



Financial Statements

Kelowna Trinity Baptist Church

June 30, 2021

Contents

	Page
Independent Practitioner's Review Engagement Report	1 - 2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11

Independent Practitioner's Review Engagement Report

Grant Thornton LLP
200-1633 Ellis Street
Kelowna, BC
V1Y 2A8

T +1 250 712 6800
F +1 250 712 6850
www.GrantThornton.ca

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, 2021, 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, 2021 and June 30, 2020, current assets as at June 30, 2021 and 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our review conclusion on the financial statements for the year ended June 30, 2020 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 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, 2021, 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, 2021

Grant Thornton LLP

Chartered Professional Accountants

Kelowna Trinity Baptist Church

Statement of Financial Position

June 30

2021

2020

Assets

Current

Cash and cash equivalents	\$ 215,215	\$ 495,035
Investments	150,000	-
Receivables	111,830	83,765
Prepaid expenses	21,898	12,454
Goods and services tax recoverable	8,573	22,617

507,516 613,871

Life insurance policies (Note 3)	24,322	23,997
Tangible capital assets (Note 4)	<u>6,022,025</u>	<u>6,522,476</u>

\$ 6,553,863 \$ 7,160,344

Liabilities

Current

Payables and accruals	\$ 15,470	\$ 15,349
-----------------------	-----------	-----------

Deferred capital contributions (Note 6)	<u>4,400,839</u>	<u>4,610,403</u>
---	------------------	------------------

4,416,309 4,625,752

Net assets

Invested in tangible capital assets	1,621,186	1,912,072
Internally restricted for specific purposes (Note 7)	259,301	244,804
Interest in life insurance policies	24,322	23,997
Unrestricted	<u>232,745</u>	<u>353,719</u>

2,137,554 2,534,592

\$ 6,553,863 \$ 7,160,344

Subsequent events (Note 11)

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 2021	Total 2020
Balance, beginning of year	\$	1,912,072	\$ 244,804	\$ 23,997	\$ 353,719	\$ 2,534,592	\$ 2,337,461
(Deficiency) excess of revenues over expenses		(360,658)	-	325	(36,705)	(397,038)	197,131
Purchase of tangible capital assets		69,772	-	-	(69,772)	-	-
Transfers		-	14,497	-	(14,497)	-	-
Balance, end of year	\$	1,621,186	\$ 259,301	\$ 24,322	\$ 232,745	\$ 2,137,554	\$ 2,534,592

See accompanying notes to the financial statements.

Kelowna Trinity Baptist Church

Statement of Operations

Year ended June 30	2021	2020
Revenues		
Donations	\$ 2,647,992	\$ 3,178,406
Subscribed giving	105,345	205,035
Self-funded ministry	62,108	310,227
Food services	132,064	196,945
Facility revenue	106,525	100,073
Change in cash surrender value of life insurance policies (Note 3)	325	589
Amortization of deferred capital contributions (Note 6)	209,564	209,564
Government assistance	585,081	375,568
	3,849,004	4,576,407
Expenses		
Amortization	570,223	554,887
Cause - Global	94,783	84,870
Cause - Local	117,328	72,907
Communication	7,406	16,236
Digital missions	21,571	-
Discipleship development	9,969	42,941
Facility expense	27,848	11,985
Food services	211,930	245,001
Guest services	724	6,632
Leadership development	8,223	30,880
Ministries:		
- Children's	34,878	45,659
- High school	17,057	28,282
- Middle school	16,736	26,264
- Self-funded	42,574	127,493
- Technical	16,880	22,252
Office expense	222,284	210,652
Operating funds (Note 8)	328,195	331,465
Special events	27,993	49,849
Subscribed giving	105,345	186,635
The arts	35,759	35,596
Trinity care	1,436	15,374
Wages and benefits	2,322,182	2,220,993
Young adults	4,718	12,423
	4,246,042	4,379,276
(Deficiency) excess of revenues over expenses	\$ (397,038)	\$ 197,131

Kelowna Trinity Baptist Church

Statement of Cash Flows

Year ended June 30

2021

2020

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenues over expenses	\$ (397,038)	\$ 197,131
Items not affecting cash and cash equivalents		
Amortization	570,223	554,887
Change in cash surrender value of life insurance policies	(325)	(589)
Amortization of deferred capital contributions	<u>(209,564)</u>	<u>(209,564)</u>

(36,704) 541,865

Change in non-cash working capital items

Receivables	(28,065)	(83,765)
Prepaid expenses	(9,444)	9,046
Goods and services tax recoverable	14,044	(12,457)
Payables and accruals	<u>121</u>	<u>(1,857)</u>

(60,048) 452,832

Investing activities

Purchase of investments	(150,000)	-
Purchase of tangible capital assets	<u>(69,772)</u>	<u>(248,506)</u>

(219,772) (248,506)

(Decrease) increase in cash and cash equivalents

(279,820) 204,326

Cash and cash equivalents

 Beginning of year 495,035 290,709

 End of year \$ 215,215 \$ 495,035

Kelowna Trinity Baptist Church

Notes to the Financial Statements

June 30, 2021

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.

On March 11, 2020, there was a global outbreak of a novel coronavirus known as COVID-19, which has had a significant impact on organizations through the restrictions put in place by the Canadian and international governments regarding travel, business operations and isolation/quarantine orders. The extent of the impact the COVID-19 outbreak may have on the Church will depend on future developments that are highly uncertain, and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, the duration of the outbreak, including the length of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are, or may, be put in place by Canada or other countries to fight the virus. The Church's activities have not been significantly impacted thus far; however, the Church continues to assess the impact COVID-19 will have on its operations.

2. 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

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.

Kelowna Trinity Baptist Church

Notes to the Financial Statements

June 30, 2021

2. Summary of significant accounting policies (continued)

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.

Government assistance

Grants received to cover current period expenses are accounted for as contributions in the statement of operations.

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 and cash equivalents, investments, payables and accruals and deferred capital contributions.

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and other institutions and term deposits that are readily convertible into cash as they have original maturities of three months or less. Term deposits that are not readily convertible into cash are classified as investments.

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.

Kelowna Trinity Baptist Church

Notes to the Financial Statements

June 30, 2021

2. Summary of significant accounting policies (continued)

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.

3. Life insurance policies

	<u>2021</u>	<u>2020</u>
Cash surrender value, beginning of year	\$ 23,997	\$ 23,408
Change in cash surrender value	<u>325</u>	<u>589</u>
Cash surrender value, end of year	<u>\$ 24,322</u>	<u>\$ 23,997</u>

The total coverage provided under the policies owned by the Church is approximately \$50,322 (2020 - \$49,173).

Premiums paid during the year by the insured donors were \$325 (2020 - \$325) and were recognized as both revenue and expense in the statement of operations.

4. Tangible capital assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 104,767	\$ -	\$ 104,767	\$ 104,767
Buildings	13,935,873	8,300,614	5,635,259	6,084,241
Vehicles	54,940	40,953	13,987	33,360
Furniture and equipment	1,173,156	978,808	194,348	251,694
Construction in progress	<u>73,664</u>	<u>-</u>	<u>73,664</u>	<u>48,414</u>
	<u>\$ 15,342,400</u>	<u>\$ 9,320,375</u>	<u>\$ 6,022,025</u>	<u>\$ 6,522,476</u>

Construction in progress is related to the renovation of the auditorium that is in development as of June 30, 2021. Construction in progress is not being amortized.

5. Bank indebtedness

The Church maintains 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, 2021 the balance outstanding was \$nil (2020-\$nil).

Kelowna Trinity Baptist Church

Notes to the Financial Statements

June 30, 2021

6. Deferred capital contributions

	2021	2020
Deferred contributions represent the unamortized amount received for the purchase of tangible capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations, which offsets the related amortization expense in the period. The changes in the deferred contributions balance for the year are as follows:		
Balance, beginning of year	\$ 4,610,403	\$ 4,819,967
Less amounts amortized to revenue in the year	(209,564)	(209,564)
Balance, end of year	\$ 4,400,839	\$ 4,610,403

7. 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.

	2021	2020
Adventure zone camps	\$ 60,136	\$ 41,572
Contingency	52,027	52,027
Counselling	4,288	3,457
External para ministry	58,074	45,026
Higher grounds & facility	22,079	22,079
Missions trips	37,754	37,754
Peru church	-	18,401
Technology department	24,943	24,488
	\$ 259,301	\$ 244,804

8. Operating funds

	2021	2020
General ministry	\$ 4,007	\$ 2,161
Insurance	59,863	37,439
Repairs and maintenance	69,253	80,179
Safety and security	18,134	13,888
Supplies	26,715	30,898
Utilities	136,092	159,537
Vehicle operating costs	14,131	7,363
	\$ 328,195	\$ 331,465

Kelowna Trinity Baptist Church

Notes to the Financial Statements

June 30, 2021

9. 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.

10. 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 (2020 - three) individuals that fall within this requirement. Total remuneration for these individuals in 2021 was \$325,000 (2020 - \$311,000).

11. Subsequent events

During the year, the Church incurred damage from flooding and the expected cost of repairs is \$1,218,459 which, with the exception of a \$25,000 deductible, is expected to be fully covered by insurance proceeds. The claim was approved subsequent to the year end and \$219,508 of insurance proceeds have been distributed to date.
