



## Financial Statements

Kelowna Trinity Baptist Church

June 30, 2020

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# Independent Practitioner's Review Engagement Report

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To the Members of  
Kelowna Trinity Baptist Church

## Report on the financial statements

We have reviewed the accompanying financial statements of Kelowna Trinity Baptist Church that comprise the statement of financial position as at June 30, 2020, and the statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

## Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

## Basis for qualified conclusion

In common with many not-for-profit organizations, Kelowna Trinity Baptist Church derives revenue from donations and fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of Kelowna Trinity Baptist Church. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the years ended June 30, 2020 and June 30, 2019, current assets as at June 30, 2020 and 2019, and net assets as at July 1 and June 30 for both the 2020 and 2019 years. Our review conclusion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation in scope.

# Independent Practitioner's Review Engagement Report (continued)

## Qualified conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Kelowna Trinity Baptist Church as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report nothing has come to our attention that causes us to believe that these financial statements were not prepared on a basis consistent with that applied in preparing the financial statements of the preceding year.

Kelowna, Canada  
November 10, 2020

*Grant Thornton LLP*

Chartered Professional Accountants

# Kelowna Trinity Baptist Church Statement of Financial Position

June 30	2020	2019
<b>Assets</b>		
Current		
Cash	\$ 495,035	\$ 290,709
Receivables	83,765	-
Prepaid expenses	12,454	21,500
Goods and services tax recoverable	<u>22,617</u>	<u>10,160</u>
	613,871	322,369
Life insurance policies (Note 4)	23,997	23,408
Tangible capital assets (Note 5)	<u>6,522,476</u>	<u>6,828,856</u>
	<u>\$ 7,160,344</u>	<u>\$ 7,174,633</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 15,349	\$ 17,205
Deferred capital contributions (Note 6)	<u>4,610,403</u>	<u>4,819,967</u>
	<u>4,625,752</u>	<u>4,837,172</u>
<b>Net assets</b>		
Invested in tangible capital assets	1,912,072	2,008,889
Internally restricted for specific purposes (Note 8)	244,804	224,914
Interest in life insurance policies	23,997	23,408
Unrestricted	<u>353,719</u>	<u>80,250</u>
	<u>2,534,592</u>	<u>2,337,461</u>
	<u>\$ 7,160,344</u>	<u>\$ 7,174,633</u>

On behalf of the board



Director



Director

# Kelowna Trinity Baptist Church

## Statement of Changes in Net Assets

Year ended June 30

	Invested in tangible capital assets	Internally restricted for specific purposes	Interest in life insurance policies	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ 2,008,889	\$ 224,914	\$ 23,408	\$ 80,250	\$ 2,337,461	\$ 2,741,719
Excess (deficiency) of revenues over expenses	(345,323)	-	589	541,865	197,131	(404,258)
Purchase of tangible capital assets	248,506	-	-	(248,506)	-	-
Transfers	-	19,890	-	(19,890)	-	-
Balance, end of year	<u>\$ 1,912,072</u>	<u>\$ 244,804</u>	<u>\$ 23,997</u>	<u>\$ 353,719</u>	<u>\$ 2,534,592</u>	<u>\$ 2,337,461</u>

See accompanying notes to the financial statements.

# Kelowna Trinity Baptist Church

## Statement of Operations

Year ended June 30

	2020	2019
<b>Revenues</b>		
Donations	\$ 3,178,406	\$ 3,170,689
Subscribed giving	205,035	292,541
Self-funded ministry	310,227	190,808
Food services	196,945	203,427
Facility revenue	100,073	152,685
Change in cash surrender value of life insurance policies (Note 4)	589	-
Amortization of deferred capital contributions (Note 6)	209,564	209,564
Government assistance	375,568	-
	<u>4,576,407</u>	<u>4,219,714</u>
<b>Expenses</b>		
Amortization	554,887	531,056
Cause - Global	84,870	74,453
Cause - Local	72,907	134,286
Communication	16,236	21,379
Discipleship development	42,941	53,797
Facility expense	11,985	53,065
Food services	245,001	206,041
Guest services	6,632	8,426
Leadership development	30,880	28,787
Ministries:		
- Childrens	45,659	37,237
- High school	28,282	35,240
- Middle school	26,264	35,204
- Self-funded	127,493	323,172
- Technical	22,252	30,301
Office expense	210,652	209,531
Operating funds (Note 9)	331,465	324,527
Special events	49,849	44,480
Subscribed giving	186,635	292,541
The arts	35,596	48,957
Trinity care	15,374	7,830
Wages and benefits	2,220,993	2,104,033
Young adults	12,423	19,455
	<u>4,379,276</u>	<u>4,623,798</u>
Excess (deficiency) of revenues over expenses before other item	197,131	(404,084)
Other item		
Loss on foreign exchange	-	(174)
Excess (deficiency) of revenues over expenses	<u>\$ 197,131</u>	<u>\$ (404,258)</u>

# Kelowna Trinity Baptist Church

## Statement of Cash Flows

Year ended June 30

2020

2019

Increase (decrease) in cash

### Operating

Excess (deficiency) of revenues over expenses	\$ 197,131	\$ (404,258)
Items not affecting cash		
Amortization of tangible capital assets	554,887	531,056
Change in cash surrender value of life insurance policies	(589)	-
Amortization of deferred capital contributions	<u>(209,564)</u>	<u>(209,564)</u>

**541,865**                      (82,766)

Change in non-cash working capital items

Receivables	(83,765)	-
Prepaid expenses	9,046	(21,500)
Goods and services tax recoverable	(12,457)	956
Payables and accruals	<u>(1,857)</u>	<u>5,965</u>

**452,832**                      (97,345)

### Investing activities

Purchase of tangible capital assets	(248,506)	(178,462)
Deferred capital contributions received	<u>-</u>	<u>52,461</u>

**(248,506)**                      (126,001)

Increase (decrease) in cash

**204,326**                      (223,346)

Cash

Beginning of year	<u>290,709</u>	<u>514,055</u>
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End of year	<u>\$ 495,035</u>	<u>\$ 290,709</u>
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# Kelowna Trinity Baptist Church

## Notes to the Financial Statements

June 30, 2020

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### 1. Nature of operations

Kelowna Trinity Baptist Church ("the Church") is incorporated under the British Columbia Society Act. The primary purpose of the Church is to help people grow to full spiritual maturity in Jesus Christ, develop authentic Christian community and minister to the needs of the people.

The Church is a registered charity within the definition of the Income Tax Act and therefore, as long as it complies with the rules and regulations of the Income Tax Act, it is exempt from income taxes and may issue receipts to donors.

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### 2. Change in accounting policies

#### Section 4433 - Tangible Capital Assets Held by Not for Profit Organizations

Effective April 1, 2019, the Organization adopted Section 4433 – Tangible Capital Assets Held by Not for Profit Organizations. Section 4433 replaced Section 4431 Tangible Capital Assets Held by Not for Profit Organizations and requires the application of Part II of the CPA Handbook – ASPE Section 3061 Property, Plant and Equipment and ASPE Section 3110 Asset Retirement Obligations for tangible capital assets held by NPOs and provides guidance on contributed assets and write-downs of tangible capital assets. As a result of adopting Section 4433 tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts. This section was adopted prospectively. The Association determined that the adoption of this section had no impact on the March 31, 2020 financial statements.

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### 3. Summary of significant accounting policies

#### Basis of presentation

The Board of Directors has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

#### Life insurance policies

Life insurance policies owned by the Church and where the Church is the sole beneficiary are included in assets to the extent of their cash surrender value.

#### Tangible capital assets and amortization

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 years
Vehicles	3 years
Furniture and equipment	5 years

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# Kelowna Trinity Baptist Church

## Notes to the Financial Statements

June 30, 2020

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### 3. Summary of significant accounting policies (continued)

#### Impairment of tangible capital assets

When a tangible capital asset no longer has any long-term service potential to the Church, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

The Church tests tangible capital assets, or groups of tangible capital assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the tangible capital asset or group of tangible capital assets exceeds the asset's fair value or replacement cost.

#### Revenue recognition

The Church follows the deferral method of accounting for contributions. Externally restricted contributions are recognized in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Volunteers and other local businesses contribute significant services and other gifts to assist the Church. In-kind contributions are recorded as revenue only when their fair market value is reasonably determinable and they would otherwise have been purchased.

#### Financial instruments

- **Initial measurement**

The Church's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs.

- **Subsequent measurement**

At each reporting date, the Church measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash, receivables and payables and accruals.

For financial assets measured at cost or amortized cost, the Church regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Church determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

#### Use of estimates

Management reviews the carrying amounts of items in the financial statements at each year end date to assess the need for revision or any possible impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are recorded in the statement of operations in the year they become known. Items subject to significant management estimates include estimated useful life and related amortization rates of tangible capital assets.

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# Kelowna Trinity Baptist Church

## Notes to the Financial Statements

June 30, 2020

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### 3. Summary of significant accounting policies (continued)

#### Foreign currency transactions

The Church translates all of its foreign currency transactions using the temporal method. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations are translated at average year rates. Exchange gains and losses are included in the statement of operations.

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### 4. Life insurance policies

	<u>2020</u>	<u>2019</u>
Cash surrender value, beginning of year	\$ 23,408	\$ 23,408
Change in cash surrender value	<u>589</u>	<u>-</u>
Cash surrender value, end of year	<u>\$ 23,997</u>	<u>\$ 23,408</u>

The total coverage provided under the policies owned by the Church is approximately \$49,173 (2019 - \$43,527).

Premiums paid during the year by the insured donors were \$325 (2019 - \$325) and were recognized as both revenue and expense in the statement of operations.

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### 5. Tangible capital assets

	<u>2020</u>	<u>2019</u>		
Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 104,767	\$ -	\$ 104,767	\$ 104,767
Buildings	13,935,873	7,851,632	6,084,241	6,431,988
Construction in progress	48,414	-	48,414	-
Vehicles	54,940	21,580	33,360	6,770
Furniture and equipment	<u>1,128,634</u>	<u>876,940</u>	<u>251,694</u>	<u>285,331</u>
	<u>\$ 15,272,628</u>	<u>\$ 8,750,152</u>	<u>\$ 6,522,476</u>	<u>\$ 6,828,856</u>

Construction in progress is related to the renovation of the auditorium that is in development as of June 30, 2020. Construction in progress is not being amortized.

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# Kelowna Trinity Baptist Church

## Notes to the Financial Statements

June 30, 2020

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### 6. Deferred capital contributions

2020

2019

Deferred contributions represent the unamortized amount received for the purchase of tangible capital assets. The amortization of deferred capital contributions are recorded as revenue in the statement of operations, which offset the related amortization expense in the period. The changes in the deferred contributions balance for the year are as follows:

Balance, beginning of year	\$ 4,819,967	\$ 4,977,069
Contributions received	-	52,462
Less amounts amortized to revenue in the year	<u>(209,564)</u>	<u>(209,564)</u>
Balance, end of year	<u>\$ 4,610,403</u>	<u>\$ 4,819,967</u>

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### 7. Bank indebtedness

During the year, the Church obtained a line of credit with Interior Savings Credit Union with a limit of \$250,000, bearing interest at credit union prime rate plus 0.5% per annum, secured by a general security agreement and an assignment of rent. At June 30, 2020 the balance outstanding was \$nil.

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### 8. Internally restricted funds

The Church has established various internally restricted funds. These funds were established to assist in funding various programs, events, ministries, and other internal projects the Church works on annually. These internally restricted funds are not available for unrestricted purposes without approval of the Board of Directors.

	<u>2020</u>	<u>2019</u>
Adventure zone camps	\$ 41,572	\$ -
Contingency	52,027	224,914
Counselling	3,457	-
External para ministry	45,026	-
Higher grounds & facility	22,079	-
Missions trips	37,754	-
Peru church	18,401	-
Technology department	<u>24,488</u>	<u>-</u>
	<u>\$ 244,804</u>	<u>\$ 224,914</u>

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# Kelowna Trinity Baptist Church

## Notes to the Financial Statements

June 30, 2020

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### 9. Operating funds

	<u>2020</u>	<u>2019</u>
General ministry	\$ 2,161	\$ 2,911
Insurance	37,439	46,998
Repairs and maintenance	80,179	62,576
Safety and security	13,888	21,645
Supplies	30,898	25,856
Utilities	159,537	156,181
Vehicle operating costs	7,363	8,359
	<u>\$ 331,465</u>	<u>\$ 324,526</u>

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### 10. Financial instruments

The Church's main financial instrument risk exposure is market risk.

#### Market Risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Church is exposed to this risk on its cash.

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### 11. British Columbia Societies Act

The British Columbia Societies Act requires disclosure of the amounts of remuneration, if any, paid to the directors and to employees or contractors who receive over \$75,000 per annum. The Church has three (2019 - three) individuals that fall within this requirement. Total remuneration for these individuals in 2020 was \$311,000 (2019 - \$294,111).

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### 12. Significant events

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

During this time, the Church has remained fully operational, adapting organizational programming to provide virtual and online options. Several self-funded ministries were cancelled in order to comply with COVID-19 guidelines relating to gatherings and crowds. The Church has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods.

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