



Pastor's Report

Reflecting on last year, we've seen God do amazing things across all our locations; and all we can say is 'Thank You!'. We love seeing how passionate people are to serve and demonstrate God's love to others. Let's never forget that the part we play is so much bigger than we can imagine. The opportunities we have to spread the gospel around the world is astounding!

We're praying that as we build off the strength of 2018, that we'll continue to see influence in areas that will help take the message of Jesus to people like never before! And that the strength and drive of our church would never lose sight of the goal — to see people know and experience God in a Spirit Contemporary way.

Leon : Sally

Love, Accept, Forgive

(LAF) exemplifies the culture our church and is at the heart of everything we do. Our desire is to show people how to exercise Love, Acceptance, and Forgiveness in every facet of their lives. Jesus spoke of an abundant life (John 10:10), and through LAF, we're not only able to live successfully, but significantly as well. We want to live in a way that shows God's goodness without compromising His Word. This is what we call Spirit Contemporary; people empowered to live fully alive with God's power, yet completely relevant in their day—to—day.





Volunteers

Our volunteer teams are incredible! They make up the heartbeat of our church. Without the dedication of these faithful men, women and students, we wouldn't be able to fulfill the call of God on our church. At our 595 campus alone, hundreds of volunteers are needed to run our Sunday services and create an incredible atmosphere. Our volunteer teams give thousands of hours to volunteering each year to help us run our weekly services.







Over 5000 hours of volunteer time for our weekly services

Over 2500 volunteers gave their time in 2018

Over 650 volunteers each Sunday in our Winnipeg location alone



Praise and Worship

Week in and week out, doing church together has made a difference in each of our volunteer's lives. Creating an atmosphere of worship and carrying God's presence into our lives starts at every Sunday service. We love to create those special moments as well through music! Valentine's Day, Mother's Day, Easter, Father's Day and throughout the year, our team was incredible at making each service special. Worship and Miracles nights were always a highlight for our team. Being a part of these nights, seeing God move in miraculous ways and hearing God's Word on healing had a huge and lasting impact on our volunteers. Another part of our Worship team are our song writing volunteers who continued to be actively working behind the scenes. This year, a few worship favourites written by our team include; "Precious Jesus", "No Bounds" and "You are Good", as well as a nostalgic throwback of "I Want to Thank You". We are looking forward to an amazing 2019!

Service Teams

One of the main ingredients of our church is great people and our Services teams are just that! This team consists of many incredible areas of volunteerism - Ushers, Greeters, Parking, Security, Bus Drivers, Shakers & Movers, Green Thumbs, Helping Hands, Medical Teams and Acts of Kindness (with 103 furniture deliveries this year to those in need). From the time you drive onto our parking lot to the time you exit the church doors, our Service Team ministries are there to show everyone the love and appreciation Springs Church has for people. It is such an honour volunteering alongside each and every one of our volunteers!





Hospitality

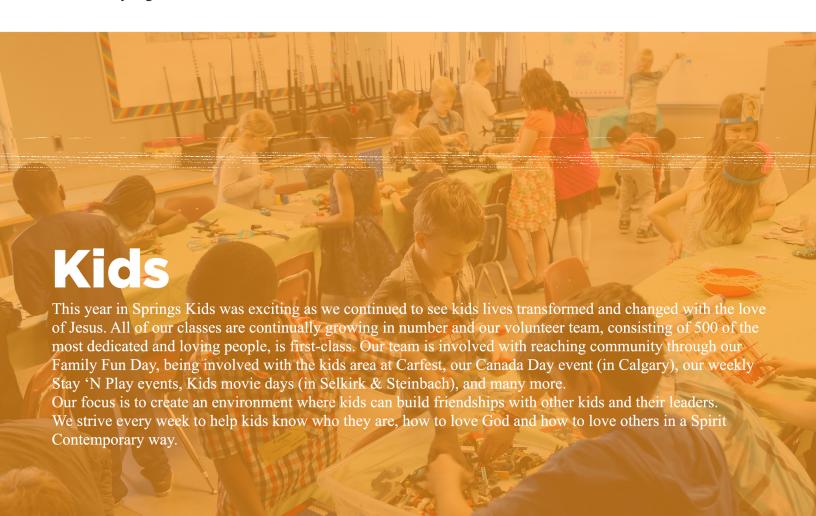
This year has been another great year of growth for our Hospitality team. We are seeing lives changed in our church and community through all of the amazing events we do together. One such event was a Police Conference for youth at risk, where over 600 youth, teachers and police attended. We love being able to host this event and serve our community in such a tangible way. Another highlight of this past year was transforming one of our smaller coffee lounges into a loose leaf tea bar that included freshly baked scones from our very own baking team. It has been a huge success and wonderful to see a new group of people finding a place where they can connect over a common interest. It's been an amazing year and we're excited for what's to come!





Stay 'N Play

Springs Kids loves to connect community and church by hosting a weekly drop-in play group for kids and parents. Parents bring their kids ages 0-5 years to Stay 'N Play to enjoy catching up with friends over coffee or meeting someone new. In Winnipeg this year, our weekly attendance has grown to 130 people (with new guests coming every week). Our Fall Stay 'N Play costume party brought in a record number of 500 people with 80 new guests. Our Steinbach location also hit some record numbers and consists mostly of moms from our community. Running from September to May, this ministry is so important to bring our church family and community together.





Youth

2018 was a great year for us at Springs Youth! We have been working hard at changing the culture of our youth program so we continue to be relevant. We have been able to help so many students, who are dealing with serious issues in their life and we strive to always be a place where teens come to hangout, make friends, but also be a safe place to ask for help when they are in need. We love that! We also love being a passionate and fun place for teens to bring their friends who don't know God. Each week, we see young men and women make a first-time decision to follow Jesus. Friday nights are an excellent night for teens to encounter Jesus, and experience first-hand the life that comes from serving God. It is also a place that is relevant to the community, we have anywhere between 5-15 first time guests to youth each and every week.

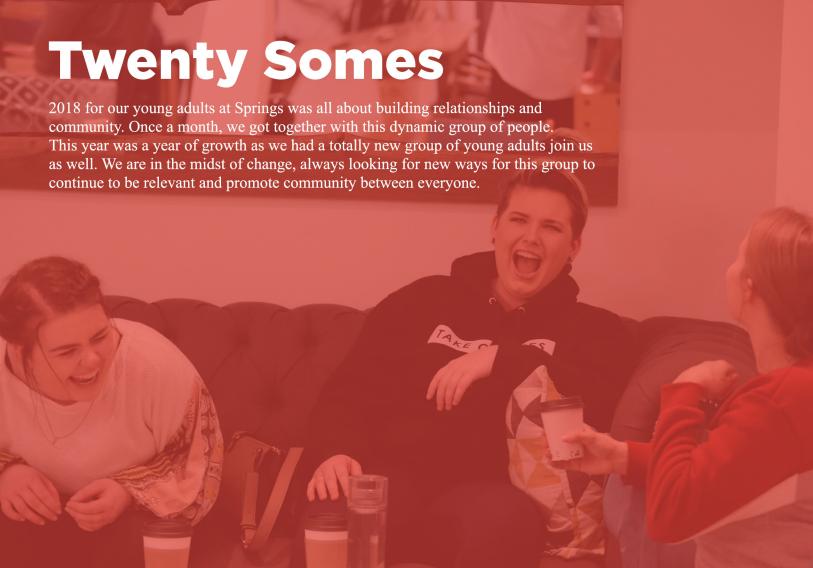
Not only is youth a great place for the students, but through youth, we've been able to raise up young leaders on stage, behind the mic, and many other ministry areas. It is an amazing place of growth for our student and our adult volunteers alike. We also had our Springs Youth small groups weekly in 2018 on Wednesday evenings at 595. Having separate groups for both guys and girls, their leaders go through a curriculum that is hand-picked or written to help students deal with issues that arise in their life. Springs Youth Small Groups are such a dynamic place for our youth to discover who they are in Jesus, and learn how to practically apply God's Word to their lives. Surprisingly, a lot of our junior high group are completely new to church and God, but love the atmosphere at small groups. We are looking forward to 2019 being a year of growth and big change for our youth ministry.



Seniors Drop-In

Again this year, our Seniors Drop-in was a great success. The Drop-In Center was started not only for our awesome and faithful seniors at Springs but also as an outreach into our local community. We hold this event every second week and are very excited to see new people attending each time. We are so thankful for the team of volunteers that help to facilitate these times. We are looking forward to serving our seniors in the coming year with excellence, love and respect.





Nations Connect

Springs Church has always been about people. What makes us unique as a church is the amazing amount of people we have from various cultures and backgrounds—people coming together to celebrate God and build community. Nations Connect is a quarterly gathering for people of any race, culture or background who desire to make friends, build relationships and celebrate their heritage. It's a great opportunity to meet others with different ethnic backgrounds as well as enjoy a fun venue to bring out family and friends for their first introduction to our Springs family.



SPRINGS

Interning

After graduating from our nine-month full-time program, students who are looking to continue their training in leadership and ministry can apply for our Internship Program. This program gives students a hands-on approach to learning the ins and outs of ministry at Springs Church. Working closely with various leaders, our students finish this nine-month program having learned first-hand how to maintain and grow volunteer teams, organize and run large and small events, handle day-to-day administration, and so much more.

Full-Time

It was another incredible year for our Springs College students! They were deeply challenged and it was great to see them rise to the challenge and grow in so many ways! Our students were provided the opportunity to take part in our biblically and skill-based framework, coupled with a hands-on ministry practicum, that provided them with an environment to personally transform their lives and impact the lives of the people around them.

The students took part in a number of ministry opportunities during their nine months in the program through their involvement with our church ministries as well as Inner-City foodbank, the Christmas Parade, and Special Olympics to name a few. The culminating project for the students this year was putting on a week-long day camp for Grades 1-6 students called Days in the Sun. They planned, designed, and executed the entire camp with coaching from the Springs College staff. The college was a resounding success and the kids had a blast! They also planned, designed, and delivered several elementary and high school chapels at Springs Christian Academy. They did such a great job in making their chapels heartfelt and impactful.

The first trip was to Camp Arnes to take part in a teambuilding and spiritual retreat. It was a great time for the students to bond with one another as they were challenged to grow closer to God, get out of their comfort zones, work together as a team to successfully complete a number of cooperative and initiative tasks, participate as a team in a high ropes course, and gel as a team. The second trip to our Springs Church Calgary Campus where they had the opportunity deepen their relationships, serve in the ministry areas at the church and take in the sights of Calgary and Banff.



Continuing Education

Our Leadership Level 1 and 2 programs, were very successful once again this year. These programs gave people from all walks of life the building blocks they need to develop their leadership skills. Being taught in a Spirit Contemporary way, they provide students with a strong foundation in leadership that they can apply both in their local church and in the marketplace. Every Tuesday evening, students attended select courses that built their leadership, knowledge in finance, management, relationships and the Bible. We always look forward to these programs growing each and every year.

Biblical Studies

We are excited, once again to celebrate with our graduates from the Biblical Studies program. We continually endeavour to train and equip our church to walk and share in God's abundant life. Through Spirit Contemporary teaching, we offer an array of courses that includes Bible Foundations, Prayer, Holy Spirit, and much more. These courses enabled the students to delve deeper into biblical truths and lead them on a journey of increased knowledge and understanding helping them to take their relationship with God to much higher levels. We believe that Springs College will continue to develop great leaders within the church and equip people to excel in family and career!

Life Courses

Throughout 2018, we offered many different courses, with some being offered several times throughout the year. Our goal through Life Courses is to provide a way for everyone to invest in their life and meet someone new. The courses are designed to strengthen and encourage people in every walk of life. At Springs Church we believe in teaching and training people. Jesus came that we could have abundant life and He shows us in His Word how to walk it out in our daily lives.





Springs Christian Academy (SCA) is our Preschool through Grade 12 school. Our Mission Statement is to Pursue Christ. Pursue Excellence. Through education. Strong academic foundations in the Elementary campus, lead to the culmination of academic excellence. SCA Grade 12 students consistently score higher than the provincial average for provincial standards exams – this year was no exception. Along with a strong focus on academics, we once again purposed to involve our students in many special events throughout the year such as Youth Parliament, Grandparents Day, ski trips, house teams, volunteer opportunities, Christmas concerts, band concerts, movie production in the elementary, media training, arts department original drama/music/media production, Grade 8 trip to Memphis, ministry trips, Europe trip and spiritual retreats which are only a few of the many activities that make up the full life of a student at Springs. We truly look forward to the years to come as we watch our students learn and grown into incredible men and women of God.





Sports

There is no better way to make new friends than playing a sport together. As a church we have organized several sports for our members and community alike. Gathering around their favourite sport; like Men's & Ladies Floor Hockey, Volleyball, Hockey, Baseball, Indoor/Outdoor Soccer, Cycling and yes... Pickleball. Keeping active is always on everyone's mind and that opportunity is there through Springs Sports.

Family Fun Day

On Monday, February 19 (Louis Riel Day), we once again hosted a Family Fun Day! The inside of our 595 building was filled with inflatable bouncers, yummy food and tons of fun activities for the kids. We had face painting, story time, Jedi training, reptile gardens, mini donuts, balloon animals and a baby & toddler corner. Kids even met some of their favourite characters! Outside was a fun time too as many enjoyed the great weather and played boot hockey, went tobogganing and enjoyed a sleigh ride!





Car Fest 2018

Our annual Carfest is one of our community outreach events. It focuses on making our community aware of our Springs Inner-City Kids Programs. Once again this year, cars, cars and more cars is what the day entailed. From a drag car race to classic muscle cars, Ferraris and Lamborghinis there was something for everyone to see. Taking place on Father's Day weekend, the day was special for all Dad's to enjoy but we made sure to have fun for the whole family. While dads looked at cars, kids had everything from bouncers to a car paint shop and reptile zoo to keep them entertained.



Golf Classic

In September 2018, we hosted our Charity Men's Golf Tournament, the 20th annual "Springs Golf Classic," held at Bridges Golf Course. We were excited to once again sell all 144 tickets. All golfers left with some amazing prizes (some even walked away with 2). This event is a great fundraiser for our Springs Inner City Youth Programs and has also been a very successful community outreach event for our church over the years. Many new people joined in the fun for a relaxing day of golf and dinner at the same time as supporting a very worth-while cause. We raised enough money again to purchase another new "to us" school bus for Inner City that they use for picking up kids and youth.



RAISED ENOUGH MONEY TO
PURCHASE ANOTHER BUS FOR OUR
INNER CITY YOUTH PROGRAM





Springs Online

We made it easier than ever for our global family to connect with the weekly messages from Springs. This past year, we revamped Leon Fontaine's YouTube channel! EVERY Sunday, people were able to watch Pastor Leon's message LIVE. Not only that, but we added new videos, Q & A sessions and short inspirational teachings on various topics. There were a number of our videos that reached over 10,000 views! Each view represents someone who's life is being changed because of what they are hearing. The feedback we receive weekly is incredible as people from around the world connect with the message of Jesus delivered in a Spirt Contemporary way.

Church App

The Springs App continues to be a great place for people to find up-to-date event info, articles, video and podcasts from Springs Church and Leon Fontaine. This past year, the App was fully revamped, creating a more functional platform for people to engage with their church, find events, volunteer and much more!

MISSIONS

Missions are close to the heart of Springs Church, and each month we financially support one of these four ministries from around the world.



Miracle Channel

At Springs, we're excited to support Miracle Channel in its mission to help people all over the world grow closer to Jesus. Broadcasting 24/7, Miracle Channel impacts many who 'happen' across it, often in the middle of a sleepless night that is filled with fear, depression or grief. Miracle Channel is like a light shining in the darkest night, saying "Hope is here!" From the incredible teaching of world-renown guests to the personal encouragement and prayers of awesome call-in centre volunteers, Miracle Channel's LIVE programs are making a huge impact. Miracle Channel is the only television station that provides 24 hour access to Biblical teaching in Canada, and their role in bringing the truth of God's Word to a hurting world is vitally important. For many remote Northern communities, Miracle Channel is the only source of Christian teaching and discipleship.

Inner City (Winnipeg)

Everything we do at Springs Inner City has the same end goal in mind. It is to lead people into a real relationship with Jesus and to empower people to live beyond the circumstances they see all around them. We do this through our food programs, kids/youth services, and Sunday church service. Every Wednesday morning our basement is full with people eating breakfast and hearing a message specifically designed to help them overcome whatever situation they're struggling with. On Thursdays we have over 300 families that we help bi-weekly with groceries. We meet their felt needs and share an encouraging message. On Fridays, 120-150 kids and youth are picked up right from their homes for our 1 hour services. We are reshaping our inner city by mentoring the next generation and are seeing incredible changes in whole family units. We hear often that this is the highlight of their week. It's the one thing they can look forward to and count on. Location is key when it comes to our Sunday services. Almost no one in our congregation has vehicles, so we bring our life giving, Spirit Contemporary message right to their neighborhood.





India

Dr. Jey and Lizy Jeyaseelan's mission is to take the love of Christ to as many people as possible so that every area of their lives are transformed by His presence and His Word. They seek to achieve this by starting and developing strong local churches around the nation where people can find love, acceptance, training and encouragement to be all that God wants them to be. Once every few months we focus our missions offerings for this ministry. We truly support the incredible work they are doing in India.

SPRINGS CHRISTIAN ACADEMY RAISED OVER \$5000 for Watoto



Watoto

Watoto's mandate, under the leadership of Gary and Marilyn Skinner, is to "Rescue a child, raise a leader and rebuild a nation." Every few months we focus our missions offerings for this ministry. We are so excited to be able to give our support to them each year.



SPRINGS

Winnipeg 595 Lagimodiere Blvd

Winnipeg - Youth Facility 725 Lagimodiere Blvd

Winnipeg - Inner City 648 Burrows Ave

Calgary 924 Heritage Dr SW

> **Steinbach** 179 Chapel Dr

> **Selkirk** 479 Eveline St





Springs Church – A Commitment to Maintain Trust (2018)

- Springs Church recognizes that our finances originate as donations by people committed to the work of the local church known as Springs Church. Our obligation, therefore, is to spend that money conservatively and wisely in continuing the ministry.
- Springs Church employs qualified, accredited financial accounting staff that are trained and equipped to keep the financial records of the church.
- Springs Church voluntarily submits to an annual audit by an independent public accounting firm. All financial statements are presented in accordance with generally accepted accounting principles.
- Springs Church believes in compliance with all federal, provincial, and municipal laws and regularly receives legal advice to ensure that the ministry is staying current with applicable laws and regulations as they change.
- Springs Church requires all board members and employees to abide by a policy regarding conflicts of interest that encourages high standards of ethics and integrity.
- During 2018, Springs Church expensed 78.8% of total revenues on programs, services, and outreach directed at
 reaching people with the Gospel of Jesus Christ and meeting the physical needs of the less fortunate. In addition
 to expenses, Springs Church also invests in capital assets (lands, buildings, and equipment). These are recorded
 on the balance sheet as assets and are written down over their useful lives through amortization. If amortization
 were included in the figure above, Springs Church would have expensed 87.5% of total expenditures on our
 programs and services.
- During 2018, Springs Church spent about 3.9% of revenues on administration.
- Any cash reserves that Springs Church accumulates are solely for the purposes of fiscal responsibility, savings, future growth, and expansion (buildings, lands, and equipment).
- During 2018, Springs Church salaries accounted for 42.2% of total revenue (\$4.47 million in wages and benefits
 for 58 full-time and 35 part-time staff). Springs Church believes in paying its employees fairly. As such, Springs
 Church pays employee salaries in line with the market place. Executive salaries are determined through
 independent salary surveys and market conditions. Benefits for all Springs Church employees are in line with
 market place practices. Pastor Leon Fontaine's salary is determined solely by the Board of Springs Church
 based on recommendations from independent salary surveys.
- Springs Church strives to ensure that all fundraising efforts clearly portray the purpose of the funds to be raised
 and that all contributions received are used for those specific purposes. If funds cannot be used for the
 designated purpose, the donor will be contacted and asked for direction.
- Springs Church believes in dealing fairly with vendors. We make every effort to pay our vendors within their
 payment terms thus not taking advantage of them by using their money. Although we need to be fiscally
 responsible, we also recognize that vendors need to earn a fair profit and as such, make every effort to create
 win-win scenarios in pricing negotiations.
- Springs Church commits to posting our consolidated audited financial statements on our website and updating the information annually.
- Springs Church protects the privacy of our members and donors by not marketing our mailing list. Information
 collected in our database is used only for the internal purposes of communicating with our members, mobilizing
 and utilizing our volunteers, and for income tax receipting purposes.

Consolidated Financial Statements of

SPRINGS OF LIVING WATER CENTRE INC.

Year ended December 31, 2018



KPMG LLP One Lombard Place Suite 2000 Winnipeg MB R₃B oX₃ Telephone (204) 957-1770 Fax (204) 957-0808 www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Springs of Living Water Centre Inc.

Opinion

We have audited the consolidated financial statements of Springs of Living Water Centre Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- · the consolidated statement of operations and net assets for the year then ended
- · the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

Chartered Professional Accountants

KPMG LLP

Winnipeg, Canada

April 22, 2019

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 2,913,999	\$ 2,542,926
Due from related party (note 3)	979,963	599,620
GST and other receivables	32,616	41,367
Inventory	67,024	66,916
Prepaid expenses and deposits	32,148	29,272
	4,025,750	3,280,101
Capital assets (note 4)	21,328,997	21,707,370
	\$ 25,354,747	\$ 24,987,471
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 410,190	\$ 331,955
Current portion of long-term debt (note 6)	982,631	974,032
	1,392,821	1,305,987
Long-term debt (note 6)	4,339,198	5,299,906
Deferred contributions related to capital assets (note 7)	6,164,258	6,248,890
Net assets	13,458,470	12,132,688
	\$ 25,354,747	\$ 24,987,471

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Consolidated Statement of Operations and Net Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
General offerings	\$ 9,094,234	\$ 8,941,590
Building revenue	697,692	693,192
Amortization of deferred capital contributions	389,909	407,012
Books, tapes and other revenue	215,008	
In-house ministries	177,056	
Interest income	15,276	14,252
	10,589,175	10,518,447
Expenses:		
In-house ministries	4,273,642	4,452,843
Administration (schedule)	1,740,161	1,840,940
Buildings (schedule)	1,362,656	1,323,848
Amortization of capital assets	924,185	1,059,116
Missions	822,403	735,042
Books, tapes and other expenses	140,346	189,329
	9,263,393	9,601,118
Excess of revenue over expenses	1,325,782	917,329
Net assets, beginning of year	12,132,688	11,215,359
Net assets, end of year	\$ 13,458,470	\$ 12,132,688

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year Items not involving cash:	\$ 1,325,782	\$ 917,329
Amortization of capital assets	924,185	1,059,116
Amortization of deferred capital contributions	(389,909)	(407,012)
Changes in non-cash working capital balances:	, ,	, , ,
Due from related party	(380,343)	(302,662)
GST and other receivables	8,751	43,760
Inventory	(108)	8,994
Prepaid expenses and deposits	(2,876)	9,955
Accounts payable and accrued liabilities	78,235	(118,552)
	1,563,717	1,210,928
Investing activities:		
Purchase of capital assets	(545,812)	(354,406)
Charitable remainder trust	· —	40,000
	(545,812)	(314,406)
Financing activities:		
Repayment of long-term debt	(952,109)	(940,320)
Capital contributions	305,277	368,106
	(646,832)	(572,214)
Increase in cash	371,073	324,308
Cash, beginning of year	2,542,926	2,218,618
Cash, end of year	\$ 2,913,999	\$ 2,542,926

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Purpose of the organization:

Springs of Living Water Centre Inc. (the Church) is incorporated under *The Corporations Act* of Manitoba as a not-for-profit organization and is a registered charitable organization under the *Income Tax Act*.

The Church's purpose is to carry on the ministry of a Christian church of which some of the activities are conducting services of worship, carrying out cooperative activities with other Christian organizations, ministering to the needs of the poor, the underprivileged and other groups and spreading the Gospel of Jesus Christ both locally and world-wide.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(b) Basis of consolidation:

The consolidated financial statements for the year ended December 31, 2018 include the accounts of the Church and its wholly-owned subsidiary, SC Holdings Ltd.

(c) Revenue recognition:

The Church 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 collection is reasonably assured and the amount to be received can be reasonably estimated.

(d) Inventory:

The inventory is recorded at the lower of cost and net realizable value.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continue):

(e) Capital assets:

Capital assets purchased are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization of capital assets has been provided for using the following rates and methods which will amortize the cost of the assets over their estimated useful lives:

Asset		Term
Buildings	Declining balance	4% per annum
Traffic signals	Declining balance	4% per annum
Parking lots and grounds	Declining balance	8% per annum
Furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	5 years
Vehicle	Declining balance	30% per annum

The cost and related accumulated amortization of furniture and equipment, and computer equipment, that is fully amortized for at least one fiscal year, are removed from the statement of financial position.

(f) Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent capital fund contributions received by the Church to assist with the development and purchase of Church buildings, furniture and equipment. Amortization of the deferred contributions has been provided for using the following rates and methods which will amortize the credits to income under the estimated useful life of the related capital asset.

Asset		Term
Buildings	Declining balance	4% per annum
Furniture and equipment	Straight-line	5 years

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continue):

(g) Contributed services:

Volunteers contribute numerous hours per year to assist the Church in carrying out its purpose. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Church has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the church determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the companies expect to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(i) Use of estimates:

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires the Church to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include allowance for doubtful accounts and estimated useful life of capital assets. Actual results could differ from the Church's best estimates, as additional information becomes available in the future.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

3. Controlled and related organizations:

The Church controls Springs of Living Water Christian Academy Incorporated (the School), a private Christian school. The Corporate Board of Directors of the School have been appointed by the Board of Directors of the Church. The School is incorporated under the *Corporations Act* of Manitoba as a not-for-profit organization and is a registered charitable organization under the *Income Tax Act*.

The School has not been consolidated in the Church's financial statements.

The School's condensed audited financial statements for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Total assets Total liabilities Net assets	\$ 1,596,349 1,587,898 8,451	\$ 1,644,831 1,133,906 510,925
Total revenues Total expenses	4,748,795 5,251,269	4,937,850 5,316,084
Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities	(329,137) (118,687) 508,286	(602,237) (493,767) 152,524

The amounts due from the School is as follows:

	2018	2017
Current amount	\$ 979,963	\$ 599,620
	\$ 979,963	\$ 599,620

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Capital assets:

				2018	2017
	Cost	,	Accumulated amortization	Net book value	Net book value
Land Buildings	\$ 6,044,557 23,666,137	\$	_ 9,735,161	\$ 6,044,557 13,930,976	\$ 6,044,557 14,104,149
Traffic signals Parking lots and grounds	154,824 2,661,073		86,387 1,889,850	68,437 771,223	71,235 835,680
Furniture and equipment	1,630,739 92,121		1,250,964 32,720	379,775	527,794 26,710
Computer equipment Vehicle	482,782		408,154	59,401 74,628	97,245
	\$ 34,732,233	\$	13,403,236	\$ 21,328,997	\$ 21,707,370

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2018 are government remittances payable of \$52,567 (2017 - \$54,583) relating to payroll taxes, health taxes and workers safety insurance.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Long-term debt:

The long-term debt consists of the following:

	2018	2017
Commercial loan payable to Assiniboine Credit Union (ACU), secured by first charge debenture on land and building and a variable rate demand promissory note, bearing interest at 4.20% (3.60% up to March 7, 2018), repayable in blended weekly payments of \$6,000,		
due March 11, 2022	\$ 3,341,668	\$ 3,515,213
Commercial loan payable to ACU, secured by first charge debenture on land and building, bearing interest at prime plus 0.25%, repayable in blended weekly payments	004 505	4 000 700
of \$3,815, due July 31, 2027 Commercial mortgage payable to ACU, secured by first charge debenture on land and building, bearing interest at 4.20% (3.60% up to December 14, 2018), repayable in blended weekly payments of \$4,831,	864,595	1,026,733
due December 18, 2020	382,204	615,469
Commercial mortgage payable to ACU, secured by first charge debenture on land and building, bearing interest at 3.8%, repayable in blended weekly payments		
of \$8,040, due January 8, 2021	733,362	1,116,523
	5,321,829	6,273,938
Less current portion	982,631	974,032
Balance, end of year	\$ 4,339,198	\$ 5,299,906

Future principal repayments, based on current interest rates and loan conditions are estimated as follows:

2019 2020 2021 2022 2023 Thereafter	\$ 982,631 827,450 380,918 385,893 589,375 2,155,562
	\$ 5,321,829

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Deferred contributions related to capital assets:

	Building	Furniture and Equipment	2018 Total	2017 Total
Balance, beginning of year Add: capital contributions	\$ 5,545,014 210,757 5,755,771	\$ 703,876 94,520 798,396	\$ 6,248,890 305,277 6,554,167	\$ 6,287,796 368,106 6,655,902
Less amounts amortized to revenue	(230,230)	(159,679)	(389,909)	(407,012)
Balance, end of year	\$ 5,525,541	\$ 638,717	\$ 6,164,258	\$ 6,248,890

8. Commitments:

The Church has annual lease commitments for equipment and vehicles for the next four years as follows:

2019 2020 2021 2022	\$ 40,871 13,970 11,424 6,664

9. Operating line of credit:

The Church has a bank line of credit amounting to \$150,000. The line of credit bears interest at prime plus 0.5 percent. At year-end, no amount has been advanced on this line of credit.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

10. Related party transactions:

- (a) Included in building revenue in the statement of operations is \$660,000 (2017 \$660,000) of rental revenue received from the School, a related organization. Missions expense includes a donation of \$360,000 (2017 \$420,000) that the Church donated back to the School. These transactions were in the normal course of business and were reported at the exchange amount.
- (b) Included in the Church's books, tapes and other expenses in the statement of operations are royalty fees of \$0 (2017 - \$25,244) paid to a company controlled by the Chief Executive Officer of the Church. The royalty fees are in the normal course of business and are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.
- (c) Springs of Living Water Centre Inc. is related to The Miracle Channel by virtue of common Chief Executive Officers. During the year, the Church engaged in related party transactions with The Miracle Channel. These transactions were in the normal course of business and are reported at the exchange amount as follows:

		2018	2017	
Related party transactions billed to The Miracle Channel for expenses incurred by the Church:				
TV production costs	\$	61,600	\$	134,260
Rent		42,877		36,705
Travel		30,298		13,904
	\$	134,775	\$	184,869
Related party transactions paid to The Miracle Channel and recorded as expenses by the Church: Donations to The Miracle Channel	\$	105,108	\$	57,405
The Miracle Channel expenses reimbursed	Φ	105, 106	Φ	57,405
by the Church		9,832		3,235
Rent		1,600		2,000
	\$	116,540	\$	62,640

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Risk management:

The Church, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: liquidity risk, credit risk and interest rate risk. These risks have not changed significantly since the prior year.

Liquidity risk:

Liquidity risk is the risk that the Church will not be able to fulfill its obligations on a timely basis or at a reasonable cost. The Church manages its liquidity risk by monitoring its operating requirements. The Church prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of a financial instrument. The Church's financial assets consist primarily of cash and receivables. The Church's cash is held with a large, provincially and federally regulated financial institution in Canada and the Church's receivables are actively reviewed and collected, mitigating credit risk.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Church is subject to interest rate risk to the extent that required interest payments on certain long term debt will fluctuate with changes in the prime rate.

12. Comparative information:

Certain of the comparative information have been reclassified to conform to the presentation used in the current year.

Schedule - Administration Expense

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Adverting and promotion	\$ 6,534	\$ 8,761
Interest and bank charges	109,779	127,329
Interest on long-term debt	228,063	239,851
Office, printing and postage	303,357	351,340
Professional and consultant fees	70,576	98,996
Telecommunications	139,879	143,741
Vehicle and travel	294,080	351,689
Wages and benefits	587,893	519,233
	\$ 1,740,161	\$ 1,840,940

Schedule - Building Expense

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Grounds and storage Insurance Property taxes Repairs and maintenance Utilities	\$ 162,162 57,827 210,322 433,497 498,848	\$ 149,045 54,996 214,131 451,678 453,998
	\$ 1,362,656	\$ 1,323,848

See accompanying notes to consolidated financial statements.