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SASKATOON CHRISTIAN CENTRE INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2011

[redacted]

To the Members and
The Congregation of
Saskatoon Christian Centre Inc.
Saskatoon, Saskatchewan

We have audited the accompanying financial statements of Saskatoon Christian Centre Inc., which comprise the statement of financial position as at July 31, 2011 and the statement of changes in net assets, statement of operations and statement of 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 generally accepted accounting principles, 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.

Auditors' 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 judgement, 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.

Basis for Qualified Opinion
In common with many charitable organizations, Saskatoon Christian Centre Inc. derives income from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from this source was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess revenue, current assets and net assets.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Saskatoon Christian Centre Inc. as at July 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[redacted]

CHARTERED ACCOUNTANTS

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2011

ASSETS

	2011	2010
CURRENT ASSETS		
Cash	$ 260,281	220,749
Accounts receivable	10,636	53,657
Inventory	6,908	20,429
Prepaid expenses	3,731	12,406
	281,556	307,241
CAPITAL ASSETS, Note 3	3,470,659	3,845,102
	$ 3,752,215	4,152,343

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 43,225	133,957
Deferred revenue, Note 5	39,290	55,743
Current portion of long term liabilities, Note 6		111,821
	82,515	301,521
Long term liabilities subject to refinancing, Note 6	530,840	
	613,335	301,521
LONG TERM LIABILITIES, Note 6		786,491
	613,355	1,088,012
NET ASSETS		
Invested in capital assets, Note 7	2,939,819	2,946,790
Unrestricted	199,041	117,541
	3,138,860	3,064,331
	$ 3,752,215	4,152,343

CONTINGENT LIABILITIES, Note 12

APPROVED BY THE BOARD:

[redacted] DIRECTOR

DIRECTOR

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2011

	Invested In Capital Assets	Unrestricted	2011	2010
Net assets, beginning of year	$ 2,946,790	117,541	3,064,331	2,959,719
Excess revenue (expenditure)	(43,246)	117,775	74,529	104,612
Net investment in capital assets in the year, Note 7	36,275	(36,275)		
Net assets, end of year	$ **2,939,819**	**199,041**	**3,138,860**	**3,064,331**

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2011

	2011	2010
REVENUE		
Donations, Note 8	$ 1,556,344	1,845,250
Tuitions and fees	378,363	384,060
Seminars, projects	80,927	262,196
GST rebates, Note 9	8,878	15,405
Gross profits, Note 10	1,284	1,388
Rent	37,595	78,015
Interest	391	90
	2,063,782	2,586,404
EXPENDITURE		
Personnel		
Wages	830,655	882,667
Housing allowances	122,975	159,525
Employee benefit costs	77,173	86,887
	1,030,803	1,129,079
Programs		
Seminars, speakers	208,513	383,496
Missions	94,192	176,884
Educational	48,792	75,123
Automobile, travel	24,166	31,439
Supplies, books, music	37,825	59,862
Fellowship	20,365	45,382
	433,853	772,186
Occupancy		
Mortgage interest	43,845	56,025
Utilities	73,445	109,460
Repairs and maintenance	48,824	59,453
Rent	53,854	116,245
Insurance	28,521	27,667
	248,489	368,850
Administration and general		
Advertising, promotion	4,173	2,870
Office supplies	61,789	71,359
Telephone	23,195	32,128
Staff development	27,375	32,488
Bad debts	4,454	76
Audit, legal	10,975	10,209
Bank charges	8,273	9,380
Memberships, dues	3,867	3,285
Amortization	43,246	49,882
	187,347	211,677
Total Expenditure	1,900,492	2,481,792
EXCESS REVENUE BEFORE OTHER ITEMS	163,290	104,612
OTHER ITEMS		
Gain on transfer of capital assets, Note 13	887,915	
Contribution to City Centre Community Renewal Initiative Inc., Note 13	(976,676)	—
	(88,761)	—
EXCESS REVENUE	$ 74,529	104,612

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2011

		2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess revenue	$	74,529	104,612
Add item not affecting cash			
Amortization		43,246	49,882
Gain on disposal of capital assets		(887,915)	
		(770,140)	154,494
Change in non-cash working capital items			
Accounts receivable		43,021	(4,222)
Inventory		13,521	(7,189)
Prepaid expenses		8,675	(1,419)
Accounts payable and accrued liabilities		(90,732)	54,163
Deferred revenue		(16,453)	(33,756)
		(812,108)	162,071
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital asset additions		(17,902)	(168,908)
Deemed proceeds on transfer of capital assets, Note 13		1,237,014	
		1,219,112	(168,908)
CASH FLOWS FROM FINANCING ACTIVITIES			
Operating loans			(10,182)
Repayment of long term liabilities		(367,472)	(105,416)
		(367,472)	(115,598)
NET CHANGE IN CASH POSITION		39,532	(122,435)
CASH POSITION AT BEGINNING OF YEAR		220,749	343,184
CASH POSITION AT END OF YEAR	$	**260,281**	**220,749**

SUPPLEMENTARY CASH FLOW INFORMATION			
Interest paid in the year	$	43,845	56,025

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2011

1. THE ORGANIZATION

Saskatoon Christian Centre Inc. was organized for the propagation of the Gospel of Jesus Christ through preaching, teaching and missionary outreach. It was incorporated under the Non-Profit Corporation Act of Saskatchewan, formerly the Societies Act, on October 17, 1977. Therefore, it is required to report annually to Saskatchewan Justice, Corporations Branch.

The organization is a Registered Charity under the Income Tax Act and therefore is required to annually file a "Registered Charity Information and Public Information Return" with Canada Revenue Agency, Charities Directorate.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared to reflect the following significant accounting policies:

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Fund Accounting

The organization accounts for its operations using the following funds:

i) Invested in Capital Assets - accounts for the assets, liabilities, revenue and expenditures related to its capital assets.
ii) Unrestricted - accounts for the unrestricted assets, liabilities, revenue and expenditures related to its ministry and administrative activities.

Accounts Receivable

Accounts receivable are invoiced amounts only. Pledges are recorded as receipts in the year received.

Inventory

Inventory is comprised of Christian Centre Academy merchandise for resale. It is recorded at the lower of cost and net realizable value, on the first in first out basis.

Donated Materials, Services or Volunteer Efforts

Donated materials, services or volunteer efforts are not recorded as receipts or disbursements in the financial statements.

Revenue Recognition

The organization follows the deferral method of accounting for receipts. Restricted revenue (amounts received for a specific purpose, either explicitly by the donor or implicitly because of the purpose for which the revenue is received) is deferred when received and recognized as revenue in the year in which the related expenditure is incurred or in the year in which the revenue relates. Unrestricted donations and pledges are recorded as revenue only when received.

[redacted]

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

Capital assets are recorded at original cost and are amortized on a straight line basis over the estimated useful life of the assets, net of any residual value, from the month they are acquired, at the following rates:

Buildings	0%, as the estimated residual (appraised) value exceeds the original cost.
Equipment	5% - 20% depending upon type of asset.

Leases

The organization expenses in the year payments on account of all leases, which are all considered operating leases.

Income Tax

The organization is exempt from income taxes on its operating surplus, as it complies with the disbursement quota requirements as set out by Canada Revenue Agency. No income taxes are therefore accrued or payable.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CAPITAL ASSETS

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land: [redacted]	$ 158,951		158,951	
			17,700	
			25,400	
Buildings:	2,913,423		2,913,423	
			81,235	
			212,850	
Equipment	1,179,125	787,880	1,197,089	770,560
Vehicles	19,245	12,205	21,153	12,139
	$ **4,270,744**	**800,085**	**4,627,801**	**782,699**
Net Book Value	$ **3,470,659**		**3,845,102**	

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2011

4. OPERATING LOANS

Saskatoon Christian Centre Inc. has a bank operating line of credit facility with a total limit of $27,000, secured by accounts receivable and a general security agreement. Interest is paid monthly at prime plus 3.25% on any outstanding balance. In addition, it has a [redacted] account with a limit of $44,000. As at July 31, 2011 the bank operating line of credit balance was $Nil and the [redacted] account balance was $507.

5. DEFERRED REVENUE

Deferred revenue is comprised of amounts received to be used for specific purposes which are deferred when received and recorded as revenue in the period in which it relates. Changes in the deferred revenue balance are as follows:

		2011	2010
Balance, beginning of year	$	55,743	89,499
Add: Deferred amounts received		103,966	90,751
Less: Amount recognized as revenue		(120,419)	(124,507)
Balance, end of year	$	**39,290**	**55,743**
Comprised of: Deferred donations	$	27,135	19,148
Deferred tuition and activities		12,155	36,595
	$	**39,290**	**55,743**

6. LONG TERM LIABILITIES

		2011	2010
[redacted] Secured by limited guarantees from certain members of the congregation and a fixed charge debenture on the property. Monthly payments are $9,903 including interest at 6.85%, due December 1, 2011. It is expected the term will be renewed.	$	530,840	610,845
[redacted] Note 13			252,281
[redacted]		-	35,186
		530,840	898,312
Less: Current portion			111,821
Long term debt subject to refinancing		530,840	
	$	[illegible]	**786,491**

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2011

7. INVESTED IN CAPITAL ASSETS

	2011	2010
Net book value of capital assets, beginning of year	$ 3,845,102	3,726,076
Related liabilities, beginning of year	898,312	1,003,728
Invested in capital assets balance, beginning of year	2,946,790	2,722,348
Add: Capital asset additions	17,902	168,908
Repayment of long term liabilities, net	367,472	105,416
Transfer of capital assets to City Centre Community Renewal Initiatives Inc., Note 13	(349,099)	
Net investment in capital assets in the year	36,275	274,324
Less: Amortization	(43,246)	(49,882)
Change in net assets in the year	(6,971)	224,442
Invested in capital assets balance, end of year	$ **2,939,819**	**2,946,790**

8. DONATIONS REVENUE

Actual donations received in the year differ from donations revenue as reported in the financial statements due to the timing of their eventual recognition as revenue, as follows:

	2011	2010
Donations received in the year	$ 1,564,331	1,791,781
Changes in deferred donations, Note 5		
Decrease (increase) in deferred donations during the year	(7,987)	53,469
Donations revenue, as reported	$ **1,556,344**	**1,845,250**

9. GST REBATES

The organization receives a rebate on a portion of the GST that it pays. GST rebates received and receivable for the year are recorded as revenue, rather than as a reduction of the applicable expenditures.

10. GROSS PROFITS

Gross profits are reflected at a net amount determined as follows:

	2011	2010
Resource sales	$ 15,689	21,786
Cost of goods sold	(14,405)	(20,398)
Gross profits	$ **1,284**	**1,388**

[redacted]

11. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The carrying amount of current financial assets and current financial liabilities approximate their fair value because of the short term maturities of these items. Long term liabilities are classified as being held to maturity and accordingly are recorded at amortized cost.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rate.

Credit Risk Management

The organization is exposed to credit risks on the accounts from its members. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits and existing outstanding balances.

It is management's opinion that the organization is not exposed to significant interest rate or credit risk.

12. CONTINGENT LIABILITIES

[redacted]

13. TRANSFER OF PROPERTY AND OPERATIONS OF CITY CENTRE CHURCH

On October 26, 2010, Saskatoon Christian Centre Inc. transferred the land and buildings located at [redacted] to City Centre Community Renewal Initiative Inc. (CCCRI), an affiliated but not controlled or controlling registered charitable organization.

The property was transferred at fair market value for deemed proceeds of $1,237,014. Cash consideration and other adjustments related to the transfer totalled $260,338. The remaining deemed proceeds of $976,676 were recorded as a contribution to CCCRI. Gain on transfer of capital assets of $887,915 represents the difference between the fair market value and the net book value of the capital assets transferred to CCCRI.

Effective January 1, 2011, the operations of City Centre Church were also transferred to CCCRI. Prior to January 1, 2011, the operations of City Centre Church were combined and reported with the operations of Saskatoon Christian Centre Inc. As a result of the transfer, the statement of operations of Saskatoon Christian Centre Inc. for the year ended July 31, 2011 only include the operations of City Centre Church from August 1, 2010 to December 31, 2010.

[redacted]