

SPRINGS
**ANNUAL
REPORT**
2019



Pastor's Report

What an amazing thing to look back on 2019 and see what we were able to accomplish for God! We are Team Springs, and Sally and I just want to say a big THANK YOU; for your commitment, dedication and financial support of building His church. It is truly a team effort. It's all of us collectively doing our part that makes it possible for us to impact this world.

As we look to the future, we're more passionate than ever to build off of the strength and momentum we saw last year.

We want to make the most of every opportunity for Springs Church – to be a shining light in this world that points people to Jesus. We want people to discover how incredible the life Jesus came to give really is. Let's never lose sight of the goal! I love how the Message translation writes out Philippians 3:14: "I've got my eye on the goal, where God is beckoning us onward – to Jesus. I'm off and running, and I'm not turning back".

We love you! And THANK YOU for being part of this team.

Leon & Sally



Springs Culture

LAF, (Love, Accept, Forgive) exemplifies the culture of our church and is at the heart of everything we do. Our desire is to show people how to exercise Love, Accept, and Forgive in their every day world. Jesus spoke of an abundant life (John 10:10), and through LAF, we're not only able to live successfully, but significantly as well.

Doing church in a Spirit Contemporary way allows us to be an example of how 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

"Those who are planted in the House of the Lord will flourish!" Psalm 92:13

Our volunteer teams are incredible!

Everyone has a place of importance, a place where they can make a significant difference in the lives of others! We believe the greatest team in the world is the local church. Every week, hundreds of our volunteers on numerous teams help us to run our Sunday services and create a special atmosphere throughout our many locations.

- **Over 5000 hours of volunteer time for our weekly services**
- **Over 2500 volunteers gave their time in 2019**
- **Over 650 volunteers each Sunday in our Winnipeg location alone**

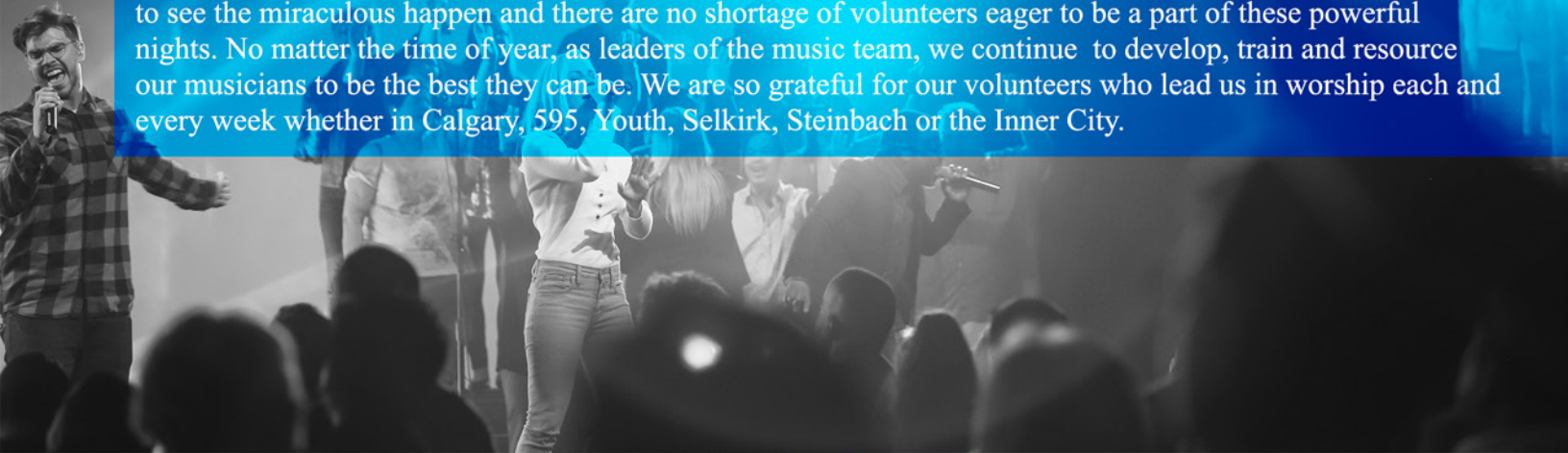
That's 260,000 hours per year!

We could not have done this without you. Thank you volunteers!



Praise and Worship

Being a part of a healthy and thriving church makes such a huge difference in each of our volunteer's lives. Springs Music team is made up entirely of volunteers. Creating an atmosphere of worship and carrying God's presence into our lives starts at each of our Sunday services. We love to create special moments throughout the year preparing memorable special music for whatever the occasion. Valentine's Day, Mother's Day, Easter, Father's Day and throughout the year, our team's desire is to make each service special. The month of December provides us an opportunity to highlight our musicians in outstanding ways throughout Christmas. This is, by far, the time of year that every musician gets excited about, putting in weeks and weeks of preparation. This year our "Joy to the World" medley was among our favourites capturing all of the gospel greats! 2019 was also a huge year for Springs Church celebrating 25 years and we loved bringing back the Praise and Worship favourites of the past! Worship and Miracle nights usher in a passionate desire and hunger to see the miraculous happen and there are no shortage of volunteers eager to be a part of these powerful nights. No matter the time of year, as leaders of the music team, we continue to develop, train and resource our musicians to be the best they can be. We are so grateful for our volunteers who lead us in worship each and every week whether in Calgary, 595, Youth, Selkirk, Steinbach or the Inner City.



Service Teams

Our Service Teams which include ushers, security, door greeters, parking lot attendants, and more, cover so many different areas inside and out of our church. They are a huge part of creating that special Spirit Contemporary atmosphere of love, acceptance and forgiveness (LAF). A place for people to come and hear the Word of God in a relaxed, friendly place. From the time you drive onto our parking lot to the time you exit the church doors, our Service Teams 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. Our Hospitality team ministers to our congregation by arranging food for funerals, serving volunteers on Sundays, providing all the concession and food for our large events such as Carfest and Family Fun Day. What would big events be like without food? With all our coffee shops available, we are looking forward to an amazing 2020.





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. Running from September to May, this ministry is so important to bring our church family and community together.

Kids

This year in Springs Kids was exciting as we continued to see kids' lives transformed and changed with the love of Jesus. All of our classes are continually growing in number as we work together to reach more families. Our volunteer team, consisting of 500 of the most dedicated and loving people, is first class. Our team is involved with reaching community through our Family Fun Day, being involved with the Kids area at Carfest, our Canada Day event (in Calgary), our weekly Stay 'N Play events, Kids movie days in Selkirk & Steinbach, and many more.

Our focus is to create an environment where kids can build friendships with other kids and their leaders. We strive every week to help kids know who they are, how to love God and how to love others in a Spirit Contemporary way.





Youth

2019 was a great year once again! We have been working hard to connect with our youth and continue to be relevant in their lives. 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 to be 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. Youth is an amazing place of growth for our students.

Our Springs Youth small groups continued to be a great success running weekly 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 2020.





Seniors Drop-In

Our Seniors Drop-in is so much fun. 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 all the 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.

Ladies Bible Study

Through Ladies Bible Study, many women have made lasting friendships as every Tuesday morning they gather to study the Word of God. These studies are a great time for the women to come together, recharge, relax and grow their relationship with God. Many say that these times have helped them through different seasons of life as they learned practical truths from the Bible.



SPRINGS College

Full-Time

What a tremendous college year this has been! The students were deeply challenged biblically and in their leadership skills and it was great to see them up for the challenge and to grow in so many ways. Our Springs College students started out the year with ministry training sessions and a trip to Camp Arnes to take part in a teambuilding spiritual retreat. It was a great time for the students to bond with one another and get out of their comfort zones by completing a number of cooperative and initiative tasks together and also be challenged in their walk with God.

During the school year the students participated in Biblical Studies and Leadership and Management classes to help them build a solid foundation in God's Word and to build their leadership skill set. They planned, designed and delivered elementary, high school and youth chapels and did such an amazing job this year! The chapels were impactful and straight from the heart! The students also completed their final project of the year which was planning, designing and executing a week-long day camp for Grades 1-6 students called Days in the Sun.

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 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.



SPRINGS College 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 and build knowledge in finance, management, relationships and the Bible. We always look forward to these programs growing each and every year.

SPRINGS College Biblical Studies

We are excited, to have added Biblical Studies 2 to our Continuing Education program. Both Level 1 and 2 were very successful and it was fun to celebrate with our graduates in June. We continually endeavour to train and equip our church to walk and share in God's abundant life. These programs 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

We run many different courses throughout the year, with some being offered more than once. 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.



A black and white photograph of a graduation ceremony. Graduates in gowns and caps are throwing their caps into the air. The scene is overlaid with a blue gradient.

CONGRATULATIONS

GRADUATES OF

2019

SCA

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, 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 grow into incredible men and women of God.





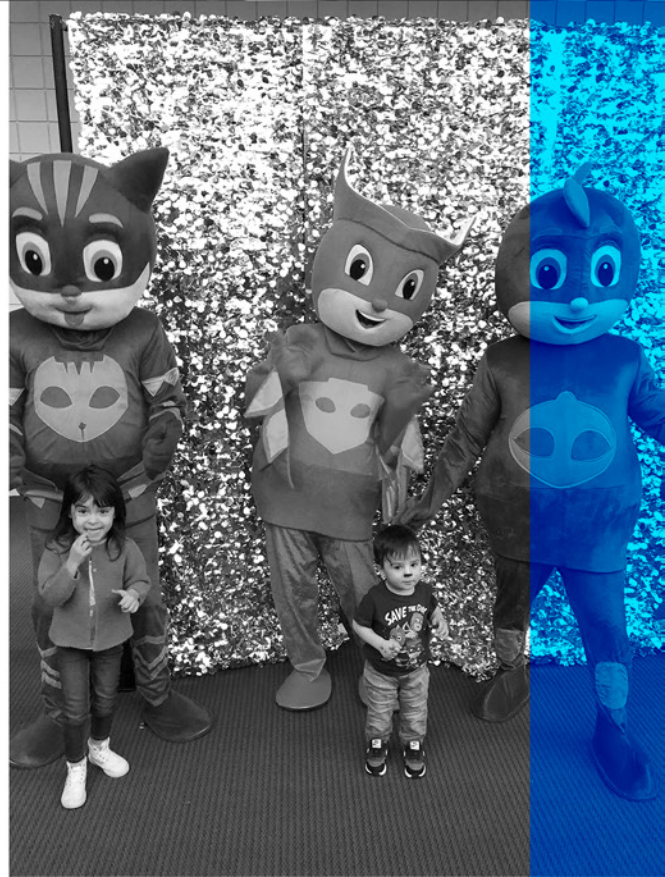
Sports

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 18 (Louis Riel Day), we had fun at our Family Fun Day! We convert the inside of our 595 building to a family fun zone filled with inflatable bouncers, yummy food and tons of fun activities for the kids. There was face painting, story time, Jedi training, 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 played boot hockey, went tobogganing and enjoyed a sleigh ride!





Carfest

Our annual Carfest is one of our community outreach events. It focuses on raising funds and making our community aware of our Springs Inner-City Kids Programs. Taking place on Father's Day weekend, the day was special for all Dad's to enjoy looking at incredible cars and watching the powerful drag races 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

Our 2019 Golf Classic was a success once again! In September, we hosted our Springs Golf Classic, held at Bridges Golf Course. We were excited to be able to give all the golfers 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.



RAISED
\$16,000

For our Inner City Youth Program



Television

Our Media volunteers have helped us bring the message of Spirit Contemporary to the world through our various TV programs, church services and online. Countless stories come in each month from our community, cities and around the world, that show how people have been transformed because of the message of Jesus that's captured and sent out every single week. We are so excited to watch as this team grows and develops over the next few years helping us to reach even more people for Christ.





Springs Youtube

Our Springs YouTube channel was started to bring together a global community. Anyone with an internet connection can watch, be prayed for and chat with members of our volunteer team and other guests around the world. We've seen so many people come to know Jesus. We know this will continue to grow and reach more and more people around the world in the months and years to come.

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.



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. Miracle Channel, being Canada's only 24 hour Christian station, broadcasts 24/7, impacting 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 church 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. At our Thursday Food Bank 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 neighbourhood.





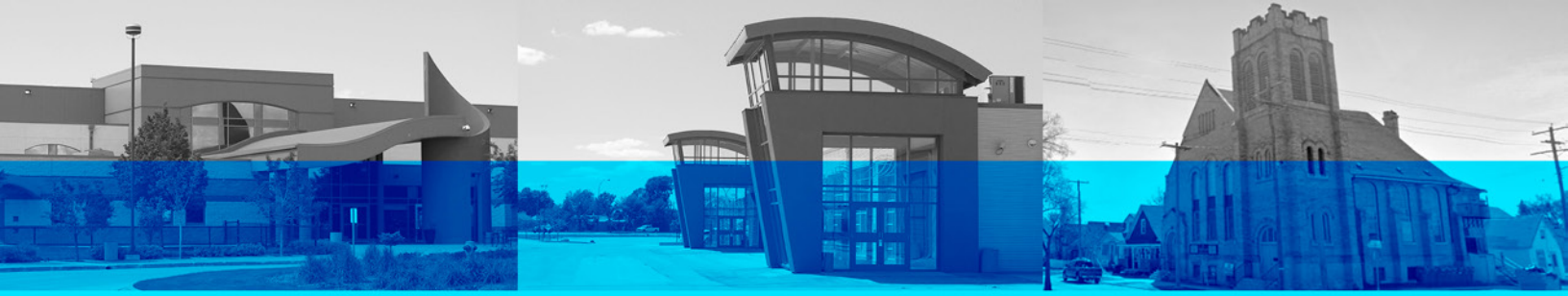
India

Dr. Jey and Lizzy 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 have a special focus on this ministry. We truly support the incredible work they are doing in India.



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 have a special focus on this ministry. We are so excited to be able to give our support to throughout the year.



SPRINGS

CHURCH

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
**FINANCIAL
INFORMATION**
2019

Springs Church – A Commitment to Maintain Trust (2019)

- 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 2019, Springs Church expensed 85.7% 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 93.5% of total expenditures on our programs and services.
- During 2019, Springs Church spent about 4.6% 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). Economic downturns and the Covid-19 crisis confirm and emphasize the wisdom of the "Joseph principle" of saving in good years. Springs Church endeavours to have sufficient savings on hand to weather any storm that may come our way.
- During 2019, Springs Church salaries accounted for 45.7% of total revenue (\$4.96 million in wages and benefits for 60 full-time and 28 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, 2019



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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, 2019;
- the consolidated statement of operations and changes in 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, 2019, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line extending from the end of the signature.

Chartered Professional Accountants

Winnipeg, Canada

May 8, 2020

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 2,629,709	\$ 2,913,999
Due from related party (note 3)	1,086,093	979,963
GST and other receivables	29,964	32,616
Inventory	60,298	67,024
Prepaid expenses and deposits	22,576	32,148
	<u>3,828,640</u>	<u>4,025,750</u>
Capital assets (note 4)	21,107,907	21,328,997
	\$ 24,936,547	\$ 25,354,747

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 429,619	\$ 410,190
Current portion of long-term debt (note 6)	1,013,117	982,631
	<u>1,442,736</u>	<u>1,392,821</u>
Long-term debt (note 6)	3,328,135	4,339,198
Deferred contributions related to capital assets (note 7)	5,999,339	6,164,258
Net assets	14,166,337	13,458,470
Commitments (note 8)		
Subsequent events (note 12)		
	\$ 24,936,547	\$ 25,354,747

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Operations and Net Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
General offerings	\$ 9,383,032	\$ 9,094,234
Building revenue	698,992	697,692
Amortization of deferred capital contributions	373,113	389,909
Books, tapes and other revenue	204,567	215,008
In-house ministries	178,678	177,056
Interest income	21,087	15,276
	<u>10,859,469</u>	<u>10,589,175</u>
Expenses:		
In-house ministries	4,773,574	4,273,642
Administration (schedule)	1,850,055	1,740,161
Buildings (schedule)	1,506,157	1,362,656
Amortization of capital assets	841,404	924,185
Missions	1,028,816	822,403
Books, tapes and other expenses	151,596	140,346
	<u>10,151,602</u>	<u>9,263,393</u>
Excess of revenue over expenses	<u>707,867</u>	<u>1,325,782</u>
Net assets, beginning of year	13,458,470	12,132,688
Net assets, end of year	<u>\$ 14,166,337</u>	<u>\$ 13,458,470</u>

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statements of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 707,867	\$ 1,325,782
Items not involving cash:		
Amortization of capital assets	841,404	924,185
Amortization of deferred capital contributions	(373,113)	(389,909)
Changes in non-cash working capital balances:		
Due from related party	(106,130)	(380,343)
GST and other receivables	2,652	8,751
Inventory	6,726	(108)
Prepaid expenses and deposits	9,572	(2,876)
Accounts payable and accrued liabilities	19,429	78,235
	1,108,407	1,563,717
Investing activities:		
Purchase of capital assets	(620,314)	(545,812)
	(620,314)	(545,812)
Financing activities:		
Repayment of long-term debt	(980,577)	(952,109)
Capital contributions	208,194	305,277
	(772,383)	(646,832)
Increase (decrease) in cash	(284,290)	371,073
Cash, beginning of year	2,913,999	2,542,926
Cash, end of year	\$ 2,629,709	\$ 2,913,999

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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, 2019 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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(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 are fully amortized and are no longer in use 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

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(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.

(j) Section 4433, Tangible Capital Assets held by Not-for-Profit Organizations:

In the current year, the Organization has adopted Section 4433, Tangible Capital Assets held by Not-for-Profit Organizations that was effective for annual periods that begin on or after January 1, 2019. The new standard provides guidance on contributed assets and write-downs of assets.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

The organization has also applied the requirements for componentization of its capital assets and related amortization to the component parts based on their cost or fair value at the date the assets were acquired. There was no adjustment to opening net assets for partial impairments of tangible capital assets existing at January 1, 2019. The standard has been applied prospectively.

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, 2019 and 2018 are as follows:

	2019	2018
Total assets	\$ 1,561,852	\$ 1,596,349
Total liabilities	1,744,858	1,587,898
Net assets (deficiency)	(183,006)	8,451
Total revenues	5,064,419	4,748,795
Total expenses	5,255,876	5,251,269
Cash flows from operating activities	8,168	(329,137)
Cash flows from investing activities	(43,520)	(118,687)
Cash flows from financing activities	115,097	508,286

The amounts due from the School is as follows:

	2019	2018
Current amount	\$ 1,086,093	\$ 979,963
	\$ 1,086,093	\$ 979,963

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,044,557	\$ —	\$ 6,044,557	\$ 6,044,557
Buildings	24,124,226	10,292,114	13,832,112	13,930,976
Traffic signals	154,824	89,075	65,749	68,437
Parking lots and grounds	2,661,073	1,949,335	711,738	771,223
Furniture and equipment	1,410,799	1,101,403	309,396	379,775
Computer equipment	122,307	33,027	89,280	59,401
Vehicle	482,782	427,707	55,075	74,628
	\$ 35,000,568	\$ 13,892,661	\$ 21,107,907	\$ 21,328,997

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2019 are government remittances payable of \$58,149 (2018 - \$52,567) relating to payroll taxes, health taxes and workers safety insurance.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

6. Long-term debt:

The long-term debt consists of the following:

	2019	2018
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	\$ 3,164,666	\$ 3,341,668
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 of \$3,815, due July 31, 2027	699,053	864,595
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, due December 18, 2020	141,990	382,204
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	335,543	733,362
	4,341,252	5,321,829
Less current portion	1,013,117	982,631
Balance, end of year	\$ 3,328,135	\$ 4,339,198

Future principal repayments are estimated as follows:

2020	\$	1,013,117
2021		1,082,791
2022		1,108,227
2023		1,137,117
	\$	4,341,252

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Deferred contributions related to capital assets:

	Building	Furniture and Equipment	2019 Total	2018 Total
Balance, beginning of year	\$ 5,525,541	\$ 638,717	\$ 6,164,258	\$ 6,248,890
Add: capital contributions	108,066	100,128	208,194	305,277
	5,633,607	738,845	6,372,452	6,554,167
Less amounts amortized to revenue	(225,344)	(147,769)	(373,113)	(389,909)
Balance, end of year	\$ 5,408,263	\$ 591,076	\$ 5,999,339	\$ 6,164,258

8. Commitments:

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

2020	\$	24,240
2021		24,240
2022		17,519

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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. Related party transactions:

- (a) Included in building revenue in the statement of operations is \$660,000 (2018 - \$660,000) of rental revenue received from the School, a related organization. Missions expense includes a donation of \$610,000 (2018 - \$360,000) 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) 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:

	2019	2018
Related party transactions billed to The Miracle Channel for expenses incurred by the Church:		
TV production costs	\$ 14,880	\$ 61,600
Rent	43,538	42,877
Travel	20,927	30,298
	\$ 79,345	\$ 134,775
Related party transactions paid to The Miracle Channel and recorded as expenses by the Church:		
Donations to The Miracle Channel	\$ 23,600	\$ 105,108
The Miracle Channel expenses reimbursed by the Church	16,385	9,832
Rent	—	1,600
	\$ 39,985	\$ 116,540

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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. Subsequent events:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Church's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time.

SPRINGS OF LIVING WATER CENTRE INC.

Schedule - Administration Expense

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Adverting and promotion	\$ 2,559	\$ 6,534
Interest and bank charges	110,675	109,779
Interest on long-term debt	199,095	228,063
Office, printing and postage	324,335	303,357
Professional and consultant fees	97,575	70,576
Telecommunications	124,093	139,879
Vehicle and travel	377,363	294,080
Wages and benefits	614,360	587,893
	\$ 1,850,055	\$ 1,740,161

Schedule - Building Expense

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Grounds and storage	\$ 209,498	\$ 162,162
Insurance	59,720	57,827
Property taxes	215,087	210,322
Repairs and maintenance	460,701	433,497
Utilities	561,151	498,848
	\$ 1,506,157	\$ 1,362,656

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