

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Financial Statements

Year Ended December 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Living Hope Alliance Church Regina Inc. have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Living Hope Alliance Church Regina Inc. 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Elders is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance Committee. The Finance Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to the Board of Elders prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by MWC Chartered Professional Accountants LLP, in accordance with Canadian generally accepted auditing standards.


Board Chair


Treasurer

Regina, Sk
February 23, 2017



Chartered Professional
Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Living Hope Alliance Church Regina Inc.

We have audited the accompanying financial statements of Living Hope Alliance Church Regina Inc., which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets 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, 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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An asset to our clients, not an expense

2320 Lorne Street, Regina, SK S4P 2M9 ☎ 306-352-8621 📠 306-565-8476 🌐 mwc-cpa.ca

Basis for Qualified Opinion

In common with many charitable organizations, the Church is unable to economically implement controls that will offer assurance on the completeness of donations and other ministries revenues and we are unable to satisfy ourselves on amounts reported using other procedures. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues (expenses), current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Living Hope Alliance Church Regina Inc. as at December 31, 2016 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.

The image shows a handwritten signature in black ink that reads "MWC LLP". The letters are written in a cursive, slightly slanted style.

Chartered Professional Accountants

Regina, Saskatchewan
February 23, 2017

LIVING HOPE ALLIANCE CHURCH REGINA INC.

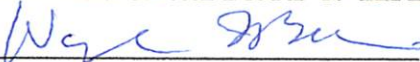
Statement of Financial Position


December 31, 2016

	Ministry Fund	Restricted Funds	2016	2015
ASSETS				
CURRENT				
Cash	\$ 50,045	\$ 35,292	\$ 85,337	\$ 107,192
Investments (Note 3)	199,046	201,736	400,782	444,193
Accounts receivable	-	-	-	4
Goods and services tax recoverable	1,474	150	1,624	58,334
Prepaid expenses	9,383	-	9,383	6,200
	259,948	237,178	497,126	615,923
CAPITAL ASSETS (Note 4)	9,049,072	-	9,049,072	9,359,648
	\$ 9,309,020	\$ 237,178	\$ 9,546,198	\$ 9,975,571
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ 31,080	\$ 557	\$ 31,637	\$ 80,236
Current portion of long term debt (Note 10)	33,516	-	33,516	32,521
Employee deductions payable	7,197	-	7,197	7,032
Deferred income (Note 5)	1,250	-	1,250	365
Trust funds (Note 6)	10,194	-	10,194	10,194
In House Loans (Note 8)	51,276	-	51,276	80,611
	134,513	557	135,070	210,959
District Investment loan (Note 9)	-	-	-	100,000
	134,513	557	135,070	310,959
LONG TERM DEBT (Note 10)	530,482	-	530,482	564,066
DEFERRED INCOME (Note 5)	25,808	-	25,808	25,967
	690,803	557	691,360	900,992
NET ASSETS	8,618,217	236,621	8,854,838	9,074,579
	\$ 9,309,020	\$ 237,178	\$ 9,546,198	\$ 9,975,571

COMMITMENTS (Note 15)

ON BEHALF OF THE BOARD OF ELDERS

 Elder

 Elder

See notes to financial statements

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Statement of Operations Year Ended December 31, 2016

	Ministry Fund (Schedule 1)	Restricted Funds (Schedule 2)	2016 Total	2015 Total
REVENUES				
Donations	\$ 752,571	\$ 43,665	\$ 796,236	\$ 859,981
Preschool	44,012	-	44,012	42,985
Facility rent	41,780	-	41,780	29,471
Interest	1,355	2,234	3,589	8,406
Other ministries/recoveries	68,189	-	68,189	56,738
Mission funds (Note 11)	98,125	-	98,125	108,293
	<u>1,006,032</u>	<u>45,899</u>	<u>1,051,931</u>	<u>1,105,874</u>
EXPENSES				
Administrative expenses	38,672	-	38,672	37,021
Adult/personal care	2,784	-	2,784	854
CMA District operating fund	19,484	-	19,484	19,311
Capital expenses	5,792	-	5,792	1,446
Childrens ministries	26,101	-	26,101	22,619
Compassion needs	-	25,921	25,921	33,059
Mission funds (Note 11)	98,125	-	98,125	108,293
Loan interest	18,006	-	18,006	6,536
Music ministries	12,313	-	12,313	7,808
Occupancy costs	107,613	-	107,613	136,564
Other	-	7,416	7,416	47,167
Other ministries	44,168	-	44,168	26,693
Outbound support	-	-	-	3,532
Public relations	12,481	-	12,481	11,588
Staff costs	458,993	-	458,993	468,229
Youth ministries	12,044	-	12,044	10,143
	<u>856,576</u>	<u>33,337</u>	<u>889,913</u>	<u>940,863</u>
EXCESS OF REVENUES (EXPENSES) BEFORE OTHER EXPENSES				
	<u>149,456</u>	<u>12,562</u>	<u>162,018</u>	<u>165,011</u>
OTHER EXPENSES				
Amortization	366,746	-	366,746	392,744
Release of Filipino congregation (Note 12)	15,013	-	15,013	-
	<u>381,759</u>	<u>-</u>	<u>381,759</u>	<u>392,744</u>
EXCESS OF REVENUES (EXPENSES)				
	<u>\$ (232,303)</u>	<u>\$ 12,562</u>	<u>\$ (219,741)</u>	<u>\$ (227,733)</u>

See accompanying notes

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Statement of Changes in Net Assets

Year Ended December 31, 2016

	Ministry Fund	Restricted Funds	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 8,704,711	\$ 369,868	\$ 9,074,579	\$ 9,302,312
Excess of revenues (expenses)	(232,303)	12,562	(219,741)	(227,733)
Internal transfers	145,809	(145,809)	-	-
NET ASSETS - END OF YEAR	\$ 8,618,217	\$ 236,621	\$ 8,854,838	\$ 9,074,579

Restricted Funds

	Building Fund	Compassion Fund	Total all Funds
Opening balance	\$ 351,099	\$ 18,768	\$ 369,868
Excess of revenues (expenses) (Schedule 2)	5,644	6,918	12,562
Internal transfers	(146,809)	1,000	(145,809)
Ending balance	\$ 209,934	\$ 26,686	\$ 236,621

Internal transfers - Many activities of the Church result in receipts to or disbursements from the Ministry Fund bank accounts. In order to properly classify these activities in the appropriate fund, transfers have been made to account for capital asset additions and other related costs paid by the Ministry Fund.

The Board of Elder's approved setting aside 10% of Building Fund donations received into an internally restricted fund within the Building Fund to prepare for the cost of infrequent, but necessary maintenance of the Church facilities. In the year, this would amount to \$1,083.

See accompanying notes

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Statement of Cash Flows

Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenues (expenses)	\$ (219,741)	\$ (227,733)
Item not affecting cash:		
Amortization of capital assets	366,746	392,744
	<u>147,005</u>	<u>165,011</u>
Changes in non-cash working capital:		
Accounts receivable	4	41
Accounts payable	(48,599)	(522,221)
Deferred income	885	65
Prepaid expenses	(3,183)	(2,524)
Goods and services tax payable	56,710	21,343
Employee deductions payable	165	7,032
Deferred income	(159)	50
	<u>5,823</u>	<u>(496,214)</u>
Cash flow from operating activities	<u>152,828</u>	<u>(331,203)</u>
INVESTING ACTIVITY		
Purchase of capital assets	(56,170)	(1,842,590)
Cash flow used by investing activity	<u>(56,170)</u>	<u>(1,842,590)</u>
FINANCING ACTIVITIES		
Proceeds from District Investment Loan	-	100,000
Repayment of District Investment Loan	(100,000)	-
Proceeds from long term debt	-	600,000
Repayment of long term debt	(32,589)	(3,413)
Repayment of In House Loans	(29,335)	(6,000)
Cash flow from (used by) financing activities	<u>(161,924)</u>	<u>690,587</u>
DECREASE IN CASH FLOW	(65,266)	(1,483,206)
CASH - BEGINNING OF YEAR	551,385	2,034,591
CASH - END OF YEAR	486,119	551,385
CASH CONSISTS OF:		
Cash	\$ 85,337	\$ 107,192
Investments	400,782	444,193
	<u>\$ 486,119</u>	<u>\$ 551,385</u>

See accompanying notes

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Notes to Financial Statements

Year Ended December 31, 2016

1. NATURE OF OPERATIONS

Living Hope Alliance Church is a member of the Canadian Midwest District of the Christian Missionary Alliance and serves as a place of worship in the City of Regina and surrounding area. The Church is a registered charity under the provisions of the Income Tax Act and is exempt from tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

A portion of the monies received by the Church may only be used for specific purposes and accordingly are accounted for in separate funds. Temporary transfers of monies between these funds are recorded as interfund receivables/payables. Permanent transfers are recorded as transfers in the net asset accounts.

Ministry Fund

The Ministry Fund accounts for the Church's ministry and administrative activities. This fund reports unrestricted revenues.

Restricted Funds

The Church has the following restricted funds:

The Building Fund accounts for assets, liabilities, revenues and expenses designated for major maintenance and repairs to the land and building.

The Compassion Fund accounts for revenues and expenses used to assist members, adherents and local community organizations with an immediate financial need. Funds are raised through a special Compassion Offering generally taken once a month and through designated donations to the Compassion Fund.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets including cash, accounts receivable and investments are reported at amortized cost.

Financial liabilities including accounts payable, accrued liabilities, trust funds, In House Loans, District Investment Loans, and long term debt are measured at amortized cost.

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LIVING HOPE ALLIANCE CHURCH REGINA INC.

Notes to Financial Statements

Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Church follows the restricted fund method of accounting for contributions. Contributions include donations, special projects and other ministries revenues.

Restricted contributions related to general ministry operations are recognized as revenue of the Ministry Fund in the year in 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 Ministry Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Undesignated mission fund contributions are forwarded to Global Advance, Canadian Ministries, Seamless Link and Living Hope missions based on an agreed upon percentage determined by the Board of Elders. Designated mission fund contributions are forwarded directly to their designated area.

Preschool fees and facility rentals are reported in the period the related service is provided.

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Building	3%	declining balance method
Equipment	20%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Audio/visual equipment	20%	declining balance method
Parking lot	20 years	straight-line method

The Church is currently in a significant construction phase. Assets under construction and not in use are identified separately and are not amortized. Amortization is taken for one full year on all additions.

3. INVESTMENTS

	<u>2016</u>	<u>2015</u>
Ministry Fund	\$ 199,046	\$ 162,690
Restricted Funds	<u>201,736</u>	<u>281,503</u>
	<u>\$ 400,782</u>	<u>\$ 444,193</u>

These investments are held in money market funds.

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Notes to Financial Statements

Year Ended December 31, 2016

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 240,804	\$ -	\$ 240,804	\$ 240,804
Building	10,140,355	2,040,879	8,099,476	8,310,781
Equipment	137,540	115,772	21,768	18,880
Computer equipment	56,203	47,689	8,514	3,516
Furniture and fixtures	318,575	162,413	156,162	195,203
Audio/visual equipment	342,144	141,080	201,064	251,331
Parking lot	356,982	35,698	321,284	339,133
	<u>\$11,592,603</u>	<u>\$ 2,543,531</u>	<u>\$ 9,049,072</u>	<u>\$ 9,359,648</u>

5. DEFERRED REVENUE

	2016	2015
Current		
Facility rental deposits	\$ 1,115	\$ -
Other	135	365
	<u>1,250</u>	<u>365</u>
Long term		
Memorial donations	24,965	24,965
Other ministries	843	1,002
	<u>25,808</u>	<u>25,967</u>

6. TRUST FUNDS

The Church administers monies on behalf of other related Church agencies. In the year, the Board determined that monies previously collected for a young adult mission trip would be redirected to Mission funds. At the yearend, this balance was unexpended.

	2016	2015
Unexpended Living Hope Mission Funds (2015 - Young adult missions trip)	<u>\$ 10,194</u>	<u>\$ 10,194</u>

7. LINE OF CREDIT

At the yearend, the Church had a short-term revolving line of credit facility of \$100,000 bearing interest at prime plus 3/4%, secured by property. No advance was made on this facility at the current or prior yearend.

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Notes to Financial Statements

Year Ended December 31, 2016

8. IN HOUSE LOANS

While the Church is in the construction phase, Congregation members have advanced the following amounts on an unsecured basis.

	<u>2016</u>	<u>2015</u>
Member loans payable on demand, bearing interest at 1% (adjusted semi-annually)	\$ 31,276	\$ 60,611
5 - year term loan, bearing interest at 2%	<u>20,000</u>	<u>20,000</u>
	<u>\$ 51,276</u>	<u>\$ 80,611</u>

9. DISTRICT INVESTMENT LOAN

Canadian Midwest District of the Christian and Missionary Alliance loan bearing interest at 1% which is reviewed semi-annually on January 1 and July 1. This loan is payable on demand.

The Church repaid the loan in full in the current year.

	<u>2016</u>	<u>2015</u>
	\$ -	\$ 100,000

10. LONG TERM DEBT

Royal Bank of Canada loan bearing interest at 2.9% per annum, repayable in monthly blended payments of \$4,116. The loan is renewable on November 1, 2017 and is secured by a general security agreement, guarantee and postponement of claim by the Canadian Midwest District of Christian and Missionary Alliance in the amount of \$2 million dollars, land and building which have a carrying value of \$8,340,280.

Accrued Interest

Amounts payable within one year

	<u>2016</u>	<u>2015</u>
	\$ 562,638	\$ 595,148
	<u>1,360</u>	<u>1,439</u>
	563,998	596,587
	<u>(33,516)</u>	<u>(32,521)</u>
	<u>\$ 530,482</u>	<u>\$ 564,066</u>

Principal repayment terms are approximately:

2017	\$ 33,516
2018	34,500
2019	35,514
2020	36,558
2021	37,633

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Notes to Financial Statements

Year Ended December 31, 2016

11. MISSION FUNDS

Members may direct the Church to forward a designated portion of contributions to Global Advance, Canadian Ministries and other approved ministries. When received, these funds are promptly passed on to the intended recipient. Amounts which have not been sent by the yearend are included in liabilities. Contributions which have been designated and passed on to the following organizations during the year were:

	<u>2016</u>	<u>2015</u>
C & MA Global Advance	\$ 80,997	\$ 62,951
C & MA Canadian Ministries	8,359	26,586
Ambrose University College	675	25
Other designations	8,094	18,731
	<u>\$ 98,125</u>	<u>\$ 108,293</u>

12. RELEASE OF FILIPINO CONGREGATION

The Filipino congregation was released from the Living Hope Alliance Church on March 1, 2016. As part of the terms of release, the Church gifted \$15,013 of funds to the Glencairn Alliance Church.

13. RELATED PARTY TRANSACTIONS

The Church is a constituent of the Canadian Midwest District of the Christian & Missionary Alliance Canada (the District) which provides support and oversight to member congregations in Saskatchewan, Manitoba and Western Ontario. The District holds the beneficial title to all member church's real property and as a consequence, is a party to security agreements on Church debt.

The church's in the District may make use of credit facilities offered under the District Investment Loan Program. Living Hope received funds in prior year which have been repaid as of December 31, 2016 as outlined in Note 9.

In addition, the Church made payments to the District under the District Operating Fund of \$19,484 (2015 - \$19,311).

In the current year, the Church received \$28,107 (2015 - \$26,217) from the District to offset shared salary costs of a church employee. This support is included in Other Ministries.

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Notes to Financial Statements

Year Ended December 31, 2016

14. FINANCIAL INSTRUMENTS

The Church is exposed to various risks through its financial instruments and it is management's responsibility to monitor, evaluate and manage these risks. The following analysis provides information about the Church's risk exposure and concentration as of December 31, 2016.

Liquidity risk

Liquidity risk is the risk that the Church will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Church not being able to liquidate assets in a timely manner at a reasonable price. The Church has significant equity in its assets and unused capacity in established credit facilities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Church manages exposure through its normal operating and financing activities. The Church is exposed to interest rate risk through its long term debt. District Investment Loans and In House loans are adjusted to current market rates on a regular basis and do not post a significant risk.

15. COMMITMENTS

At the yearend, the Church has entered into operating leases expiring in 2018 which commit the congregation to the following payments at yearend over the remaining lease terms:

2017	\$	5,794
2018		3,120

16. SUBSEQUENT EVENTS

Subsequent to yearend, the Church entered into a contract with Crosby Hanna & Associates to develop a site plan for the church parking lot and landscaping. The estimated cost of this contract is \$9,480.

17. BUDGETED FIGURES

Budgeted figures are presented for information purposes and are not subject to audit.

18. CORRESPONDING FIGURES

Some of the corresponding figures have been reclassified to conform to the current year's presentation.

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Ministry Funds

(Schedule 1)

Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
REVENUES			
Donations	\$ 655,600	\$ 752,571	\$ 689,934
Preschool	44,800	44,012	42,985
Facility rent	50,000	41,780	29,471
Interest	-	1,355	971
Other ministries/recoveries	71,725	68,189	56,738
	822,125	907,907	820,099
EXPENSES			
Administrative expenses	35,100	38,672	37,021
Adult/personal care	2,850	2,784	854
Amortization	-	366,746	392,744
CMA District operating fund	19,470	19,484	19,311
Capital expenses	3,000	5,792	1,446
Childrens ministries	21,413	26,101	22,617
Loan interest	-	18,006	6,536
Music ministries	10,700	12,313	7,808
Occupancy costs	156,096	107,613	136,564
Other ministries	36,600	44,168	26,693
Outbound support	-	-	3,532
Public relations	10,700	12,481	11,588
Staff costs	506,142	458,993	468,229
Youth ministries	20,054	12,044	10,143
Release of Filipino congregation (Note 12)	-	15,013	-
	822,125	1,140,210	1,145,086
EXCESS OF REVENUES (EXPENSES)	\$ -	\$ (232,303)	\$ (324,987)

See accompanying notes

LIVING HOPE ALLIANCE CHURCH REGINA INC.

Restricted Funds

(Schedule 2)

Year Ended December 31, 2016

	Building Fund	Compassion Fund	2016	2015
REVENUE				
Donations	\$ 10,826	\$ 32,839	\$ 43,665	\$ 170,047
Interest	2,234	-	2,234	7,433
	<u>13,060</u>	<u>32,839</u>	<u>45,899</u>	<u>177,480</u>
EXPENSES				
Compassion needs	-	25,921	25,921	33,059
Other	7,416	-	7,416	47,167
	<u>7,416</u>	<u>25,921</u>	<u>33,337</u>	<u>80,226</u>
EXCESS OF REVENUES (EXPENSES)	\$ 5,644	\$ 6,918	\$ 12,562	\$ 97,254

See accompanying notes