

**BOW VALLEY CHRISTIAN CHURCH**

**FINANCIAL STATEMENTS**

**December 31, 2018**

# **BOW VALLEY CHRISTIAN CHURCH**

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**December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Bow Valley Christian Church

### *Report on the Audit of the Financial Statements*

#### *Qualified Opinion*

We have audited the accompanying financial statements of Bow Valley Christian Church (the Church), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Church derives some of its revenue from cash receipts which, by their nature, are not susceptible to complete audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Church. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and fund balances for the year ended December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Church in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Church's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Church's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Church's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Church's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Church to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta  
February 14, 2018

*Geil & Company*  
*Professional Corporation*

Chartered Professional Accountants



**BOW VALLEY CHRISTIAN CHURCH**  
**STATEMENT OF FINANCIAL POSITION**

December 31,	General Fund 2018	World Outreach Fund 2018	Total 2018	Total 2017
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 140,541	\$ 34,403	\$ 174,944	\$ 158,725
Accounts receivable	2,534	34	2,568	2,670
Inter-fund receivable (Note 2)	-	11,237	11,237	14,968
	<u>143,075</u>	<u>45,674</u>	<u>188,749</u>	<u>176,363</u>
<b>CAPITAL ASSETS (Note 3)</b>	<u>2,848,676</u>	<u>-</u>	<u>2,848,676</u>	<u>2,964,137</u>
	<u>\$ 2,991,751</u>	<u>\$ 45,674</u>	<u>\$ 3,037,425</u>	<u>\$ 3,140,500</u>

<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities (Note 4)	\$ 17,942	\$ -	\$ 17,942	\$ 17,898
Inter-fund payable (Note 2)	11,237	-	11,237	14,968
Current portion of long-term debt (Note 6)	<u>53,934</u>	<u>-</u>	<u>53,934</u>	<u>51,164</u>
	83,113	-	83,113	84,030
<b>LONG-TERM DEBT (Note 6)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,296</u>
	<u>83,113</u>	<u>-</u>	<u>83,113</u>	<u>138,326</u>

<b>FUND BALANCES</b>				
Invested in capital assets	2,848,676	-	2,848,676	2,964,137
Internally Restricted (Note 7)	-	45,674	45,674	36,487
Unrestricted	<u>59,962</u>	<u>-</u>	<u>59,962</u>	<u>1,550</u>
	<u>2,908,638</u>	<u>45,674</u>	<u>2,954,312</u>	<u>3,002,174</u>
	<u>\$ 2,991,751</u>	<u>\$ 45,674</u>	<u>\$ 3,037,425</u>	<u>\$ 3,140,500</u>

Approved on behalf of the Elders:

See accompanying notes

**BOW VALLEY CHRISTIAN CHURCH**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**

	General Fund	World	Total	Total
	2018	Outreach Fund	2018	2017
December 31,		2018		
<b>REVENUE</b>				
General contributions	\$ 1,055,924	\$ 123,081	\$ 1,179,005	\$ 1,178,649
Rental	127,947	-	127,947	125,874
Interest income	595	25	620	118
Schedule of designated contributions	3,883	43,004	46,887	30,365
	<u>1,188,349</u>	<u>166,110</u>	<u>1,354,459</u>	<u>1,335,006</u>
<b>EXPENDITURES</b>				
Amortization	125,143	-	125,143	124,547
Appreciation gifts	326	-	326	755
Family ministries	19,261	-	19,261	9,883
Finance charges/merchant fees	9,991	-	9,991	9,210
Interest on long-term debt	2,473	-	2,473	4,488
Media and video	30,419	-	30,419	14,793
Membership development	6,648	-	6,648	3,752
Multi-Sites	14,827	-	14,827	34,927
Music and worship	13,171	-	13,171	6,135
Organizational affiliations	10,146	-	10,146	6,557
Outreach events	10,756	-	10,756	5,589
Professional fees	15,375	-	15,375	15,375
Rental expenses	1,001	-	1,001	4,740
Salaries and related benefits	787,292	-	787,292	719,216
Schedule of designated contributions	1,991	42,585	44,576	30,072
Schedule of mission payments	-	112,968	112,968	105,600
Schedule of operations	172,937	1,370	174,307	164,307
Small group ministries	2,731	-	2,731	1,753
Staff development	8,836	-	8,836	10,125
Youth	12,074	-	12,074	9,574
	<u>1,245,398</u>	<u>156,923</u>	<u>1,402,321</u>	<u>1,281,398</u>
<b>EXCESS OF EXPENDITURES</b>				
<b>OVER REVENUE</b>	(57,049)	9,187	(47,862)	53,608
<b>BALANCE, BEGINNING OF YEAR</b>	<u>2,965,687</u>	<u>36,487</u>	<u>3,002,174</u>	<u>2,948,566</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 2,908,638</u>	<u>\$ 45,674</u>	<u>\$ 2,954,312</u>	<u>\$ 3,002,174</u>

See accompanying notes

**BOW VALLEY CHRISTIAN CHURCH**  
**STATEMENT OF CASH FLOWS**

	General Fund	World	Total	Total
For the year ended December 31,	2018	Outreach Fund 2018	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of expenditure over revenues	\$ (57,049)	\$ 9,187	\$ (47,862)	\$ 53,608
Adjustments for				
Amortization	125,143	-	125,143	124,547
	<u>68,094</u>	<u>9,187</u>	<u>77,281</u>	<u>178,155</u>
Change in non-cash working capital items				
Accounts receivable	136	(34)	102	(779)
Inter-fund receivable	-	3,731	3,731	7,774
Accounts payable and accrued liabilities	44	-	44	2,564
Inter-fund payable	(3,731)	-	(3,731)	(7,774)
	<u>64,543</u>	<u>12,884</u>	<u>77,427</u>	<u>179,940</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of capital assets	<u>(9,682)</u>	<u>-</u>	<u>(9,682)</u>	<u>(22,704)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Mortgage repayment	<u>(51,526)</u>	<u>-</u>	<u>(51,526)</u>	<u>(50,038)</u>
<b>INCREASE IN CASH</b>	<b>3,335</b>	<b>12,884</b>	<b>16,219</b>	<b>107,198</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>137,206</u>	<u>21,519</u>	<u>158,725</u>	<u>51,527</u>
<b>CASH, END OF YEAR</b>	<u>\$ 140,541</u>	<u>\$ 34,403</u>	<u>\$ 174,944</u>	<u>\$ 158,725</u>
<b>Other information</b>				
Interest paid	\$ 2,473	\$ -	\$ 2,473	\$ 4,488
	<u>\$ 2,473</u>	<u>\$ -</u>	<u>\$ 2,473</u>	<u>\$ 4,488</u>

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**BOW VALLEY CHRISTIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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Bow Valley Christian Church (the "Church") is a congregationally governed body, incorporated under the Societies Act in the Province of Alberta, in order to promote the word of the Church in the spirit of Christ and the advancement of His Kingdom. The Church is a registered charity under the Income Tax Act.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The Church follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Fund accounting

The Church follows the restricted fund method in the presentation of its financial statements. A summary of the funds reported by the Church is as follows:

The General Fund accounts for the Church's program delivery and administrative activities. This fund reports unrestricted and designated contributions and revenues.

The World Outreach Fund accounts for donations to the missions budget and includes designated mission contributions and mission expenditures.

(b) Revenue recognition

Restricted contributions are recognized as revenue of the World Outreach Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted and designated contributions are recognized as revenue of the General Fund in the year received or receivable. Unused amounts in designated contributions are transferred to the unrestricted balance in the General Fund at the end of the year.

Rental revenue is recognized as earned.

Contributed services and materials are only recognized as revenues when the fair value can be reasonably determined, the materials and services are used in the course of operations and the Church would have purchased the materials or services if they had not been contributed.



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# BOW VALLEY CHRISTIAN CHURCH

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) 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 amount of assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the reported period. By their nature, these estimates are subject to measurement uncertainty, the effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are capital assets.

#### (d) Capital assets

Capital assets are recorded at cost in the General Fund. Contributed capital assets are recorded at fair value at the date of contribution. The Church provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building and improvements	2.5%
Paving	4.0%
Music equipment	5.0%
Furniture and equipment	6.7%
Computer equipment	20.0%
Audio visual equipment	25.0%

#### (e) Contributed services

Volunteers contributed time to assist the Church in carrying out its various programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

#### (f) Financial instruments

##### Measurement of financial instruments

The Church initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Church subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

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# **BOW VALLEY CHRISTIAN CHURCH**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2018

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### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Financial instruments (continued)

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

The Church has not designated any financial assets or financial liabilities to be measured at fair value.

#### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

#### Transaction costs

The Church recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

#### (g) Income tax

No provision has been made for income tax, as the Church is exempt pursuant to Section 149(1) (f) of the Income Tax Act.

#### (h) Impairment of long-lived assets

The Church tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

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**BOW VALLEY CHRISTIAN CHURCH****NOTES TO THE FINANCIAL STATEMENTS**For the year ended December 31, 2018

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**2. INTER-FUND RECEIVABLE/PAYABLE**

The inter-fund balances account for transfers between the funds to ensure that the funds are expended for the intended purpose. The inter-fund transfers are repaid and collected as required.

**3. CAPITAL ASSETS**

	2018 Cost	2018 Accumulated Amortization	2018 Net	2017 Net
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Building and improvements	3,749,574	1,639,801	2,109,773	2,203,512
Paving	465,344	260,102	205,242	223,856
Music equipment	23,608	23,608	-	470
Furniture and equipment	245,838	225,348	20,490	16,715
Computer equipment	47,701	39,959	7,742	5,762
Audio visual equipment	51,473	46,044	5,429	13,822
	<u>\$ 5,083,538</u>	<u>\$ 2,234,862</u>	<u>\$ 2,848,676</u>	<u>\$ 2,964,137</u>

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2018	2017
Trade payables	<u>\$ 17,942</u>	<u>\$ 17,898</u>

**5. BANK LOAN**

The Church has a line of credit available for use for an authorized amount of \$60,000 bearing interest at prime plus 2.5%. No amounts were outstanding at year end.

**6. LONG-TERM DEBT**

	2018	2017
First mortgage repayable in monthly installments of \$4,470, including interest at 3%, maturing in December 2020, secured by the building and land with a net book value of \$2,609,773.	\$ 53,934	\$ 105,460
Less current portion	<u>53,934</u>	<u>51,164</u>
	<u>\$ -</u>	<u>\$ 54,296</u>

Estimated principal re-payments are as follows:

2019	\$ 53,934
Total	<u>\$ 53,934</u>

**BOW VALLEY CHRISTIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**7. INTERNALLY RESTRICTED FUND BALANCES**

The Church has internally restricted fund balances as follows:

	2018 General Fund	2018 World Outreach Fund	2018 Total	2017 Total
Balance, beginning of year	\$ -	\$ 36,487	\$ 36,487	\$ 26,136
Revenue	3,883	166,109	169,992	147,681
Expenditures	(1,991)	(156,922)	(158,913)	(137,237)
Intrafund/Interfund transfer	(1,892)	-	(1,892)	(93)
Balance, end of year	\$ -	\$ 45,674	\$ 45,674	\$ 36,487

The internally restricted amounts in the World Outreach Fund are for the following programs:

	2018	2017
Short-term mission	\$ 349	\$ -
Refugee fund	9,490	9,420
Outreach	35,835	27,067
	\$ 45,674	\$ 36,487

These internally restricted amounts are not available for other purposes without approval of the Board of Elders.

**8. COMMITMENTS**

The Church's total obligations for the operating lease on its Xerox copier as at December 31, 2018 are as follows:

2019	\$ 10,757
2020	5,378
	\$ 16,135

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## **BOW VALLEY CHRISTIAN CHURCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2018

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#### **9. FINANCIAL INSTRUMENTS**

The Church manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its annual budget. The objective of the budget is to reduce volatility in cash flow. The Church Elders monitor compliance with the budget on an on-going basis.

The Church is exposed to various risks through its financial instruments, without being exposed to concentrations of risks. The following analysis provide a measure of the Church's risk exposure at year end:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three type of risk: currency risk, interest rate risk and other price risk. The Church is mainly exposed to interest rate risk.

(b) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Church is not exposed to currency risk.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Church is exposed to interest rate risk. The Church manages its exposure to interest rate risk through yearly adjustable rate borrowings. The adjustable rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The interest rate risk is mitigated at a maximum interest rate of 4.5% that is guaranteed through December 2020.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Church is not exposed to other price risk.

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## **BOW VALLEY CHRISTIAN CHURCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2018

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#### **9. FINANCIAL INSTRUMENTS (Continued)**

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly in respect of its accounts payable and long-term debt. The Church reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and by maintaining sufficient funds in the operating bank account.

(f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Church is not exposed to credit risk.

**BOW VALLEY CHRISTIAN CHURCH**  
**SCHEDULE OF DESIGNATED CONTRIBUTIONS**

For the year ended December 31,	General Fund	World Outreach Fund	Total	Total
	2018	2018	2018	2017
<b>REVENUE</b>				
Benevolence	\$ 2,180	\$ -	\$ 2,180	\$ 5,613
Family ministries	1,703	-	1,703	1,816
Designated missions	-	43,004	43,004	22,936
	<u>3,883</u>	<u>43,004</u>	<u>46,887</u>	<u>30,365</u>
<b>EXPENSES</b>				
Benevolence	1,991	-	1,991	5,520
Family ministries	-	-	-	1,816
Designated missions	-	42,585	42,585	22,736
	<u>1,991</u>	<u>42,585</u>	<u>44,576</u>	<u>30,072</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ 1,892</u>	<u>\$ 419</u>	<u>\$ 2,311</u>	<u>\$ 293</u>

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**BOW VALLEY CHRISTIAN CHURCH**  
**SCHEDULE OF MISSION PAYMENTS**

For the year ended December 31,	2018	2017
Alberta Bible College	\$ 18,000	\$ 18,000
Compassion Canada	10,150	9,600
Frontier Labourers for Christ, Thailand	8,300	8,400
Graceland Ministries	17,950	16,800
IJM Canada	5,980	-
InterVarsity	3,000	6,000
Pine Lake Christian Camp	20,388	20,400
Pioneer Bible Translators	10,600	8,400
Wycliffe, Navratil	9,000	8,400
Wycliffe, Scruggs	9,600	9,600
	<u>\$ 112,968</u>	<u>\$ 105,600</u>



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**BOW VALLEY CHRISTIAN CHURCH**  
**SCHEDULE OF OPERATIONS**

For the year ended December 31,

2018

2017

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**General Fund**

Insurance	\$ 18,250	\$ 17,894
Maintenance	81,629	82,081
Office	11,926	7,006
Printing and photocopy	16,503	14,820
Telephone and utilities	44,629	40,941
	<u>172,937</u>	<u>162,742</u>

**World Outreach**

Administration	123	664
New projects	1,247	901
	<u>1,370</u>	<u>1,565</u>
	<u>\$ 174,307</u>	<u>\$ 164,307</u>