

Consolidated Financial Statements of

**SPRINGS OF LIVING WATER
CENTRE INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S 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, 2022;
- 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, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.



Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

May 5, 2023

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021


	2022	2021
Assets		
Current assets:		
Cash	\$ 4,573,541	\$ 4,327,898
Due from related party (note 3)	969,541	1,202,320
GST and other receivables	2,024,041	33,602
Inventory	70,559	69,242
Prepaid expenses and deposits	26,560	24,377
	<u>7,664,242</u>	<u>5,657,439</u>
Capital assets (note 4)	20,218,698	20,852,176
	<u>\$ 27,882,940</u>	<u>\$ 26,509,615</u>


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 869,461	\$ 880,173
Current portion of long-term debt (note 6)	1,045,833	1,103,114
	<u>1,915,294</u>	<u>1,983,287</u>
Long-term debt (note 6)	—	1,132,954
Deferred contributions related to capital assets (note 7)	5,299,121	5,472,937
	<u>7,214,415</u>	<u>8,589,178</u>
Net assets	20,668,525	17,920,437
Commitments (note 8)		
	<u>\$ 27,882,940</u>	<u>\$ 26,509,615</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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
General offerings	\$ 9,939,985	\$ 11,199,381
Building revenue	690,492	691,592
Amortization of deferred capital contributions (note 7)	307,849	336,853
Books, tapes and other revenue	2,309,931	205,663
In-house ministries	165,923	81,596
Interest income	27,991	16,570
Gain on sale of capital assets	91,780	—
	<u>13,533,951</u>	<u>12,531,655</u>
Expenses:		
In-house ministries	5,249,432	4,868,202
Administration (schedule)	1,607,495	1,732,274
Buildings (schedule)	1,813,381	1,489,904
Missions	1,074,347	993,314
Amortization of capital assets	785,343	814,074
Books, tapes and other expenses	255,865	160,710
	<u>10,785,863</u>	<u>10,058,478</u>
Excess of revenue over expenses	2,748,088	2,473,177
Net assets, beginning of year	17,920,437	15,447,260
Net assets, end of year	<u>\$ 20,668,525</u>	<u>\$ 17,920,437</u>

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	\$ 2,748,088	\$ 2,473,177
Items not involving cash:		
Amortization of capital assets	785,343	814,074
Amortization of deferred capital contributions	(307,849)	(336,853)
Gain from Disposal of fixed assets	(91,780)	–
Changes in non-cash working capital balances:		
Due from related party	232,779	(16,294)
GST and other receivables	(1,990,439)	73,435
Inventory	(1,317)	(2,886)
Prepaid expenses and deposits	(2,183)	14,783
Accounts payable and accrued liabilities	(10,712)	22,014
	1,361,930	3,041,450
Investing activities:		
Purchase of capital assets	(163,865)	(559,052)
Proceeds from disposal of capital assets	103,780	–
	(60,085)	(559,052)
Financing activities:		
Repayment of long-term debt	(1,190,235)	(1,087,419)
Capital contributions	134,033	89,033
	(1,056,202)	(998,386)
Increase in cash	245,643	1,484,012
Cash, beginning of year	4,327,898	2,843,886
Cash, end of year	\$ 4,573,541	\$ 4,327,898

See accompanying notes to consolidated financial statements.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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, 2022 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, 2022

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, 2022

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) 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, 2022

3. Controlled and related organizations (continued):

The School's condensed audited financial statements for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Total assets	\$ 2,524,504	\$ 1,954,210
Total liabilities	1,951,475	2,016,968
Net surplus (deficit)	573,029	(62,758)
Total revenues	6,670,418	5,454,765
Total expenses	6,034,631	5,250,031
Cash flows from operating activities	785,589	529,453
Cash flows from investing activities	(141,387)	(44,660)
Cash flows from financing activities	(204,894)	118,774

The amounts due from the School is as follows:

	2022	2021
Current amount	\$ 969,541	\$ 1,202,320

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,032,557	\$ —	\$ 6,032,557	\$ 6,044,557
Buildings	24,637,111	11,887,435	12,749,676	13,271,757
Traffic signals	154,824	96,521	58,303	60,686
Parking lots and grounds	3,029,961	2,152,519	877,442	926,580
Furniture and equipment	997,797	672,631	325,166	467,128
Computer equipment	176,674	104,626	72,048	40,357
Vehicles	589,848	486,342	103,506	41,111
	\$ 35,618,772	\$ 15,400,074	\$ 20,218,698	\$ 20,852,176

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2022 are payables in are government remittances payable of \$67,676 (2021 - \$60,115) relating to payroll taxes, health taxes and workers safety insurance.

6. Long-term debt:

The long-term debt consists of the following:

	2022	2021
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	\$ 1,045,833	\$ 2,098,664
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
	1,045,833	2,236,068
Less current portion	1,045,833	1,103,114
Balance, end of year	\$ -	\$ 1,132,954

Future principal repayments are as follows:

2022	\$	1,045,833
2023		-
	\$	1,045,833

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Deferred contributions related to capital assets:

	Building	Furniture and Equipment	2022 Total	2021 Total
Balance, beginning of year	\$ 4,950,624	\$ 522,313	\$ 5,472,937	\$ 5,720,757
Add: capital contributions	134,033	—	134,033	89,033
	5,084,657	522,313	5,606,970	5,809,790
Less: amounts amortized to revenue	(203,386)	(104,463)	(307,849)	(336,853)
Balance, end of year	\$ 4,881,271	\$ 417,850	\$ 5,299,121	\$ 5,472,937

8. Commitments:

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

2023	\$ 21,473
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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:

- Included in building revenue in the consolidated statement of operations is \$660,000 (2021 - \$660,000) of rental revenue received from the School, a related organization. Missions expense includes a donation of \$610,000 (2021 - \$660,000), which includes \$360,000 rent that the Church donated back to the School and additional \$250,000 cash donation. These transactions were in the normal course of business and were reported at the exchange amount.
- Springs of Living Water Centre Inc. was related to The Miracle Channel by virtue of common Chief Executive Officers for a portion of the year. During this time, 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, 2022

10. Related party transactions (continued):

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

	2022	2021
Related party transactions billed to The Miracle Channel for expenses incurred by the Church:		
TV production costs	\$ 42,194	\$ 29,006
Rent	35,650	36,154
Travel	6,028	11,210
	<u>\$ 83,872</u>	<u>\$ 76,370</u>
Related party transactions paid to The Miracle Channel and recorded as expenses by the Church:		
Donations to The Miracle Channel	\$ 34,030	\$ 61,950
The Miracle Channel expenses reimbursed by the Church	10,559	8,921
	<u>\$ 44,589</u>	<u>\$ 70,871</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.

SPRINGS OF LIVING WATER CENTRE INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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, 2022, with comparative information for 2021

	2022	2021
Adverting and promotion	\$ 2,869	\$ 1,308
Interest and bank charges	102,283	114,636
Interest on long-term debt	73,288	110,939
Office, printing and postage	269,648	241,313
Professional and consultant fees	57,711	78,312
Telecommunications	102,675	143,341
Vehicles and travel	341,259	268,066
Wages and benefits	657,762	774,359
	<u>\$ 1,607,495</u>	<u>\$ 1,732,274</u>

Schedule - Building Expense

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Grounds and storage	\$ 287,565	\$ 238,556
Insurance	74,938	67,511
Property taxes	197,398	197,704
Repairs and maintenance	539,844	409,638
Utilities	713,636	576,495
	<u>\$ 1,813,381</u>	<u>\$ 1,489,904</u>