

**CELEBRATION CHRISTIAN CHURCH**  
**FINANCIAL STATEMENTS**  
**(Unaudited - See Review Engagement Report)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**



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## ST. ARNAUD PINSENT STEMAN

CHARTERED PROFESSIONAL ACCOUNTANTS

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### INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Celebration Christian Church:

We have reviewed the accompanying financial statements of Celebration Christian Church ("The Church") that comprise the statement of financial position as at December 31, 2019 and the statements of changes in net assets, revenues and expenses, 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.

#### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Celebration Christian Church as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

***John H.C. Pinsent Professional Corporation***

Edmonton, Alberta  
April 20, 2020

John H. C. Pinsent Professional Corporation  
Chartered Professional Accountant

**CELEBRATION CHRISTIAN CHURCH**

**STATEMENT OF FINANCIAL POSITION**  
(Unaudited - See Review Engagement Report)

**AS AT DECEMBER 31, 2019**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash - unrestricted	\$ 715,173	\$ 462,963
Cash - restricted	28,254	166,841
Accounts receivable (note 4)	29,439	16,081
Inventory	2,801	4,201
Prepaid expenses	<u>22,774</u>	<u>23,221</u>
	798,441	673,307
<b>CAPITAL ASSETS (note 5)</b>	12,667,963	12,741,509
<b>DEFERRED LEASE COMMISSIONS (note 6)</b>	<u>19,168</u>	<u>24,395</u>
<b>TOTAL ASSETS</b>	<u><u>13,485,572</u></u>	<u><u>13,439,211</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 80,237	\$ 78,468
Unearned revenue	5,250	5,000
Current portion of callable debt (note 7)	211,099	201,845
Callable debt (note 7)	<u>5,289,218</u>	<u>5,500,060</u>
	5,585,804	5,785,373
<b>DEPOSITS</b>	<u>12,170</u>	<u>17,850</u>
<b>TOTAL LIABILITIES</b>	5,597,974	5,803,223
<b>NET ASSETS</b>		
<b>LEGACY FUND</b>	28,254	166,841
<b>CAPITAL FUND</b>	7,171,970	7,039,603
<b>UNRESTRICTED FUND</b>	<u>687,374</u>	<u>429,544</u>
	<u>7,887,598</u>	<u>7,635,988</u>
	<u><u>13,485,572</u></u>	<u><u>13,439,211</u></u>

Approved on behalf of the board:

\_\_\_\_\_, Director

*The accompanying notes and schedule are an integral part of these financial statements.*



**CELEBRATION CHRISTIAN CHURCH**

**STATEMENT OF CHANGES IN NET ASSETS**

(Unaudited - See Review Engagement Report)

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**For the year ended December 31, 2019**

	<b><u>Legacy Fund</u></b>	<b><u>Capital Fund</u></b>	<b><u>Unrestricted Fund</u></b>	<b><u>Total</u></b>
<b>Balance, beginning of year</b>	\$ 166,841	\$ 7,039,603	\$ 429,544	\$ 7,635,988
<b>Excess (deficiency) of revenues over expenditures for the year</b>	290,414	(547,602)	508,798	251,610
<b>Purchase of capital assets</b>	(429,001)	478,381	(49,380)	-
<b>Payments on callable debt</b>	<u>-</u>	<u>201,588</u>	<u>(201,588)</u>	<u>-</u>
<b>Balance, end of year</b>	<u>28,254</u>	<u>7,171,970</u>	<u>687,374</u>	<u>7,887,598</u>

**For the year ended December 31, 2018**

	<b><u>Legacy Fund</u></b>	<b><u>Capital Fund</u></b>	<b><u>Unrestricted Fund</u></b>	<b><u>Total</u></b>
<b>Balance, beginning of year</b>	\$ 98,182	\$ 7,281,169	\$ 263,960	\$ 7,643,311
<b>Excess (deficiency) of revenues over expenditures for the year</b>	83,055	(550,021)	459,643	(7,323)
<b>Purchase of capital assets</b>	(14,396)	110,610	(96,214)	-
<b>Payments on callable debt</b>	-	203,845	(203,845)	-
<b>Proceeds on disposal of capital assets</b>	<u>-</u>	<u>(6,000)</u>	<u>6,000</u>	<u>-</u>
<b>Balance, end of year</b>	<u>166,841</u>	<u>7,039,603</u>	<u>429,544</u>	<u>7,635,988</u>

*The accompanying notes and schedule are an integral part of these financial statements.*





# CELEBRATION CHRISTIAN CHURCH

## STATEMENT OF REVENUE AND EXPENSES

(Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>		
Offerings	\$ 2,325,108	\$ 2,267,221
Legacy Fund	323,539	83,055
Rental	72,465	7,685
Registration fees	54,552	44,582
Books and resources	28,777	41,340
Other	21,128	10,924
Interest	14,153	7,036
STEP grant	11,202	9,422
Gifts in kind	-	4,500
	<u>2,850,924</u>	<u>2,475,765</u>
<b>EXPENSES</b>		
Amortization	547,602	549,475
Books and resources	16,136	14,818
Church administration	206,319	227,207
Facility	185,276	210,152
Gifts to other charities	48,399	53,244
Interest on callable debt	249,612	245,855
Ministry	65,071	39,454
Program	451,374	405,850
Rent	22,728	-
Salaries and wages	802,473	736,486
	<u>2,594,990</u>	<u>2,482,541</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS</b>	255,934	(6,776)
Loss on disposal of capital assets	<u>(4,324)</u>	<u>(547)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<u>251,610</u>	<u>(7,323)</u>

*The accompanying notes and schedule are an integral part of these financial statements.*



# CELEBRATION CHRISTIAN CHURCH

## STATEMENT OF CASH FLOWS (Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures from operations	\$ 251,610	\$ (7,323)
Add: Items not affecting cash flow		
Amortization	547,602	549,475
Loss on disposal of capital assets	<u>4,324</u>	<u>547</u>
	803,536	542,699
Changes in non-cash working capital		
Accounts receivable	(13,358)	3,634
Inventory	1,400	(27)
Prepaid expenses	447	993
Deferred lease commissions	5,227	(24,395)
Accounts payable and accrued liabilities	1,769	16,088
Unearned revenue	250	2,300
Deposits	<u>(5,680)</u>	<u>17,850</u>
	<u>(9,945)</u>	<u>16,443</u>
	793,591	559,142
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Purchase of capital assets	(478,381)	(110,610)
Proceeds on disposal of capital assets	<u>-</u>	<u>6,000</u>
	(478,381)	(104,610)
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of callable debt	<u>(201,588)</u>	<u>(203,845)</u>
<b>NET INCREASE IN CASH</b>	113,622	250,687
<b>CASH - beginning of year</b>	<u>629,805</u>	<u>379,118</u>
<b>CASH - end of year</b>	<u><u>743,427</u></u>	<u><u>629,805</u></u>
<b>CASH CONSISTS OF:</b>		
Cash - unrestricted	715,173	462,963
Cash - restricted	<u>28,254</u>	<u>166,841</u>
	<u><u>743,427</u></u>	<u><u>629,804</u></u>

The accompanying notes and schedule are an integral part of these financial statements.



# **CELEBRATION CHRISTIAN CHURCH**

## **NOTES TO THE FINANCIAL STATEMENTS**

(Unaudited - See Review Engagement Report)

**FOR THE YEAR ENDED DECEMBER 31, 2019**

### **1. NATURE OF OPERATIONS.**

Celebration Christian Church ("The Church") operates a Christian church located in Edmonton, Alberta. The Church was incorporated on June 15, 1992 under the Societies Act of the Province of Alberta. The Church is a registered charity and is able to issue donation receipts.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements have, in the board's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the accounting policies summarized below.

#### **Restricted Fund Method of Accounting**

The Church follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which no restricted fund is presented must be recognized in the unrestricted fund using the deferral method. Unrestricted contributions are recognized as revenues in the unrestricted fund.

The Board has established the Legacy Fund, which is an externally restricted fund whereby donations are earmarked for renovations of the Church buildings and expansion of the Church through the rental and purchase of new locations. The Board has discretion to transfer monies in and out of this account to manage the cash flows associated with the renovations and expansion. Included in the transfers in and out are GST rebates associated with the renovations, financing and repayments, capital expenditures relating to the renovations and expansion, general offerings intended for this fund, building rental costs, and some building maintenance costs.

The Board has established an internally restricted Capital Fund to report the Church's net investment in capital assets. Included in this fund is capital assets and callable debt.

The Board has established an internally restricted, non-designated fund, whereby a portion of building rental income received will be accumulated for future use.

#### **Accounting Estimates**

In preparing the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, management must make estimates such as the useful life and amortization of capital assets. The precise determination of many assets and liabilities presented in these financial statements are dependent on future events. As a result, the preparation of financial statements involves the use of estimates that have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies.





# CELEBRATION CHRISTIAN CHURCH

## NOTES TO THE FINANCIAL STATEMENTS

(Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Inventory

Inventory consists of goods purchased for resale and is stated at the lower of cost and net realizable value using the specific identification method.

#### Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair value on the day of contribution. Amortization is recorded to amortize the cost of the assets over their estimated useful lives and is calculated at one-half of the annual rate in the year of purchase or donation. Amortization is recorded using the following rates and methods:

Buildings	4% declining balance
Music and AV equipment	20% declining balance
Furniture and fixtures	20% declining balance
Computer equipment	55% declining balance
Computer software	100% declining balance
Automotive equipment	30% declining balance

#### Foreign Currency

The Church uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the rate of exchange in effect at year-end. Other assets and liabilities are translated at their historic rates. Items appearing in the statement of operations, except for the cost of inventory and amortization translated at historic rates, are translated at average year rates. Exchange gains and losses are included in the statement of revenues and expenses.

#### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported as income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on acquisition, sale or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in operations.



**CELEBRATION CHRISTIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited - See Review Engagement Report)  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

The Church follows the restricted fund method of accounting for contributions. Contributions and other revenue, restricted and unrestricted, are recorded when received, except as noted below.

Restricted contributions relate to the Legacy fund, which was established to facilitate the purchase and renovation of property for the establishment of a new church.

Rental revenue is recognized on a straight-line basis over the term of the lease. Registration fees are recognized over the term of the program.

Unearned revenue occurs when payment is received before services have been performed.

**Contributed Services**

Church members contribute an invaluable amount of time each year to the Church. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**Income Taxes**

The Church is a charitable organization and is thus exempt from income taxes under paragraph 149(1)(f) of the *Income Tax Act*.

**3. FINANCIAL INSTRUMENTS**

The Church is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate, and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2019:

**Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Church was exposed to currency risk in 2019 until it closed its USD bank account (2018 - \$5,667 USD).

**Credit Risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Church is exposed to credit risk through its accounts receivable.



# CELEBRATION CHRISTIAN CHURCH

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2019

### 3. FINANCIAL INSTRUMENTS (CONTINUED)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Church is exposed to this risk through its callable debt, which bears interest at a floating rate. The cash flows required to service this debt will fluctuate as a result of changes in market interest rates.

### 4. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Trade accounts receivable	\$ 4,260	\$ 7,913
Goods and services taxes receivable	<u>25,179</u>	<u>8,168</u>
	<u>29,439</u>	<u>16,081</u>

### 5. CAPITAL ASSETS

	2019		2018	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 3,711,526	\$ -	\$ 3,711,526	\$ 3,711,526
Buildings	9,981,637	2,017,246	7,964,391	8,205,733
Music and AV equipment	1,550,576	856,939	693,637	586,692
Furniture and fixtures	601,823	374,065	227,758	207,497
Computer equipment	139,657	108,581	31,076	16,541
Automotive equipment	76,884	37,309	39,575	13,520
	<u>16,062,103</u>	<u>3,394,140</u>	<u>12,667,963</u>	<u>12,741,509</u>

### 6. DEFERRED LEASE COMMISSIONS

In 2018, the Church paid commissions to obtain a tenant to lease a portion of its premises. As this direct cost is associated with the specific lease agreement, it will be deferred and amortized over the lease term. Included in the Church's administration expenditures is \$5,228 (2018 - \$1,743) related to the amortization of the lease commissions.





**CELEBRATION CHRISTIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited - See Review Engagement Report)  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**7. CALLABLE DEBT**

	<u>2019</u>	<u>2018</u>
ATB Financial loan, payable in regular monthly blended payments of \$28,000, through to February 15, 2038. Interest is at prime plus 0.5% per annum; as at December 31, 2019, the prime rate was 3.95%.	\$ 4,102,661	\$ 4,252,489
ATB Financial loan, payable in regular monthly blended payments of \$9,600, through to February 15, 2038. Interest is at prime plus 0.5% per annum; as at December 31, 2019, the prime rate was 3.95%.	<u>1,397,656</u>	<u>1,449,416</u>
	5,500,317	5,701,905
Less: current portion	<u>(211,099)</u>	<u>(201,845)</u>
	<u><u>5,289,218</u></u>	<u><u>5,500,060</u></u>

The demand loans are secured by a general security agreement over all present and after-acquired personal property.

The demand loan agreement contains certain covenants regarding (i) restrictions on new borrowing by the Church, (ii) unauthorized sale of Church assets whose fair value exceeds \$50,000, and (iii) certain financial covenants as follows: the Church's debt to equity ratio must not exceed 1.5:1, and the debt service ratio must be greater than 1.25:1. As at December 31, 2019, these covenants have been met. In addition, the Church is required to provide financial statements to the bank within 120 days of the Church's year end.

Assuming that payment is not demanded and the loans are renewed under similar terms and conditions, and no change in interest rates, regular principal payments required for the next five and subsequent years are due as follows:

2020	\$ 210,699
2021	220,269
2022	230,273
2023	240,732
2024	251,665
Thereafter	<u>4,346,679</u>
	<u><u>\$ 5,500,317</u></u>





**CELEBRATION CHRISTIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited - See Review Engagement Report)  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**8. COMPARATIVE FIGURES**

The comparative figures were audited by other Chartered Professional Accountants and have been reclassified to conform to the current year's presentation.



**CELEBRATION CHRISTIAN CHURCH**

**SCHEDULE 1 - LEGACY FUND**

(Unaudited - See Review Engagement Report)

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>REVENUE</b>		
Offerings	\$ 323,539	\$ 81,443
Interest Income	<u>2,728</u>	<u>1,612</u>
	326,267	83,055
<b>EXPENSES</b>		
Church administration	10,051	-
Program	<u>25,802</u>	<u>-</u>
	<u>35,853</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<u><u>290,414</u></u>	<u><u>83,055</u></u>

