SASKATOON CHRISTIAN CENTRE INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2014 AND 2013

[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 statements of financial position as at July 31, 2014 and 2013 and the statements of changes in net assets, statements of operations and statements of cash flows for the years 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.

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, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Canadian accounting standards for Not-for-Profit Organizations.

[redacted]

[redacted]

CHARTERED ACCOUNTANTS

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	$ 199,074	289,239
Accounts receivable	4,395	5,445
GST receivable	3,664	5,518
Inventory	5,090	2,791
Prepaid expenses	7,551	22,206
	219,774	325,199
CAPITAL ASSETS, Note 3	3,689,508	3,716,301
	$ 3,909,282	**4,041,500**

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 26,932	26,253
Wages payable	17,017	17,981
Source deductions payable	15,709	14,979
Deferred revenue, Note 5	102,685	116,131
Current portion of long term liabilities, Note 6	139,994	134,160
	302,337	309,504
LONG TERM LIABILITIES, Note 6	300,250	440,393
	602,587	749,897
NET ASSETS		
Invested in capital assets, Note 7	3,249,264	3,141,748
Unrestricted	57,431	149,855
	3,306,695	3,291,603
	$ 3,909,282	**4,041,500**

APPROVED BY THE BOARD:

[redacted] DIRECTOR

DIRECTOR

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2014 AND 2013

		Invested In Capital Assets	Unrestricted	2014	2013
Net assets, beginning of year	$	3,141,748	149,855	3,291,603	3,132,009
Excess revenue (expenditure)		(67,568)	82,660	15,092	159,594
Net investment in capital assets in the year, Note 7		175,084	(175,084)		
Net assets, end of year	$	**3,249,264**	**57,431**	**3,306,695**	**3,291,603**

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED JULY 31, 2014 AND 2013

	2014	2013
REVENUE		
Donations, Note 8	$ 1,350,502	1,512,559
Saskatchewan Education Funding	431,420	427,704
Tuitions and fees	230,858	214,217
Seminars, projects	41,175	52,096
GST rebates, Note 9	9,212	15,211
Gross profits, Note 10	1,232	8,966
Rent		7,258
Interest	358	305
	2,064,757	2,238,316
EXPENDITURE		
Personnel		
Wages	1,061,829	1,000,041
Housing allowances	104,900	109,600
Employee benefit costs	89,555	80,970
	1,256,284	1,190,611
Programs		
Seminars, speakers	90,665	160,558
Missions	158,357	200,043
Educational	52,680	51,626
Automobile, travel	39,774	30,645
Supplies, books, music	55,057	44,509
Fellowship	32,636	15,293
	429,169	502,674
Occupancy		
Mortgage interest	21,506	25,541
Utilities	70,482	66,770
Repairs and maintenance	61,933	54,931
Rent	399	10,899
Insurance	28,037	29,002
	182,357	187,143
Administration and general		
Advertising, promotion	5,601	13,791
Office supplies	42,709	39,364
Telephone	17,309	22,473
Staff development	27,643	30,395
Bad debts	199	2,228
Audit, legal	12,281	12,250
Bank charges	5,851	7,947
Memberships, dues	2,694	3,576
Amortization	67,568	66,270
	181,855	198,294
Total Expenditure	2,049,665	2,078,722
EXCESS REVENUE	$ **15,092**	**159,594**

[redacted]

SASKATOON CHRISTIAN CENTRE INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess revenue	$ 15,092	159,594
Add item not affecting cash		
Amortization	67,568	66,270
	82,660	225,864
Change in non-cash working capital items		
Accounts receivable	2,904	6,306
Inventory	(2,299)	1,024
Prepaid expenses	14,655	(9,409)
Accounts payable and accrued liabilities	445	5,855
Deferred revenue	(13,446)	(3,267)
	84,919	226,373
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	(40,775)	(265,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loan		200,000
Repayment of long term liabilities	(134,309)	(119,724)
	(134,309)	80,276
NET CHANGE IN CASH POSITION	(90,165)	41,567
CASH POSITION AT BEGINNING OF YEAR	289,239	247,672
CASH POSITION AT END OF YEAR	$ **199,074**	**289,239**

[redacted]

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.

The organization operates the Legacy Christian Academy, a private school from Kindergarten to Grade 12.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations, and include the following significant accounting policies:

a) Basis of Accounting

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

b) 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.

c) Accounts Receivable

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

d) Inventory

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

e) Donated Materials, Services or Volunteer Efforts

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

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) 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.

g) 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.

h) Leases

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

i) 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.

j) Use of Estimates

The preparation of financial statements 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

	2014		2013	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 158,951		158,951	
Buildings	3,032,670		3,032,670	
Equipment	1,299,766	855,640	1,361,487	869,220
Vehicles	76,828	23,067	53,921	21,508
	$ **4,568,215**	**878,707**	**4,607,029**	**890,728**
Net Book Value	$ **3,689,508**		**3,716,301**	

4. OPERATING LOANS

Saskatoon Christian Centre Inc. has a bank operating line of credit facility with [redacted] a total limit of $100,000, secured by a general security agreement. Interest is paid monthly at prime plus 1% on any outstanding balance. In addition, it has a [redacted] account with [redacted] with a limit of $44,000. As at July 31, 2014 the bank operating line of credit balance was $NIL and the [redacted] account balance was $654.

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:

	2014	2013
Balance, beginning of year	$ 116,131	119,398
Add: Deferred amounts received	243,771	232,687
Less: Amount recognized as revenue	(257,217)	(235,954)
Balance, end of year	$ **102,685**	**116,131**
Comprised of: Deferred donations	$ 93,167	108,765
Deferred tuition and activities	9,518	7,366
	$ **102,685**	**116,131**

[redacted]

6. LONG TERM LIABILITIES

	2014	2013
[redacted] term loans Secured by a general security agreement and a continuing collateral mortgage on the property.		
Loan #1 Monthly payments are $9,297 including interest at 4.25%, due June 1, 2017.	$ 305,452	401,887
Loan #2 Monthly payments are $3,715 including interest at 4.35%, due October 15, 2017.	134,792	172,666
	440,244	574,553
Less: Current portion	139,994	134,160
	$ **300,250**	**440,393**

Principal repayments due within four years

2015	$ 139,994
2016	146,081
2017	143,151
2018	11,018
	$ **440,244**

7. INVESTED IN CAPITAL ASSETS

	2014	2013
Net book value of capital assets, beginning of year	$ 3,716,301	3,517,489
Related liabilities, beginning of year	574,553	494,277
Invested in capital assets balance, beginning of year	3,141,748	3,023,212
Capital asset additions	40,775	265,082
Repayment of long term liabilities, net	134,309	119,724
Proceed of term loan		(200,000)
Net investment in capital assets in the year	175,084	184,806
Less: Amortization	(67,568)	(66,270)
Change in net assets in the year	107,516	118,536
Invested in capital assets balance, end of year	$ **3,249,264**	**3,141,748**

[redacted]

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:

	2014	2013
Donations received in the year	$ 1,337,056	1,522,232
Changes in deferred donations, Note 5		
Decrease (increase) in deferred donations during the year	3,446	(9,673)
Donations revenue, as reported	$ **1,350,502**	**1,512,559**

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:

	2014	2013
Resource sales	$ 19,944	18,260
Cost of goods sold	18,712	(9,294)
Gross profits	$ **1,232**	**8,966**

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.

[redacted]