37,145
Designated balances	220,022	-	220,022
	<u>257,167</u>	<u>-</u>	<u>257,167</u>
Deferred capital contributions	-	290,924	290,924
Total liabilities	\$ 257,167	\$ 290,924	\$ 548,091
Net Assets			
Total net assets	\$ 500,160	\$ 1,931,072	\$ 2,431,232