Saskatoon Christian Centre Inc.
Financial Statements
July 31, 2017

23 2017-07-31 10795 6674 RR 0001 0508861

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, 2017, 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 (deficiency) 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, 2017 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.

[redacted]

[redacted]
Chartered Professional Accountants

[redacted]

Saskatoon Christian Centre Inc.
Statement of Operations
For the year ended July 31, 2017

	2017	*2016 (Restated)*
Revenue		
Donations	**1,135,167**	1,212,585
Saskatchewan Education funding	**384,650**	456,520
Tuitions and fees	**162,496**	200,036
Seminars and projects	**35,920**	38,296
GST rebates	**11,314**	10,137
Uniform sales, net *(Note 8)*	**803**	(1,181)
Total revenue	**1,730,350**	1,916,393
Expenses		
Personnel		
Housing allowances	**65,075**	84,900
Wages and benefits	**931,610**	1,109,363
	996,685	1,194,263
Programs		
Automobile and travel	**9,595**	18,448
Educational	**57,275**	57,646
Fellowship	**24,227**	24,803
Missions	**59,482**	70,554
Seminars and speakers	**21,893**	52,520
Supplies, books and music	**46,392**	63,713
	218,864	287,684
Occupancy		
Insurance	**21,568**	20,224
Mortgage interest	**3,301**	9,695
Repairs and maintenance	**43,234**	43,422
Utilities	**72,756**	76,046
	140,859	149,387

Continued on next page

The accompanying notes are an integral part of these financial statements

Saskatoon Christian Centre Inc.
Statement of Operations
For the year ended July 31, 2017

	2017	*2016 (Restated)*
Administration and general		
Advertising and promotion	**6,716**	6,067
Amortization	**104,395**	113,851
Audit and legal	**10,800**	8,381
Bad debts	**2,618**	653
Bank charges	**19,617**	11,899
Office and other	**65,137**	69,597
Staff development	**8,047**	9,908
	217,330	220,356
Total expenses	**1,573,738**	1,851,690
Excess of revenue over expenses before pension expense	**156,612**	64,703
Pension expense *(Note 7)*	**240,000**	360,000
Excess (deficiency) of revenue over expenses	**(83,388)**	(295,297)

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, 2017

	Invested in Capital Assets	*Unrestricted*	*2017*	*2016* (Restated)
Net assets (deficit), beginning of year, as previously stated	**3,446,274**	**(11,722)**	**3,434,552**	3,361,161
Prior period adjustment *(Note 9)*	**(1,960,159)**	**(324,000)**	**(2,284,159)**	(1,915,471)
Net assets, beginning of year, as restated	**1,486,115**	**(335,722)**	**1,150,393**	1,445,690
Excess (deficiency) of revenue over expenses	**(104,395)**	**21,007**	**(83,388)**	(295,297)
Transfers for capital asset purchases	**23,831**	**(23,831)**	**-**	-
Payments of long-term debt	**143,159**	**(143,159)**	**-**	-
Net assets (deficit), end of year	**1,548,710**	**(481,705)**	**1,067,005**	1,150,393

The accompanying notes are an integral part of these financial statements

Saskatoon Christian Centre Inc.
Statement of Cash Flows
For the year ended July 31, 2017

	2017	*2016 (Restated)*
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(83,388)**	(295,297)
Amortization	**104,395**	113,851
	21,007	(181,446)
Changes in working capital accounts		
Accounts receivable	**3,063**	(4,677)
Goods and Services Tax receivable	**(3,597)**	3,195
Prepaid expenses	**3,801**	1,904
Inventory	**(716)**	(384)
Accounts payable and accruals	**412**	(21,927)
Wages payable	**(1,826)**	-
Source deductions payable	**(17,421)**	-
Deferred contributions	**13,403**	7,324
	18,126	(196,011)
Financing		
Repayment of long-term debt	**(143,159)**	(146,094)
Increase in pension payable	**180,000**	324,000
	36,841	177,906
Investing		
Purchase of capital assets	**(23,831)**	(26,926)
Increase (decrease) in cash resources	**31,136**	(45,031)
Cash resources, beginning of year	**54,074**	99,105
Cash resources, end of year	**85,210**	54,074
Cash resources are composed of:		
Cash	**85,210**	55,852
Bank indebtedness	**-**	(1,778)
	85,210	54,074

The accompanying notes are an integral part of these financial statements

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 a 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 methods and rates intended to amortize the cost of capital assets over their estimated useful lives.

	Method	Rate
Buildings	declining balance	4 %
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.

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.

Other 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 estimated 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 (deficiency) of revenue over expenses in the periods in which they become known.

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.

3. Capital assets

			2017
	Cost	***Accumulated amortization***	***Net book value***
Land	**158,951**	**-**	**158,951**
Buildings	**3,032,670**	**2,003,059**	**1,029,611**
Automotive	**73,791**	**36,114**	**37,677**
Equipment	**1,299,647**	**966,196**	**333,451**
	4,565,059	**3,005,369**	**1,559,690**

			2016
	Cost	*Accumulated amortization (Restated)*	*Net book value (Restated)*
Land	158,951	-	158,951
Buildings	3,032,670	1,960,159	1,072,511
Automotive	73,791	29,034	44,757
Equipment	1,299,489	935,454	364,035
	4,564,901	2,924,647	1,640,254

4. Bank indebtedness

The Organization has an operating line of credit facility with [redacted] to 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, 2017 the bank operating line of credit balance was $Nil (2016 - $1,778) and the [redacted] balance was $Nil (2016- $Nil). Prime rate as at March 31, 2017 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:

	2017	*2016*
Balance, beginning of year	**21,094**	13,770
Add: deferred amounts received	**34,497**	49,245
Less: amount recognized as revenue	**(21,094)**	(41,921)
Balance, end of year	**34,497**	21,094

6. Long-term debt

	2017	*2016*
Loan repaid during the year	-	100,081
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.	**10,980**	54,058
	10,980	154,139
Less: current portion	**10,980**	143,122
	-	11,017

The term loans are secured by a general security agreement and continuing collateral mortgage. The Organization has pledged land and building as collateral. Subsequant to year-end, the Organization has paid principal payments of $10,980 on this long-term loan.

7. Pension payable

The Organization has entered into agreements with former employees to provide retirement allowances.

	2017	*2016 (Restated)*
First agreement		
Balance, beginning of year	**324,000**	-
Amounts agreed upon during the year	**-**	360,000
Amounts paid during the year	**(36,000)**	(36,000)
	288,000	324,000
Second agreement		
Amounts agreed upon during the year	**240,000**	-
Amounts paid during the year	**(24,000)**	-
	216,000	-
Less: current portion	**(60,000)**	(36,000)
	444,000	288,000

8. Uniform sales, net

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

	2017	*2016*
Uniform sales	**905**	1,368
Cost of goods sold	**(102)**	(2,549)
	803	(1,181)

9. Prior period adjustment

During the year the Organization determined thet capital assets were overstated by $1,960,159 in its previously issued financial statements due to the Organization's omission of amortization expense on its building. During the year the Organization also determined that liabilities were understated by $324,000 in its previously issued financial statements due to the Organization's omission of pension payable to individuals. The Organization has restated the figures as at July 31, 2016 and for the year then ended to account for a correction of these matters. Previously reported figures, along with restated figures, are shown below.

	Previously stated	*Restated*
Capital assets	$3,600,413	$1,640,254
Current portion of pension payable	$0	$36,000
Long- term portion of pension payable	$0	$288,000
Amortization expense	$69,163	$113,851
Wages and benefits	$1,145,363	$1,109,363
Pension expense	$0	$360,000
Excess (deficiency) of revenue over expenses	$73,391	($295,297)
Net assets, beginning of year	$3,361,161	$1,445,690
Net assets, end of year	$3,424,552	$1,150,363

10. 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% (2017 - 1.65%), (2016 – prime plus 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.

Saskatoon Christian Centre Inc.
Statement of Financial Position
As at July 31, 2017

	2017	2016 *(Restated)*
Assets		
Current		
Cash	85,210	55,852
Accounts receivable	4,567	7,630
Goods and Services Tax receivable	7,261	3,664
Prepaid expenses	3,088	6,889
Inventory	2,397	1,681
	102,523	75,716
Capital assets *(Note 3)*	1,559,690	1,640,254
	1,662,213	1,715,970
Liabilities		
Current		
Bank indebtedness *(Note 4)*	-	1,778
Accounts payable and accruals	21,766	21,354
Wages payable	23,965	25,791
Source deductions payable	-	17,421
Deferred contributions *(Note 5)*	34,497	21,094
Current portion of long-term debt *(Note 6)*	10,980	143,122
Current portion of pension payable *(Note 7)*	60,000	36,000
	151,208	266,560
Long-term debt *(Note 6)*	-	11,017
Pension payable *(Note 7)*	444,000	288,000
	595,208	565,577
Net Assets (Deficit)		
Invested in capital assets	1,548,710	1,486,115
Unrestricted deficit	(481,705)	(335,722)
	1,067,005	1,150,393
	1,662,213	1,715,970

Approved on behalf of the Board

[redacted]

[redacted]

Director   Director

The accompanying notes are an integral part of these financial statements

[redacted]