

Consolidated Financial Statements of

**SPRINGS OF LIVING WATER
CENTRE INC.**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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, 2021;
- 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, 2021, 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

May 11, 2022

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

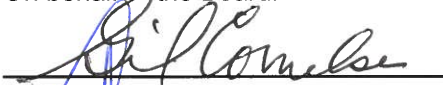
	2021	2020
Assets		
Current assets:		
Cash	\$ 4,327,898	\$ 2,843,886
Due from related party (note 3)	1,202,320	1,186,026
GST and other receivables	33,602	107,037
Inventory	69,242	66,356
Prepaid expenses and deposits	24,377	39,160
	<u>5,657,439</u>	<u>4,242,465</u>
Capital assets (note 4)	20,852,176	21,107,198
	<u>\$ 26,509,615</u>	<u>\$ 25,349,663</u>

Liabilities and Net Assets

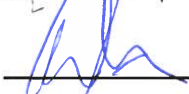
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 880,173	\$ 858,159
Current portion of long-term debt (note 6)	1,103,114	1,086,414
	<u>1,983,287</u>	<u>1,944,573</u>
Long-term debt (note 6)	1,132,954	2,237,073
Deferred contributions related to capital assets (note 7)	5,472,937	5,720,757
Net assets	17,920,437	15,447,260
Commitments (note 8)		
	<u>\$ 26,509,615</u>	<u>\$ 25,349,663</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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
General offerings	\$ 11,199,381	\$ 9,524,371
Building revenue	691,592	692,692
Government funding (note 11)	—	560,423
Amortization of deferred capital contributions (note 7)	336,853	392,328
Books, tapes and other revenue	205,663	196,544
In-house ministries	81,596	99,966
Interest income	16,570	11,946
	<u>12,531,655</u>	<u>11,478,270</u>
Expenses:		
In-house ministries	4,868,202	4,935,783
Administration (schedule)	1,732,274	1,806,585
Buildings (schedule)	1,489,904	1,461,373
Missions	993,314	1,014,576
Amortization of capital assets	814,074	798,286
Books, tapes and other expenses	160,710	149,868
Loss on sale of capital assets	—	30,876
	<u>10,058,478</u>	<u>10,197,347</u>
Excess of revenue over expenses	2,473,177	1,280,923
Net assets, beginning of year	15,447,260	14,166,337
Net assets, end of year	<u>\$ 17,920,437</u>	<u>\$ 15,447,260</u>

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 2,473,177	\$ 1,280,923
Items not involving cash:		
Amortization of capital assets	814,074	798,286
Amortization of deferred capital contributions	(336,853)	(392,328)
Loss on disposal of capital assets	-	30,876
Changes in non-cash working capital balances:		
Due from related party	(16,294)	(99,933)
GST and other receivables	73,435	(77,073)
Inventory	(2,886)	(6,058)
Prepaid expenses and deposits	14,783	(16,584)
Accounts payable and accrued liabilities	22,014	428,540
	3,041,450	1,946,649
Investing activities:		
Purchase of capital assets	(559,052)	(828,453)
Financing activities:		
Repayment of long-term debt	(1,087,419)	(1,017,765)
Capital contributions	89,033	113,746
	(998,386)	(904,019)
Increase in cash	1,484,012	214,177
Cash, beginning of year	2,843,886	2,629,709
Cash, end of year	\$ 4,327,898	\$ 2,843,886

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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, 2021 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, 2021

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
Vehicles	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, 2021

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.

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

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Controlled and related organizations (continued):

The School's condensed audited financial statements for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Total assets	\$ 1,954,210	\$ 1,389,071
Total liabilities	2,016,968	1,656,563
Net deficit	(62,758)	(267,492)
Total revenues	5,454,765	4,898,263
Total expenses	5,250,031	4,982,749
Cash flows from operating activities	529,453	(54,349)
Cash flows from investing activities	(44,660)	-
Cash flows from financing activities	118,774	106,155

The amounts due from the School is as follows:

	2021	2020
Current amount	\$ 1,202,320	\$ 1,186,026

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,044,557	\$ -	\$ 6,044,557	\$ 6,044,557
Buildings	24,637,111	11,365,354	13,271,757	13,595,121
Traffic signals	154,824	94,138	60,686	63,167
Parking lots and grounds	3,007,631	2,081,051	926,580	909,762
Furniture and equipment	1,150,251	683,123	467,128	374,067
Computer equipment	122,307	81,950	40,357	64,818
Vehicles	502,679	461,568	41,111	55,706
	\$ 35,619,360	\$ 14,767,184	\$ 20,852,176	\$ 21,107,198

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2021 are government remittances payable of \$60,115 (2020 - \$54,960) relating to payroll taxes, health taxes and workers safety insurance.

6. Long-term debt:

The long-term debt consists of the following:

	2021	2020
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 prime +0.25%, repayable in blended weekly payments of \$23,000, due October 9, 2033	\$ 2,098,664	\$ 2,831,517
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	137,404	491,970
	<u>2,236,068</u>	<u>3,323,487</u>
Less current portion	1,103,114	1,086,414
Balance, end of year	<u>\$ 1,132,954</u>	<u>\$ 2,237,073</u>

Future principal repayments are estimated as follows:

2022	\$	1,103,114
2023		1,132,954
	<u>\$</u>	<u>2,236,068</u>

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Deferred contributions related to capital assets:

	Building	Furniture and Equipment	2021 Total	2020 Total
Balance, beginning of year	\$ 5,156,899	\$ 563,858	\$ 5,720,757	\$ 5,999,339
Add: capital contributions	–	89,033	89,033	113,746
	5,156,899	652,891	5,809,790	6,113,085
Less amounts amortized to revenue	(206,275)	(130,578)	(336,853)	(392,328)
Balance, end of year	\$ 4,950,624	\$ 522,313	\$ 5,472,937	\$ 5,720,757

8. Commitments:

The Church has annual lease commitments for equipment and vehicles for the next one year as follows:

2022	\$ 17,519
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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 (2020 - \$660,000) of rental revenue received from the School, a related organization. Missions expense includes a donation of \$610,000 (2020 - \$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, 2021

10. Related party transactions (continued):

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

	2021	2020
Related party transactions billed to The Miracle Channel for expenses incurred by the Church:		
TV production costs	\$ 29,006	\$ 26,550
Rent	36,154	37,415
Travel	11,210	9,394
	<u>\$ 76,370</u>	<u>\$ 73,359</u>
Related party transactions paid to The Miracle Channel and recorded as expenses by the Church:		
Donations to The Miracle Channel	\$ 61,950	\$ 51,966
The Miracle Channel expenses reimbursed by the Church	8,921	17,410
	<u>\$ 70,871</u>	<u>\$ 69,376</u>

11. Government funding:

During the year ended December 31, 2021, the Church has received, and included in revenue, nil (2020 - \$535,423) related to salaries expenditures under the Canada Emergency Wage Subsidy Program and nil (2020 - \$25,000) related to salaries expenditures under the Temporary Wage Subsidy Program.

12. 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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Risk management (continued):

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.

SPRINGS OF LIVING WATER CENTRE INC.

Schedule - Administration Expense

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Advertising and promotion	\$ 1,308	\$ 2,863
Interest and bank charges	114,636	99,850
Interest on long-term debt	110,939	152,304
Office, printing and postage	241,313	238,811
Professional and consultant fees	78,312	156,544
Telecommunications	143,341	138,728
Vehicles and travel	268,066	292,340
Wages and benefits	774,359	725,145
	<u>\$ 1,732,274</u>	<u>\$ 1,806,585</u>

Schedule - Building Expense

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Grounds and storage	\$ 238,556	\$ 177,107
Insurance	67,511	72,162
Property taxes	197,704	233,366
Repairs and maintenance	409,638	447,003
Utilities	576,495	531,735
	<u>\$ 1,489,904</u>	<u>\$ 1,461,373</u>