

PACIFIC COMMUNITY CHURCH
Financial Statements
August 31, 2020

PACIFIC COMMUNITY CHURCH
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Year Ended August 31, 2020

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Pacific Community Church

We have reviewed the accompanying financial statements of Pacific Community Church (the "Church") that comprise the statement of financial position as at August 31, 2020, and the statements of changes in fund balances, 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 (ASNPO), 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.

Conclusion

Based on our review, 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 Pacific Community Church as at August 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Other Matter

The comparative August 31, 2019 figures were compiled by the Church who expressed no assurance on those statements and issued an internal statement. Our review work was limited to the current year's balances and transactions as required. We have not completed any review work on the comparative figures.

Burnaby, British Columbia
November 10, 2020



Chartered Professional Accountants

PACIFIC COMMUNITY CHURCH
Statement of Financial Position
August 31, 2020

	General Fund	Asset Fund	Designated Fund	2020	2019 (Note 2)
ASSETS					
CURRENT					
Cash	\$ 247,587	\$ -	\$ 367,277	\$ 614,864	\$ 178,515
District loan receivable (Note 4)	51,930	-	-	51,930	50,803
Accounts receivable	653	-	-	653	20,519
Recoverable from government authorities - GST	4,898	-	-	4,898	3,277
Prepaid expenses	1,617	-	-	1,617	1,515
	306,685	-	367,277	673,962	254,629
CAPITAL ASSETS (Note 5)		2,561,601	-	2,561,601	2,556,578
	\$ 306,685	\$ 2,561,601	\$ 367,277	\$ 3,235,563	\$ 2,811,207
LIABILITIES AND FUND BALANCES					
CURRENT					
Accounts payable and accrued liabilities	\$ 55,939	\$ -	\$ 7,549	\$ 63,488	\$ 46,478
Payable to government authorities - source deductions	11,357	-	-	11,357	10,629
Rental deposits	9,480	-	-	9,480	9,455
Current portion of mortgage payable	-	-	-	-	13,647
	76,776	-	7,549	84,325	80,209
LOAN PAYABLE (Note 6)	30,000	-	-	30,000	-
	106,776	-	7,549	114,325	80,209
ENTER DESCRIPTION					
FUND BALANCES					
Unrestricted	199,909	-	-	199,909	92,091
Internally restricted (Note 9)	-	2,561,601	142,319	2,703,920	2,615,694
Externally restricted (Note 9)	-	-	217,409	217,409	23,213
	199,909	2,561,601	359,728	3,121,238	2,730,998
LEASE COMMITMENT (Note 11)					
	\$ 306,685	\$ 2,561,601	\$ 367,277	\$ 3,235,563	\$ 2,811,207
ON BEHALF OF THE BOARD					
					Director _____
					Director _____

See notes to financial statements

PACIFIC COMMUNITY CHURCH
Statement of Changes in Fund Balances
Year Ended August 31, 2020

	General Fund	Asset Fund	Designated Fund	2020	2019
FUND BALANCES - BEGINNING OF YEAR					
As previously reported	\$ 92,091	\$ 2,476,157	\$ 95,976	\$ 2,664,224	\$ 2,524,905
Prior period adjustments (Note 2)	-	66,774	-	66,774	-
As restated	92,091	2,542,931	95,976	2,730,998	2,524,905
Excess (deficiency) of revenue over expenses	106,120	(129,503)	413,623	390,240	206,093
Interfund transfers (Note 7)	1,698	148,173	(149,871)	-	-
FUND BALANCES - END OF YEAR	\$ 199,909	\$ 2,561,601	\$ 359,728	\$ 3,121,238	\$ 2,730,998

See notes to financial statements

PACIFIC COMMUNITY CHURCH
Statement of Operations
Year Ended August 31, 2020

	General Fund	Asset Fund	Designated Fund	2020	2019 (Note 2)
REVENUE					
Contributions	\$ 693,909	\$ -	\$ 581,240	\$ 1,275,149	\$ 1,068,799
Grant income	-	-	145,280	145,280	20,000
Rental revenue	141,987	-	-	141,987	245,145
Federal government grants and subsidies	23,279	-	-	23,279	12,758
Gifts in kind	4,390	-	7,644	12,034	9,596
Interest income	4,597	-	-	4,597	4,024
Gain on disposal of capital assets	-	3,351	-	3,351	550
	868,162	3,351	734,164	1,605,677	1,360,872
EXPENSES					
Salaries and wages	447,162	-	213,319	660,481	650,148
Ministry expenses	58,185	-	87,260	145,445	192,409
Amortization	-	132,854	-	132,854	109,341
Repairs and maintenance	94,360	-	-	94,360	48,200
Utilities	54,621	-	-	54,621	60,296
Accounting and legal	35,565	-	-	35,565	8,325
Office supplies	11,863	-	19,962	31,825	24,713
Telephone	17,510	-	-	17,510	18,400
Denominational contributions	16,549	-	-	16,549	15,903
Banking services	14,050	-	-	14,050	16,065
Insurance	9,544	-	-	9,544	8,921
Memberships and subscription	2,633	-	-	2,633	1,927
Mortgage interest	-	-	-	-	131
	762,042	132,854	320,541	1,215,437	1,154,779
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 106,120	\$ (129,503)	\$ 413,623	\$ 390,240	\$ 206,093

See notes to financial statements

PACIFIC COMMUNITY CHURCH
Statement of Cash Flows
Year Ended August 31, 2020

	General Fund	Asset Fund	Designated Fund	2020	2019 (Note 2)
OPERATING ACTIVITIES					
Excess (deficiency) of revenue over expenses	\$ 106,120	\$ (129,503)	\$ 413,623	\$ 390,240	\$ 206,093
Items not affecting cash:					
Gain on disposal of capital assets	-	(3,351)	-	(3,351)	(550)
Amortization	-	132,854	-	132,854	109,341
Changes in non-cash working capital (Note 8)	106,120	-	413,623	519,743	314,884
	41,532	-	(6,753)	34,779	(55,236)
Cash flow from operating activities	147,652	-	406,870	554,522	259,648
INVESTING ACTIVITIES					
Purchase of capital assets	-	(141,026)	-	(141,026)	(283,355)
Proceeds on disposal of capital assets	-	6,500	-	6,500	550
Cash flow used by investing activities	-	(134,526)	-	(134,526)	(282,805)
FINANCING ACTIVITY					
Increase (repayment) of loans payable	30,000	(13,647)	-	16,353	(40,522)
Cash flow from (used by) financing activity	30,000	(13,647)	-	16,353	(40,522)
OTHER CASH FLOW ITEMS					
Interfund transfers (Note 7)	1,698	148,173	(149,871)	-	-
INCREASE (DECREASE) IN CASH FLOW					
Cash - beginning of year	179,350	-	256,999	436,349	(63,679)
	68,237	-	110,278	178,515	242,194
CASH - END OF YEAR	\$ 247,587	\$ -	\$ 367,277	\$ 614,864	\$ 178,515
CASH CONSISTS OF:					
Cash - Unrestricted	\$ 247,587	\$ -	\$ -	\$ 247,587	\$ 68,237
Cash - Internally restricted	-	-	142,319	142,319	72,763
Cash - Externally restricted	-	-	224,958	224,958	37,515
	\$ 247,587	\$ -	\$ 367,277	\$ 614,864	\$ 178,515

See notes to financial statements

PACIFIC COMMUNITY CHURCH

Notes to Financial Statements

Year Ended August 31, 2020

1. PURPOSE OF THE CHURCH

Pacific Community Church (the "Church") is a Christian community whose purpose is to worship God, declare the good news of Jesus Christ, do good works locally and globally and invite people to participate in the Church - God's household.

The Church is a constituent member of the Christian & Missionary Alliance - Canadian Pacific District, and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

The Christian & Missionary Alliance - Canadian Pacific District is a registered society in the Province of British Columbia. These financial statements are restricted in scope and contain a representation only of the financial transactions pertaining to Pacific Community Church.

2. PRIOR PERIOD ADJUSTMENT

The Church has adjusted its financial statements for the prior year. Specifically, there were capital items that were not recorded or were expensed in the prior year. For the current year figures, opening capital assets and Asset Fund balances increased \$66,774. For the prior year figures, capital assets increased \$66,774, rental revenue increased \$30,000, and facilities expense decreased \$36,774.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO")

Fund accounting

The Church follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Church's program delivery and administrative activities. This fund reports all unrestricted resources.

The Asset Fund accounts for the internally restricted assets, liabilities, income on sale, gifts in kind and expenses related to the Church's capital assets.

The Designated Fund accounts for funds and gifts externally restricted by contributors and internally restricted by the board of directors for specific projects and designated purposes, along with the related expenses.

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PACIFIC COMMUNITY CHURCH

Notes to Financial Statements

Year Ended August 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Externally restricted contributions related to general operations are recognized as revenue in the General Fund in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. All other externally restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions and federal government grants and subsidies are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant income is recognized as revenue of the Designated Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental income is recognized as revenue of the General Fund when the premises are occupied.

Financial instruments

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess of revenue over expenses.

Cash and cash equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents.

Capital assets

Capital assets purchased are stated at cost less accumulated amortization. Capital assets contributed and gifts-in-kind are recorded at the fair value as of the date of receipt. Amortization is provided at various rates on a straight-line basis designed to amortize the assets over their estimated useful life. Amortization is reported in the Asset Fund. The amortization rates are as follows:

Building	35 years
Equipment	5 years
Lighting and sound equipment	5 years
Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	1 year
Parking lot	10 years
Landscaping	3 years
Motor vehicles	5 years

(continues)

PACIFIC COMMUNITY CHURCH

Notes to Financial Statements

Year Ended August 31, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In accordance with Handbook Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations, the Church has changed its accounting policy with respect to capital assets, specifically adopting componentization whereby significant, separable component parts are allocated when practicable. Due to the nature and composition of the Church's capital assets, no adjustments were required to the current or prior years' figures.

Contributed services and materials

Volunteers assist the Church in carrying out its purposes, program ministries and operations. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. During the year, the Church received non-cash gifts of \$12,034 for a vehicle and food/hamper supplies (2019 - \$9,596 for food/hamper supplies).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Material uncertainties involving management estimates include the determination of useful lives of capital assets for the purposes of calculating amortization, specifically the useful life of the building.

4. DISTRICT LOAN RECEIVABLE

The Church has loaned money to the Christian & Missionary Alliance – Canadian Pacific District (C&MA) loan development fund and is currently earning interest at 2.2% per annum. The interest rate is reviewed by C&MA annually and can change. There is no security and no set repayment terms on this loan however the amounts can be requested to be withdrawn by the Church as desired therefore it is classified as current on the Statement of Financial Position. The value of the loan includes the interest accrued to August 31.

PACIFIC COMMUNITY CHURCH
Notes to Financial Statements
Year Ended August 31, 2020

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value (Note 2)
<u>Church</u>				
Land	\$ 904,500	\$ -	\$ 904,500	\$ 904,500
Building	2,755,555	1,285,197	1,470,358	1,541,127
Equipment	143,647	112,535	31,112	41,799
Lighting and sound equipment	193,732	147,816	45,916	42,673
Furniture and fixtures	134,736	120,547	14,189	19,135
Computer hardware	84,705	80,817	3,888	7,246
Computer software	12,129	11,996	133	98
Parking lot	117,763	117,763	-	-
Landscaping	50,150	50,150	-	-
	<u>4,396,917</u>	<u>1,926,821</u>	<u>2,470,096</u>	<u>2,556,578</u>
<u>Cloverdale Community Kitchen</u>				
Equipment	65,888	3,582	62,306	-
Computer hardware	1,916	639	1,277	-
Motor vehicles	32,850	4,928	27,922	-
	<u>100,654</u>	<u>9,149</u>	<u>91,505</u>	<u>-</u>
	<u>\$ 4,497,571</u>	<u>\$ 1,935,970</u>	<u>\$ 2,561,601</u>	<u>\$ 2,556,578</u>

The legal title of the land and building is held in the name of the Christian & Missionary Alliance - Canadian Pacific District.

Included in lighting and sound equipment is a deposit of \$11,816 towards video production equipment that was received after year-end. As a result, no amortization was recorded during the year as the asset was not yet in use.

6. LOAN PAYABLE

	2020	2019
Actual loan payable	\$ 40,000	\$ -
Less: forgivable portion recognized as revenue	(10,000)	-
Net balance payable	<u>\$ 30,000</u>	<u>\$ -</u>

The Church received a \$40,000 loan through the Canada Emergency Business Account program ("CEBA") which is held by Royal Bank of Canada and is to be used to cover operating costs. The loan remains interest-free until December 31, 2022. Repayment of \$30,000 by December 31, 2022 results in a \$10,000 loan forgiveness. The forgivable portion has been recognized as federal government grants and subsidies revenue as the Church is capable of loan repayment by the end of the interest-free term. If the loan is not repaid by December 31, 2022, the Church will be exposed to a contingent liability of \$10,000 as the forgiven portion of the loan will become payable. The loan will then be converted into a 3-year term loan and charged interest at a rate of 5% per annum, payable monthly. No principal payments are required until December 31, 2025. The loan is guaranteed by the Government of Canada.

PACIFIC COMMUNITY CHURCH

Notes to Financial Statements

Year Ended August 31, 2020

7. INTERFUND TRANSFERS

During the year, the following interfund transfers occurred:

\$69,556 was transferred from the General Fund to the Internally Restricted Community Kitchen Designated Fund for the kitchen's rental revenue.

\$118,773 was transferred from the Externally Restricted Community Kitchen Designated Fund to the General Fund representing the administration recovery fee charged to the Community Kitchen.

\$40,372 was transferred from the General Fund to the Asset Fund and \$100,654 was transferred from the Externally Restricted Community Kitchen Designated Fund to the Asset Fund for the purchase of capital assets.

\$6,500 was transferred from the Asset Fund to the General Fund for the proceeds on disposition of capital assets.

\$13,647 was transferred from the General Fund to the Asset Fund for the repayment of debt.

8. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2020</u>	<u>2019</u>
District loan receivable	\$ (1,127)	\$ (1,075)
Accounts receivable	19,866	(7,975)
Recoverable from government authorities - GST	(1,621)	820
Prepaid expenses	(102)	461
Accounts payable and accrued liabilities	17,010	(49,772)
Payable to government authorities - source deductions	728	2,450
Rental deposits	25	(145)
	<u>\$ 34,779</u>	<u>\$ (55,236)</u>

9. DESIGNATED FUND

Externally and internally restricted funds in the Designated Fund consist of:

	Opening balance	Revenue	Expenses	Interfund transfers (Note 7)	Closing balance
<u>Externally restricted</u>					
Community Kitchen	\$ -	\$ 653,607	\$ (299,271)	\$ (219,427)	\$ 134,909
Brandon Wallace Memorial Bursary	8,807	-	-	-	8,807
Missional Fund	14,406	80,557	(21,270)	-	73,693
	<u>23,213</u>	<u>734,164</u>	<u>(320,541)</u>	<u>(219,427)</u>	<u>217,409</u>
<u>Internally restricted</u>					
Community Kitchen	72,763	-	-	69,556	142,319
	<u>\$ 95,976</u>	<u>\$ 734,164</u>	<u>\$ (320,541)</u>	<u>\$ (149,871)</u>	<u>\$ 359,728</u>

PACIFIC COMMUNITY CHURCH
Notes to Financial Statements
Year Ended August 31, 2020

10. CREDIT FACILITIES

The Church has an unsecured line of credit available with the Royal Bank of Canada. The borrowing limit is \$100,000 at prime plus 0.50% per annum. The balance owing as at August 31, 2020 is \$NIL (2019 - \$NIL).

The Church has a credit facility with Royal Bank of Canada related to its credit cards. The Church's Avion Visa Business card credit limit is \$37,000. The outstanding balance of the credit facility as at August 31, 2020 was \$4,552 (2019 - \$16,335).

11. LEASE COMMITMENT

The Church has a lease with respect to its photocopy equipment. The lease is \$344 per month under a lease expiring July 31, 2023. Future minimum lease payments are as follows:

Lease commitment repayment schedule:

2021	\$	4,128
2022		4,128
2023		3,784
		<hr/>
	\$	12,040

12. FINANCIAL INSTRUMENT RISKS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Church is exposed to credit risk for its district loan receivable. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- The district loan receivable is held by one organization and is unsecured. Therefore, any financial difficulties encountered by the organization could adversely affect the collectability and valuation of the funds.
-