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Saskatoon Christian Centre Inc.
Financial Statements
July 31, 2016

[redacted]

Independent Auditors' Report

To the Members and Congregation of Saskatoon Christian Centre Inc.:

We have audited the accompanying financial statements of Saskatoon Christian Centre Inc., which comprise the statement of financial position as at July 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.

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 auditors' 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.

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 of revenue over expenses, current assets and net assets.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatoon Christian Centre Inc. as at July 31, 2016 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter
The financial statements of Saskatoon Christian Centre Inc. for the year ended July 31, 2015, were audited by [redacted] Chartered Accountants [redacted] Canada prior to its merger with [redacted] Chartered Accountants expressed a modified opinion for the completeness of donation revenues on [redacted]

[redacted]

[redacted]
Chartered Professional Accountants

[redacted]

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Saskatoon Christian Centre Inc.
Statement of Financial Position
As at July 31, 2016

	2016	2015
Assets		
Current		
Cash	55,852	99,105
Accounts receivable	7,630	2,953
Goods and Services Tax receivable	3,664	6,859
Prepaid expenses	6,889	8,793
Inventory	1,681	1,297
	75,716	119,007
Capital assets *(Note 3)*	3,600,413	3,642,650
	3,676,129	3,761,657
Liabilities		
Current		
Bank indebtedness *(Note 4)*	1,778	-
Accounts payable and accruals	21,354	41,827
Wages payable	25,791	27,957
Source deductions payable	17,421	16,709
Deferred contributions *(Note 5)*	21,094	13,770
Current portion of long-term debt *(Note 6)*	143,122	146,081
	230,560	246,344
Long-term debt *(Note 6)*	11,017	154,152
	241,577	400,496
Net Assets (Deficit)		
Invested in Capital Assets	3,446,274	3,342,417
Unrestricted	(11,722)	18,744
	3,434,552	3,361,161
	3,676,129	3,761,657

Approved on behalf of the Board

[redacted]

Director

[redacted]

Director

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The accompanying notes are an integral part of these financial statements

[redacted]

Saskatoon Christian Centre Inc.
Statement of Operations
For the year ended July 31, 2016

	2016	2015
Revenue		
Donations	**1,212,585**	1,438,156
Saskatchewan Education funding	**456,520**	440,740
Tuitions and fees	**200,036**	216,100
Seminars and projects	**38,296**	50,998
GST rebates	**8,046**	12,341
Rent	**2,020**	18,895
Interest	**71**	191
Uniform sales, net *(Note 7)*	**(1,181)**	2,003
Total revenue	**1,916,393**	2,179,424

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Saskatoon Christian Centre Inc.
Statement of Operations
For the year ended July 31, 2016

	2016	2015
Total revenue *(Continued from previous page)*	**1,916,393**	2,179,424
Personnel		
Employee benefit costs	**88,629**	84,819
Housing allowances	**84,900**	108,900
Wages	**1,056,734**	1,029,434
	1,230,263	1,223,153
Programs		
Automobile and travel	**18,448**	36,479
Educational	**57,646**	53,578
Fellowship	**24,803**	67,609
Missions	**70,554**	216,968
Seminars and speakers	**52,520**	95,131
Supplies, books and music	**63,713**	39,198
	287,684	508,963
Occupancy		
Insurance	**20,224**	26,258
Mortgage interest	**9,695**	15,790
Rent	**-**	22,900
Repairs and maintenance	**43,422**	59,209
Utilities	**76,046**	76,636
	149,387	200,793
Administration and general		
Advertising and promotion	**6,067**	4,272
Amortization	**69,163**	70,867
Audit and legal	**8,381**	10,541
Bad debts	**653**	750
Bank charges	**11,899**	4,609
Memberships and dues	**3,160**	2,695
Office supplies	**54,216**	41,533
Staff development	**9,908**	40,974
Telephone	**12,221**	15,808
	175,668	192,049
Total expenses	**1,843,002**	2,124,958
Excess of revenue over expenses	**73,391**	54,466

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The accompanying notes are an integral part of these financial statements

Saskatoon Christian Centre Inc.
Statement of Changes in Net Assets
For the year ended July 31, 2016

	Invested in Capital Assets	*Unrestricted*	*2016*	*2015*
Net assets, beginning of year	**3,342,417**	**18,744**	**3,361,161**	3,306,695
Excess (deficiency) of revenue over expenses	**(69,163)**	**142,554**	**73,391**	54,466
	3,273,254	**161,298**	**3,434,552**	3,361,161
Transfers for capital asset purchases	**26,926**	**(26,926)**	-	-
Transfers for debt payments	**146,094**	**(146,094)**	-	-
Net assets (deficit), end of year	**3,446,274**	**(11,722)**	**3,434,552**	3,361,161

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The accompanying notes are an integral part of these financial statements

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	73,391	54,466
Amortization	69,163	70,867
	142,554	125,333
Changes in working capital accounts		
Accounts receivable	(4,677)	1,442
Goods and Services Tax receivable	3,195	(3,195)
Prepaid expenses	1,904	(1,242)
Inventory	(384)	3,793
Accounts payable and accruals	(21,927)	26,835
Deferred contributions	7,324	(88,915)
	127,989	64,051
Financing		
Repayment of long-term debt	(146,094)	(140,011)
Investing		
Purchase of capital assets	(26,926)	(24,009)
Decrease in cash resources	(45,031)	(99,969)
Cash resources, beginning of year	99,105	199,074
Cash resources, end of year	54,074	99,105
Cash resources are composed of:		
Cash	55,852	99,105
Bank indebtedness	(1,778)	-
	54,074	99,105

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1. Incorporation and nature of the organization

Saskatoon Christian Centre Inc. (the "Organization") 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 as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the act and to annually file a "Registered Charity Information and Public Information Return" with Canada Revenue Agency, Charities Directorate. In the opinion of management, these requirements have been met.

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:

Cash and cash equivalents

Cash and cash equivalents include balances with banks.

Inventory

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

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets, less their residual value, over their estimated useful lives. Land is not amortized.

	Method	Years
Buildings	straight-line	40 years
Automotive	straight-line	5-10 years
Equipment	straight-line	5-20 years

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

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2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Government funding is recognized as it becomes receivable under the terms of applicable funding agreements.

Tuition revenue is recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Seminar revenue is recognized when the related seminars are delivered.

GST rebates are recognized as revenue when received.

Rent reveue is recognized when the related event occurs and collection is reasonably assured..

Interest revenue is recognized when earned.

Uniform sales are recognized when the related goods are sold.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably astimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. An allowance for doubtful accounts was not deemed necessary in the current year. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

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2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures all investments at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

3. Capital assets

	Cost	***Accumulated amortization***	***2016 Net book value***
Land	**158,951**	**-**	**158,951**
Buildings	**3,032,670**	**-**	**3,032,670**
Automotive	**73,791**	**29,034**	**44,757**
Equipment	**1,299,489**	**935,454**	**364,035**
	4,564,901	**964,488**	**3,600,413**

	Cost	*Accumulated amortization*	*2015 Net book value*
Land	158,951	-	158,951
Buildings	3,032,670	-	3,032,670
Automotive	73,791	21,955	51,836
Equipment	1,272,563	873,370	399,193
	4,537,975	895,325	3,642,650

4. Bank indebtedness

The Organization has an operating line of credit facility with [redacted]o a limit of $100,000, secured by a general security agreement. Interest is payable 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, 2016 the bank operating line of credit balance was $1,778 (2015 - $Nil) and the [redacted] balance was $Nil (2015 - $Nil). Prime rate as at March 31, 2016 was 2.70%.

5. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for delivery of programming and tuition. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2016	*2015*
Balance, beginning of year	**13,770**	102,685
Add: deferred amounts received	**49,245**	65,288
Less: amount recognized as revenue	**(41,921)**	(154,203)
Balance, end of year	**21,094**	13,770

6. Long-term debt

	2016	*2015*
Term loan, bearing interest at 4.25% (Prime plus 1.55%), repayable in monthly instalments of principal and interest of $9,297, due June 1, 2017.	**100,081**	204,936
Term loan, bearing interest at 4.35% (Prime plus 1.65%), repayable in monthly instalments of principal and interest of $3,715, due October 15, 2017.	**54,058**	95,297
	154,139	300,233
Less: current portion	**143,122**	146,081
	11,017	154,152

Principal repayments on long-term debt in each of the next two years are estimated as follows:

2017	143,122
2018	11,017
	154,139

The term loans are secured by a general security agreement and continuing collateral mortgage. The Organization has pledged land and building as collateral, with a carrying amount of $3,191,621 (2015 – $3,191,621).

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7. Uniform sales, net

Uniform sales are reflected at a net amount determined as follows:

	2016	2015
Uniform sales	1,368	5,348
Cost of goods sold	(2,549)	(3,345)
	(1,181)	2,003

8. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to its line of credit and long-term debt which are subject to floating interest rates ranging from Prime plus 1% - 1.65% (2015 – 1% - 1.65%). It is management's opinion that due to the value of the line of credit and long-term debt outstanding, that this does not represent a significant risk to the Organization.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on raising funds to meet commitments and sustain operations.

9. Commitments

The Organization has entered into agreements with former employees to provide retirement allowances over a fixed term of ten years. Minimum annual payments over the next five years are as follows:

2017	60,000
2018	60,000
2019	60,000
2020	60,000
2021	60,000

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