
ELIM CHURCH SASKATOON INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



INDEPENDENT AUDITORS' REPORT

To the Members of
Elim Church Saskatoon Inc.

Qualified Opinion

We have audited the accompanying financial statements of Elim Church Saskatoon Inc., which comprise the statement of financial position as at June 30 and the statements of revenue and expenditures, changes in fund balances, cash flows and schedules for the year then ended, along with the summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of Elim Church Saskatoon Inc. as at June 30, 2020 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the church derives revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the records of the church and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, assets and fund balances.

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 report. We are independent of Elim Church Saskatoon Inc. 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 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.

In preparing the financial statements, management is responsible for assessing Elim Church Saskatoon Inc.'s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Elim Church Saskatoon Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Elim Church Saskatoon Inc.'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 these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise 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 Elim Church Saskatoon Inc.'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 Elim Church Saskatoon Inc.'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 Elim Church Saskatoon Inc. 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.

We 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.

Heagy LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Saskatoon, SK
October 5, 2020

ELIM CHURCH SASKATOON INC.

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30

	General Fund \$	Missions Fund \$	Other Restricted Funds \$	Tangible Capital Assets Fund \$	Total 2020 \$	Total 2019 \$
ASSETS						
CURRENT ASSETS						
Cash	428,706	-	-	-	428,706	193,913
Short-term investments (note 3)	534,151	-	-	-	534,151	658,804
Accounts receivable (note 4)	15,503	-	-	-	15,503	19,429
Prepaid expenses	26,798	-	-	-	26,798	23,766
Interfund balance	(469,147)	133,172	114,700	221,275	-	-
	536,011	133,172	114,700	221,275	1,005,158	895,912
TANGIBLE CAPITAL ASSETS (notes 5 and 6)	-	-	-	17,783,953	17,783,953	18,245,698
TOTAL ASSETS	536,011	133,172	114,700	18,005,228	18,789,111	19,141,610
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	173,172	-	6,859	1,436	181,467	150,477
Current portion of long-term debt (note 6)	-	-	-	167,200	167,200	158,200
	173,172	-	6,859	168,636	348,667	308,677
LONG-TERM DEBT (note 6)	-	-	-	5,699,393	5,699,393	5,869,312
TOTAL LIABILITIES	173,172	-	6,859	5,868,029	6,048,060	6,177,989
FUND BALANCES	362,839	133,172	107,841	12,137,199	12,741,051	12,963,621
TOTAL LIABILITIES AND FUND BALANCES	536,011	133,172	114,700	18,005,228	18,789,111	19,141,610

SIGNED ON BEHALF OF THE BOARD  Chairman of the Board of Deacons

ELIM CHURCH SASKATOON INC.

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED
JUNE 30**

	General Fund \$	Missions Fund \$	Other Restricted Funds \$	Tangible Capital Assets Fund \$	Total 2020 \$	Total 2019 \$
BALANCE - BEGINNING OF YEAR	479,110	104,355	106,935	12,273,221	12,963,621	13,305,535
Excess (deficiency) of revenue over expenditures for the year	468,144	28,817	906	(720,437)	(222,570)	(341,914)
Interfund transfers (note 8)	(584,415)	-	-	584,415	-	-
BALANCE - END OF YEAR	(116,271)	28,817	906	(136,022)	(222,570)	(341,914)
	362,839	133,172	107,841	12,137,199	12,741,051	12,963,621
FUND BALANCES CONSIST OF:						
Invested in tangible capital assets	-	-	-	11,915,924	11,915,924	12,214,952
Externally restricted fund balances (schedules 1, 2 and note 7)	-	133,172	107,841	-	241,013	269,559
Internally restricted fund balances (note 7)	-	-	-	221,275	221,275	-
Unrestricted fund balances	362,839	-	-	-	362,839	479,110
	362,839	133,172	107,841	12,137,199	12,741,051	12,963,621

ELIM CHURCH SASKATOON INC.

STATEMENT OF REVENUE AND EXPENDITURES

**FOR THE YEAR ENDED
JUNE 30**

	General Fund \$	Missions Fund \$	Other Restricted Funds \$	Tangible Capital Assets Fund \$	Total 2020 \$	Total 2019 \$
REVENUE						
General -						
Tithes and offerings	2,501,440	-	-	-	2,501,440	2,311,841
Departments and other offerings	213,172	-	-	-	213,172	327,804
Music events	70,287	-	-	-	70,287	71,066
Interest income	10,356	-	-	-	10,356	11,658
Restricted offerings (schedules 1 and 2)	-	192,230	70,359	168,142	430,731	553,581
Other income and recoveries	9,957	-	-	230	10,187	774
	2,805,212	192,230	70,359	168,372	3,236,173	3,276,724
EXPENDITURES						
Administration and operations	201,263	-	-	-	201,263	216,334
Donation to affiliates	17,650	-	-	-	17,650	12,883
Facilities	230,026	-	-	-	230,026	255,756
Music events	64,593	-	-	-	64,593	73,001
Programs	185,429	-	-	-	185,429	295,328
Salaries and employee benefits	1,387,922	-	-	-	1,387,922	1,414,558
Tithe to Pentecostal Assemblies of Canada - Saskatchewan District Inc.	250,185	-	-	-	250,185	229,084
Restricted funds expenditures (schedules 1 and 2)	-	163,413	69,453	-	232,866	238,404
Interest on long-term debt	-	-	-	232,517	232,517	234,864
Depreciation	-	-	-	656,286	656,286	643,120
Loss on disposal of investments	-	-	-	6	6	5,306
	2,337,068	163,413	69,453	888,809	3,458,743	3,618,638
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	468,144	28,817	906	(720,437)	(222,570)	(341,914)

ELIM CHURCH SASKATOON INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED
JUNE 30

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	(222,570)	(341,914)
Items not affecting cash -		
Depreciation	656,286	643,120
Loss on disposal of investments	6	5,306
	433,722	306,512
Changes in non-cash working capital items -		
Accounts receivable	3,926	41,028
Prepaid expenses	(3,032)	317
Accounts payable and accrued liabilities	30,990	(57,103)
Cash Provided By Operating Activities	465,606	290,754
FINANCING ACTIVITIES		
Repayment of long-term debt	(160,919)	(154,854)
Cash Used In Financing Activities	(160,919)	(154,854)
INVESTING ACTIVITIES		
Sale (purchase) of short-term investments	124,647	(21,758)
Purchase of tangible capital assets	(197,551)	(130,750)
Proceeds on disposal of tangible capital assets	3,010	-
Cash Used In Investing Activities	(69,894)	(152,508)
INCREASE (DECREASE) IN CASH POSITION	234,793	(16,608)
CASH POSITION - BEGINNING OF YEAR	193,913	210,521
CASH POSITION - END OF YEAR	428,706	193,913

ELIM CHURCH SASKATOON INC.

SCHEDULE 1 - REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE FOR MISSIONS FUND	FOR THE YEAR ENDED JUNE 30	
	2020 \$	2019 \$
REVENUE		
Offerings - missions	136,528	138,796
Offerings - missions projects	55,702	17,252
	192,230	156,048
EXPENDITURES		
World missions	101,653	117,297
Missions Projects -		
Other projects	46,284	3,372
ERDO	1,505	1,870
Child care plus	984	1,349
Youth/Young Adults short term missions	-	(202)
Home missions	12,987	29,517
	163,413	153,203
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	28,817	2,845
FUND BALANCE - BEGINNING OF YEAR	104,355	97,472
Transfers to other funds	-	4,038
FUND BALANCE - END OF YEAR	133,172	104,355

ELIM CHURCH SASKATOON INC.

**SCHEDULE 2 - REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR OTHER RESTRICTED FUNDS**

**FOR THE YEAR ENDED
JUNE 30**

	Alms	Literature Distribution	HCS/ Other	Refugees	Special Offerings	Total	Total
	\$	\$	\$	\$	\$	2020	2019
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Restricted offerings	58,064	-	2,275	-	10,020	70,359	82,186
EXPENDITURES							
Restricted funds expenditures	57,903	505	2,250	-	8,795	69,453	85,201
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	161	(505)	25	-	1,225	906	(3,015)
FUND BALANCES - BEGINNING OF YEAR	38,215	945	-	47,052	20,723	106,935	137,993
Transfers from (to) other funds	30,000	-	-	(30,000)	-	-	(28,043)
FUND BALANCES - END OF YEAR	68,376	440	25	17,052	21,948	107,841	106,935

ELIM CHURCH SASKATOON INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

1. THE ORGANIZATION

Elim Church Saskatoon Inc. operates a church in Saskatoon, Saskatchewan. Elim Church Saskatoon Inc. is affiliated with the Pentecostal Assemblies of Canada.

Elim Church Saskatoon Inc. is a non-profit corporation. The corporation was formed under the Non-Profit Corporations Act of the Province of Saskatchewan. Elim Church Saskatoon Inc. is registered as a charity with Canada Revenue Agency and operates as a registered charity under the Canadian Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial Instruments

The church initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The church subsequently measures all financial assets and financial liabilities at amortized cost except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenue over expenditures for the year.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net earnings for the year. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting an allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency) of revenue over expenditures for the year.

Tangible Capital Assets and Depreciation

Tangible capital assets are recorded at cost and amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. When management considers that a tangible capital asset no longer contributes to the church's ability to provide services, its carrying amount is written down to its residual value. As is true of all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

ELIM CHURCH SASKATOON INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

Depreciation of tangible capital assets is calculated using the straight-line method at the following annual rates:

Building and improvements	40 years
Furniture and equipment	5 to 10 years
Automotive equipment	5 years

Depreciation on assets acquired during the year is recorded at the full annual rate. There is no depreciation recorded in the year of disposal.

Employee Future Benefits

The church is part of a multi-employer pension plan for the eligible members of its staff. The pension plan is a defined benefit plan. The amount of benefits available at retirement will depend on the member's years of service and the final average salary. The church's contributions to the plan are expensed as they come due. Since the church does not control the plan, it is not possible to estimate the potential contributions that could be required to fund the church's proportionate share of the plan's unfunded vested benefit. Thus, the church is unable to account for this plan as a defined benefit plan and uses defined contribution plan accounting instead.

Fund Accounting

Elim Church Saskatoon Inc. follows the restricted fund method of accounting for contributions. This method records restricted contributions in separate individual funds. Restricted contributions are those contributions that have a restriction by the donor on their use when given.

Elim Church Saskatoon Inc. uses the following funds:

General Fund

The general fund receives unrestricted contributions and the fund is used for the operation and administration of the church. The general fund has several departments that carry out various ministries of the church including Sunday School, Music and Youth.

Missions Fund

The missions fund receives restricted contributions and the fund is used to account for revenue and expenditures related to various missions activities and projects undertaken by the church.

Other Restricted Funds

Other restricted funds consist of the funds as outlined on schedule 2 and is used to account for the revenue and expenditures related to those funds.

ELIM CHURCH SASKATOON INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Capital Assets Fund

The tangible capital assets fund accounts for the assets, liabilities, revenue and expenditures related to Elim Church Saskatoon Inc.'s tangible capital assets and any tangible capital asset projects that may exist.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from café sales is recognized as revenue of the general fund when the product is delivered to the customer and ultimate collection is reasonably assured at the time of performance.

Revenue from rental services is recognized based on the terms of the rental agreement and when ultimate collection is reasonably assured at the time of provision.

Donated Materials and Services

The church benefits from the donation of materials and services from its members. These financial statements do not reflect the value of these donations in kind since a fair value cannot be reasonably estimated.

Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management 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 revenue and expenditures during the year. Significant items subject to estimate and assumption include valuation of accounts receivable and the estimated useful lives of tangible capital assets. Actual results could differ from estimates.

3. SHORT-TERM INVESTMENTS

	2020	2019
	\$	\$
Cash	408,327	4,986
Renaissance High Interest Savings Account	120,824	248,818
Other	5,000	5,000
CIBC Guaranteed Investment Certificates	-	400,000
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	534,151	658,804

ELIM CHURCH SASKATOON INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

4. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Public Service bodies' rebate - Goods and Service tax	15,503	15,467
Miscellaneous receivables	-	3,962
	15,503	19,429

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value	
			2020	2019
	\$	\$	\$	\$
Land	2,143,942	-	2,143,942	2,143,942
Building and improvements	18,731,842	3,301,939	15,429,903	15,853,277
Furniture and equipment	1,538,130	1,336,061	202,069	232,403
Automotive equipment	64,387	56,348	8,039	16,076
	22,478,301	4,694,348	17,783,953	18,245,698

6. LONG-TERM DEBT

	2020	2019
	\$	\$
3.89% Affinity Credit Union loan, payable in blended bi-weekly instalments of \$14,989, due for renewal February 3, 2023, secured by a mortgage on building and property with a net book value of \$17,573,845	5,866,593	6,027,512
Less: current portion	167,200	158,200
	5,699,393	5,869,312

Based on current repayment terms, the principal payments required in each of the next five years to meet retirement provisions are as follows:

	\$
Year ending June 30, 2021	167,200
2022	173,800
2023	179,900
2024	187,000
2025	194,400

ELIM CHURCH SASKATOON INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

7. CAPITAL FUND - RESTRICTED

	2020	2019
	\$	\$
Balance - beginning of year	58,269	109,280
Excess (deficiency) of revenue over expenditures for the year before depreciation	(64,151)	39,170
Tangible capital asset purchases by capital fund	(46,136)	(64,383)
Proceeds on disposal of tangible capital assets	3,010	-
Repayment of long term debt	(160,919)	(154,854)
Holdbacks bank account	-	70
Accounts payable	(1,798)	(21,128)
Transfer to capital fund (note 8)	250,000	-
Transfer for long-term debt from general fund (note 8)	183,000	150,114
Balance - end of year	221,275	58,269

8. INTERFUND TRANSFERS

During the year, the following transfers between funds were approved by the Board of Deacons:

	General Fund \$	Missions Fund \$	Other Restricted Funds \$	Tangible Capital Assets Fund \$
Transfer for long-term debt servicing	(183,000)	-	-	183,000
Transfer for tangible capital asset purchases from general	(151,415)	-	-	151,415
Transfer to capital fund	(250,000)	-	-	250,000
	(584,415)	-	-	584,415

9. FINANCIAL RISKS

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The church is subject to interest rate risk on its short-term investments and debt obligations. There has been no change in risk exposure from the prior year.

Liquidity Risk

Liquidity risk is the risk that the church will not be able to meet its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The church is subject to liquidity risk on its accounts payable and accrued liabilities and long-term debts. As described in note 10, the liquidity risk has increased from the prior year as a result of the current health crisis created by the COVID-19 virus and its economic impact. There is uncertainty of the length and potential economic impact of COVID-19. Management will monitor receipts closely to mitigate any risk that may occur.

ELIM CHURCH SASKATOON INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

10. UNCERTAINTY DUE TO THE COVID-19 HEALTH ISSUE

In March 2020 the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. There have been changes in the church operations as a result of the COVID-19 crisis including a move to on-line video services and a reduction of the amount of various other church activities. As a result of the current health crisis created by the COVID-19 virus, there is uncertainty as to the financial impact and any long-term consequences to normal operations for Elim Church Saskatoon Inc. As this impact cannot be determined, the financial statements have been prepared assuming the organization will be able to continue to function and operate as it would under normal operating circumstances.