

CELEBRATION CHRISTIAN CHURCH
FINANCIAL STATEMENTS
(Unaudited - See Review Engagement Report)
FOR THE YEAR ENDED DECEMBER 31, 2020



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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, 2020 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.

Basis for Qualified Conclusion

In common with many charitable organizations, the Church derives significant revenues from donations. The nature of voluntary donations does not lend itself to satisfactory analysis or inquiry to enable the determination of completeness of donations.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, 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, 2020 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 28, 2021

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, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT		
Cash - unrestricted	\$ 792,953	\$ 715,173
Cash - restricted (note 2)	28,383	28,254
Accounts receivable (note 4)	28,386	29,439
Inventory	2,122	2,801
Prepaid expenses	<u>21,727</u>	<u>22,774</u>
	873,571	798,441
CAPITAL ASSETS (note 5)	12,149,950	12,667,963
DEFERRED LEASE COMMISSIONS (note 6)	<u>13,940</u>	<u>19,168</u>
TOTAL ASSETS	<u><u>13,037,461</u></u>	<u><u>13,485,572</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 30,543	\$ 80,237
Unearned revenue	-	5,250
Current portion of callable debt (note 7)	313,323	211,099
Callable debt (note 7)	<u>4,138,120</u>	<u>5,289,218</u>
	4,481,986	5,585,804
DEPOSITS	12,170	12,170
CEBA LOAN PAYABLE (note 7)	<u>30,000</u>	<u>-</u>
TOTAL LIABILITIES	4,524,156	5,597,974
NET ASSETS		
LEGACY FUND	28,383	28,254
CAPITAL FUND	7,706,698	7,171,970
UNRESTRICTED FUND	<u>778,224</u>	<u>687,374</u>
	<u>8,513,305</u>	<u>7,887,598</u>
	<u><u>13,037,461</u></u>	<u><u>13,485,572</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, 2020

For the year ended December 31, 2020

	<u>Legacy Fund</u>	<u>Capital Fund</u>	<u>Unrestricted Fund</u>	<u>Total</u>
Balance, beginning of year	\$ 28,254	\$ 7,171,970	\$ 687,374	\$ 7,887,598
Excess (deficiency) of revenues over expenditures for the year	224,129	(534,444)	936,022	625,707
Purchase of capital assets	-	20,298	(20,298)	-
Payments on callable debt	<u>(224,000)</u>	<u>1,048,874</u>	<u>(824,874)</u>	<u>-</u>
Balance, end of year	<u>28,383</u>	<u>7,706,698</u>	<u>778,224</u>	<u>8,513,305</u>

For the year ended December 31, 2019

	<u>Legacy Fund</u>	<u>Capital Fund</u>	<u>Unrestricted Fund</u>	<u>Total</u>
Balance, beginning of year	\$ 166,841	\$ 7,039,603	\$ 429,544	\$ 7,635,988
Excess (deficiency) of revenues over expenditures for the year	290,414	(547,602)	508,798	251,610
Purchase of capital assets	(429,001)	478,381	(49,380)	-
Payments on callable debt	<u>-</u>	<u>201,588</u>	<u>(201,588)</u>	<u>-</u>
Balance, end of year	<u>28,254</u>	<u>7,171,970</u>	<u>687,374</u>	<u>7,887,598</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, 2020

	<u>2020</u>	<u>2019</u>
REVENUE		
Offerings	\$ 2,161,719	\$ 2,325,108
Legacy Fund (schedule 1)	224,290	323,539
Rental	92,619	72,465
Registration fees	30,054	54,552
Books and resources	7,123	28,777
Other	6,566	21,128
Interest (schedule 1)	7,502	14,153
STEP grant	-	11,202
Gifts in kind	<u>1,232</u>	<u>-</u>
	<u>2,531,105</u>	<u>2,850,924</u>
EXPENSES		
Amortization	534,444	547,602
Books and resources	4,202	16,136
Church administration (schedule 1)	157,480	206,319
Facility	181,385	185,276
Gifts to other charities	53,448	48,399
Interest on callable debt	180,283	249,612
Ministry	19,983	65,071
Program (schedule 1)	205,724	451,374
Rent	56,162	22,728
Salaries and wages	<u>704,029</u>	<u>802,473</u>
	<u>2,097,140</u>	<u>2,594,990</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	433,965	255,934
Loss on disposal of capital assets	(968)	(4,324)
Grants and subsidies (note 8)	<u>192,710</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u><u>625,707</u></u>	<u><u>251,610</u></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, 2020

	<u>2020</u>	<u>2019</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of revenue over expenditures from operations	\$ 625,707	\$ 251,610
Add: Items not affecting cash flow		
Amortization	534,444	547,602
Loss on disposal of capital assets	<u>968</u>	<u>4,324</u>
	1,161,119	803,536
Changes in non-cash working capital		
Accounts receivable	1,053	(13,358)
Inventory	679	1,400
Prepaid expenses	1,047	447
Deferred lease commissions	5,228	5,227
Accounts payable and accrued liabilities	(49,695)	1,769
Unearned revenue	(5,250)	250
Deposits	<u>-</u>	<u>(5,680)</u>
	<u>(46,938)</u>	<u>(9,945)</u>
	1,114,181	793,591
CASH USED IN INVESTING ACTIVITIES		
Purchase of capital assets	(20,298)	(478,381)
Proceeds on disposal of capital assets	<u>2,900</u>	<u>-</u>
	(17,398)	(478,381)
CASH USED IN FINANCING ACTIVITIES		
Proceeds from long term loans (CEBA)	30,000	-
Repayment of callable debt	<u>(1,048,874)</u>	<u>(201,588)</u>
NET INCREASE IN CASH	77,909	113,622
CASH - beginning of year	<u>743,427</u>	<u>629,805</u>
CASH - end of year	<u><u>821,336</u></u>	<u><u>743,427</u></u>
CASH CONSISTS OF:		
Cash - unrestricted	792,953	715,173
Cash - restricted	<u>28,383</u>	<u>28,254</u>
	<u><u>821,336</u></u>	<u><u>743,427</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, 2020

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 charitable organization and is thus exempt from income taxes under paragraph 149(1)(f) of the *Income Tax Act (Canada)* assuming it maintains its status.

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 fund 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 also 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, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of goods purchased for resale and is stated at the lower of cost and replacement cost 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

The Church initially measures its financial assets and financial liabilities at fair value. Transaction costs related to financial assets that will be subsequently measured at fair value are recognized in the statement of operations in the year in which they are incurred. The Church subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and prepaid expenses and commissions.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and deposits.



CELEBRATION CHRISTIAN CHURCH

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

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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, 2020:

Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly in respect of its long-term debt and the unpredictable nature of donations. This risk is reduced because of considerable sums held as cash.

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.

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.



CELEBRATION CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2020

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Trade accounts receivable	\$ -	\$ 4,260
Covid subsidies receivable	24,039	-
Goods and services taxes receivable	<u>4,347</u>	<u>25,179</u>
	<u><u>28,386</u></u>	<u><u>29,439</u></u>

5. CAPITAL ASSETS

	<u>2020</u>		<u>2019</u>	
	<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	9,981,638	2,335,819	7,645,819	7,964,391
Music and AV equipment	1,556,640	996,272	560,368	693,637
Furniture and fixtures	605,458	419,395	186,063	227,758
Computer equipment	149,207	128,366	20,841	31,076
Automotive equipment	<u>53,195</u>	<u>27,862</u>	<u>25,333</u>	<u>39,575</u>
	<u><u>16,057,664</u></u>	<u><u>3,907,714</u></u>	<u><u>12,149,950</u></u>	<u><u>12,667,963</u></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 (2019 - \$5,228) 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, 2020

7. CALLABLE DEBT

	<u>2020</u>	<u>2019</u>
ATB Financial loan, payable in regular monthly blended payments of \$28,000, through to February 15, 2038. Interest is at prime plus 0.75% per annum (2019: prime plus 0.50%); as at December 31, 2020, the prime rate was 2.45%.	\$ 3,958,579	\$ 4,102,661
ATB Financial loan, payable in regular monthly blended payments of \$9,600, through to February 15, 2038. Interest is at prime plus 0.75% per annum (2019: prime plus 0.50%); as at December 31, 2020, the prime rate was 2.45%.	492,864	1,397,656
Loan under the Canada Emergency Business Account (CEBA). This program provides interest free loans intended to subsidize non-deferrable expenses in the face of COVID-19. In fiscal 2020, the Church received a loan of \$40,000 of which \$10,000 is forgivable if the balance is repaid by December 31, 2022.	<u>30,000</u>	<u>-</u>
	4,481,443	5,500,317
Less: current portion	<u>(313,323)</u>	<u>(211,099)</u>
	<u><u>4,168,120</u></u>	<u><u>5,289,218</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, 2020, 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 there is no change in interest rates, regular principal payments required for the next five and subsequent years are due as follows:

2021	\$ 313,323
2022	353,497
2023	334,003
2024	344,849
2025	310,566
Thereafter	<u>2,825,205</u>
	<u><u>\$ 4,481,443</u></u>



CELEBRATION CHRISTIAN CHURCH

NOTES TO THE FINANCIAL STATEMENTS

(Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2020

8. COVID-19 PANDEMIC

The Government of Alberta declared a public health emergency in response to the COVID-19 global pandemic, as of March 17, 2020. In response, the Church was required to suspend in-person services for several months during the year, and faced varying operating restrictions throughout most of the fiscal year. Federal and Provincial programs, support, and regulations are continuously developing. The financial impact of this public health emergency has been evolving, which precludes a reasonable estimate of the overall financial or operational impact on the Church.

As a result of COVID-19, federal government assistance was provided under the Canada Emergency Wage Subsidy (CEWS) program. This program provides non-repayable subsidies to entities experiencing a decrease in revenues over the eligibility period to subsidize labour costs. The federal government also provided the Temporary Wage Subsidy program, which provided an immediate relief of up to 10% of source deductions payable during the early months of the pandemic.

Further federal government assistance was provided under the Canada Emergency Business Account (CEBA). This program provides interest free loans intended to subsidize non-deferrable expenses in the face of COVID-19. In fiscal 2020, the Ministry received a loan of \$40,000 of which \$10,000 is forgivable if the balance of the loan is repaid by December 31, 2022.

The Church has also applied for the Canada Emergency Rent Subsidy (CERS) program, which provides a subsidy to cover a portion of commercial rent expenses, paid directly to tenants. The program is effective from September 27, 2020 to June 2021, and may also provide lockdown support in future if conditions require the Church to again suspend in-person services.

	<u>2020</u>	<u>2019</u>
Temporary Wage Subsidy	\$ 13,389	\$ -
Canada Emergency Wage Subsidy	164,769	-
Canada Emergency Rent Subsidy	4,552	-
CEBA loan - forgivable amount	<u>10,000</u>	<u>-</u>
	<u>192,710</u>	<u>-</u>



CELEBRATION CHRISTIAN CHURCH

SCHEDULE 1 - LEGACY FUND
(Unaudited - See Review Engagement Report)

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
REVENUE		
Offerings	\$ 224,290	\$ 323,539
Interest Income	<u>1,000</u>	<u>2,728</u>
	225,290	326,267
 EXPENSES		
Church administration	-	10,051
Program	<u>1,161</u>	<u>25,802</u>
	<u>1,161</u>	<u>35,853</u>
 EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	 <u>224,129</u>	 <u>290,414</u>

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

