

Springs Church – A Commitment to Maintain Trust (2020)

- 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 2020, Springs Church expensed 81.6% 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 88.8% of total expenditures on our programs and services.
- During 2020, Springs Church spent about 4.8% 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 situation 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 2020, Springs Church salaries accounted for 43% of total revenue (\$4.94 million in wages and benefits for 58 full-time and 33 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.**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

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, 2020;
- 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, 2020, 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

April 23, 2021

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019


	2020	2019
Assets		
Current assets:		
Cash	\$ 2,843,886	\$ 2,629,709
Due from related party (note 3)	1,186,026	1,086,093
GST and other receivables	107,037	29,964
Inventory	66,356	60,298
Prepaid expenses and deposits	39,160	22,576
	<u>4,242,465</u>	<u>3,828,640</u>
Capital assets (note 4)	21,107,198	21,107,907
	<u>\$ 25,349,663</u>	<u>\$ 24,936,547</u>


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 858,159	\$ 429,619
Current portion of long-term debt (note 6)	1,086,414	1,013,117
	<u>1,944,573</u>	<u>1,442,736</u>
Long-term debt (note 6)	2,237,073	3,328,135
Deferred contributions related to capital assets (note 7)	5,720,757	5,999,339
Net assets	15,447,260	14,166,337
Commitments (note 8)		
	<u>\$ 25,349,663</u>	<u>\$ 24,936,547</u>

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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
General offerings	\$ 9,524,371	\$ 9,383,032
Building revenue	692,692	698,992
Government funding (note 12)	560,423	—
Amortization of deferred capital contributions	392,328	373,113
Books, tapes and other revenue	196,544	204,567
In-house ministries	99,966	178,678
Interest income	11,946	21,087
	11,478,270	10,859,469
Expenses:		
In-house ministries	4,935,783	4,773,574
Administration (schedule)	1,806,585	1,850,055
Buildings (schedule)	1,461,373	1,506,157
Missions	1,014,576	1,028,816
Amortization of capital assets	798,286	841,404
Books, tapes and other expenses	149,868	151,596
Loss on sale of capital assets	30,876	—
	10,197,347	10,151,602
Excess of revenue over expenses	1,280,923	707,867
Net assets, beginning of year	14,166,337	13,458,470
Net assets, end of year	\$ 15,447,260	\$ 14,166,337

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statements of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 1,280,923	\$ 707,867
Items not involving cash:		
Amortization of capital assets	798,286	841,404
Amortization of deferred capital contributions	(392,328)	(373,113)
Loss on disposal of capital assets	30,876	—
Changes in non-cash working capital balances:		
Due from related party	(99,933)	(106,130)
GST and other receivables	(77,073)	2,652
Inventory	(6,058)	6,726
Prepaid expenses and deposits	(16,584)	9,572
Accounts payable and accrued liabilities	428,540	19,429
	1,946,649	1,108,407
Investing activities:		
Purchase of capital assets	(828,453)	(620,314)
Financing activities:		
Repayment of long-term debt	(1,017,765)	(980,577)
Capital contributions	113,746	208,194
	(904,019)	(772,383)
Increase (decrease) in cash	214,177	(284,290)
Cash, beginning of year	2,629,709	2,913,999
Cash, end of year	\$ 2,843,886	\$ 2,629,709

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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, 2020 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, 2020

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

(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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(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) Government funding:

Government funding related to current expenses is included in the determination of net income for the period as other income when related expenditures are incurred. A liability to repay government funding, if any, is recorded in the period in which the conditions arise that causes the funding to become repayable.

(j) 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.

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*.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

3. Controlled and related organizations (continued):

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, 2020 and 2019 are as follows:

	2020	2019
Total assets	\$ 1,389,071	\$ 1,561,852
Total liabilities	1,656,563	1,744,858
Net deficit	(267,492)	(183,006)
Total revenues	4,898,263	5,064,419
Total expenses	4,982,749	5,255,876
Cash flows from operating activities	(54,349)	8,168
Cash flows from investing activities	—	(43,520)
Cash flows from financing activities	106,155	115,097

The amounts due from the School is as follows:

	2020	2019
Current amount	\$ 1,186,026	\$ 1,086,093

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,044,557	\$ —	\$ 6,044,557	\$ 6,044,557
Buildings	24,420,334	10,825,213	13,595,121	13,832,112
Traffic signals	154,824	91,657	63,167	65,749
Parking lots and grounds	2,915,912	2,006,150	909,762	711,738
Furniture and equipment	1,186,258	812,191	374,067	309,396
Computer equipment	122,307	57,489	64,818	89,280
Vehicle	502,679	446,973	55,706	55,075
	\$ 35,346,871	\$ 14,239,673	\$ 21,107,198	\$ 21,107,907

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2020 are government remittances payable of \$54,960 (2019 - \$58,149) relating to payroll taxes, health taxes and workers safety insurance.

6. Long-term debt:

The long-term debt consists of the following:

	2020	2019
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%, repayable in blended weekly payments of \$6,000, due March 11, 2022	\$ 2,831,517	\$ 3,164,666
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	491,970	699,053
Commercial mortgage payable to ACU, secured by first charge debenture on land and building, bearing interest at 4.20%, repayable in blended weekly payments of \$4,831, due December 18, 2020	—	141,990
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
	3,323,487	4,341,252
Less current portion	1,086,414	1,013,117
Balance, end of year	\$ 2,237,073	\$ 3,328,135

Future principal repayments are estimated as follows:

2021	\$ 1,086,414
2022	1,103,072
2023	1,134,001
	\$ 3,323,487

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Deferred contributions related to capital assets:

	Building	Furniture and Equipment	2020 Total	2019 Total
Balance, beginning of year	\$ 5,408,263	\$ 591,076	\$ 5,999,339	\$ 6,164,258
Add: capital contributions	—	113,746	113,746	208,194
	5,408,263	704,822	6,113,085	6,372,452
Less amounts amortized to revenue	(251,364)	(140,964)	(392,328)	(373,113)
Balance, end of year	\$ 5,156,899	\$ 563,858	\$ 5,720,757	\$ 5,999,339

8. Commitments:

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

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.

10. Related party transactions:

- (a) Included in building revenue in the consolidated statement of operations is \$660,000 (2019 - \$660,000) of rental revenue received from the School, a related organization. Missions expense includes a donation of \$610,000 (2019 - \$610,000) 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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

10. Related party transactions (continued):

These transactions were in the normal course of business and are reported at the exchange amount as follows:

	2020	2019
Related party transactions billed to The Miracle Channel for expenses incurred by the Church:		
TV production costs	\$ 26,550	\$ 14,880
Rent	37,415	43,538
Travel	9,394	20,927
	<u>\$ 73,359</u>	<u>\$ 79,345</u>
Related party transactions paid to The Miracle Channel and recorded as expenses by the Church:		
Donations to The Miracle Channel	\$ 51,966	\$ 23,600
The Miracle Channel expenses reimbursed ¹⁶ by the Church	17,410	16,385
	<u>\$ 69,376</u>	<u>\$ 39,985</u>

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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. Risk management (continued):

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. COVID-19 implications:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. When the pandemic was declared, it was unclear if there was going to be a direct impact on the Church's operating results and financial position in the future. After almost a full year of operations in a pandemic climate, there has been minimal impact on the operations of the Church. Although some uncertainty still exists, there is no anticipation of material impact to the operations of the Church due to COVID-19.

During the year ended December 31, 2020, the Church has received, and included in revenue, \$535,423 (2019 - nil) related to salaries expenditures under the Canada Emergency Wage Subsidy Program and \$25,000 (2019 - nil) related to salaries expenditures under the Temporary Wage Subsidy Program.

SPRINGS OF LIVING WATER CENTRE INC.

Schedule - Administration Expense

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Adverting and promotion	\$ 2,863	\$ 2,559
Interest and bank charges	99,850	110,675
Interest on long-term debt	152,304	199,095
Office, printing and postage	238,811	324,335
Professional and consultant fees	156,544	97,575
Telecommunications	138,728	124,093
Vehicle and travel	292,340	377,363
Wages and benefits	725,145	614,360
	\$ 1,806,585	\$ 1,850,055

Schedule - Building Expense

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Grounds and storage	\$ 177,107	\$ 209,498
Insurance	72,162	59,720
Property taxes	233,366	215,087
Repairs and maintenance	447,003	460,701
Utilities	531,735	561,151
	\$ 1,461,373	\$ 1,506,157