

Financial Statements of

**NORTHVIEW COMMUNITY  
CHURCH**

Year ended June 30, 2018  
(Unaudited)



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## **INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT**

To the Stewardship Committee of Northview Community Church

We have reviewed the accompanying financial statements of Northview Community Church, which comprise the statement of financial position as at June 30, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes and schedules, comprising 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.

### *Practitioners' 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, Northview Community Church derives revenue from donations, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained over these revenues was limited to the amounts recorded in the records of Northview Community Church. Therefore we were not able to determine whether, as at and for the years ended June 30, 2018 and June 30, 2017, any adjustments might be necessary to revenue and excess of revenue over expenses reported in the statement of operations, excess of revenue over expenses reported in the statement of cash flows and current assets and net assets reported in the statement of financial position. This caused us to qualify our review conclusion on the financial statements as at and for the year ended June 30, 2017.

*Qualified Conclusion*

Based on our review, except for the effect 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 Northview Community Church as at June 30, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

Chartered Professional Accountants

Abbotsford, Canada

October 27, 2018

# NORTHVIEW COMMUNITY CHURCH

## Statement of Financial Position

June 30, 2018, with comparative information for 2017  
(Unaudited)

	2018	2017
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 748,643	\$ 173,233
Accounts receivable	22,750	43,408
Prepaid expenses and deposits	83,214	90,078
Investment (note 4)	34,629	33,793
	<u>889,236</u>	<u>340,512</u>
Capital assets (note 5)	20,892,020	21,117,798
	<u>\$ 21,781,256</u>	<u>\$ 21,458,310</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 440,415	\$ 394,142
Demand loans (note 8)	4,137,331	4,139,545
Deferred operating contributions (note 9(a))	603,051	615,609
	<u>5,180,797</u>	<u>5,149,296</u>
Advance from MB Mission (note 10)	1,616,200	1,544,200
Deferred capital contributions (note 9(b))	3,921,869	4,032,350
Net assets:		
Unrestricted	(154,230)	(869,239)
Internally restricted (note 14)	-	200,000
Invested in capital assets (note 11)	11,216,620	11,401,703
	<u>11,062,390</u>	<u>10,732,464</u>
Commitments (note 13)		
	<u>\$ 21,781,256</u>	<u>\$ 21,458,310</u>

See accompanying notes to financial statements.

On behalf of the Stewardship Committee:

 Member

 Member

# NORTHVIEW COMMUNITY CHURCH

## Statement of Operations

Year ended June 30, 2018, with comparative information for 2017  
(Unaudited)

	2018	2017
Revenue:		
General contributions	\$ 7,544,359	\$ 6,471,291
Departmental (Schedule)	1,266,300	972,382
Interest income	168	673
	<u>8,810,827</u>	<u>7,444,346</u>
Expenses:		
Departmental (Schedule)	<u>7,468,198</u>	<u>6,573,773</u>
Excess of revenue over expenses before the undernoted items	1,342,629	870,573
Other income (expenses):		
Other expense	(200,000)	-
Amortization of deferred capital contributions (note 9(b))	163,411	168,015
Gain (loss) on disposal of capital assets	(3,780)	452
Amortization of capital assets	(972,334)	(896,370)
	<u>(1,012,703)</u>	<u>(727,903)</u>
Excess of revenue over expenses	<u>\$ 329,926</u>	<u>\$ 142,670</u>

See accompanying notes to financial statements.

# NORTHVIEW COMMUNITY CHURCH

## Statement of Changes in Net Assets

Year ended June 30, 2018, with comparative information for 2017  
(Unaudited)

	Invested in capital assets (note 11)	Internally restricted (note 14)	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	\$ 11,401,703	\$ 200,000	\$ (869,239)	\$ 10,732,464	\$ 9,519,269
Excess (deficiency) of revenue over expenses (note 11(b))	(808,923)	-	1,138,849	329,926	142,670
Net change in investment in capital assets (note 11(b))	623,840	-	(623,840)	-	-
Contributed land (note 11(b))	-	-	-	-	1,070,525
Interfund transfer (note 14)	-	(200,000)	200,000	-	-
Balance, end of year	\$ 11,216,620	\$ -	\$ (154,230)	\$ 11,062,390	\$ 10,732,464

See accompanying notes to financial statements.

# NORTHVIEW COMMUNITY CHURCH

## Statement of Cash Flows

Year ended June 30, 2018, with comparative information for 2017  
(Unaudited)

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 329,926	\$ 142,670
Items not involving cash:		
Amortization of capital assets	972,334	896,370
Amortization of deferred capital contributions	(163,411)	(168,015)
Deferred contributions recognized in the statement of operations	(610,186)	(415,438)
Change in fair market value of investment	(6,511)	(1,862)
Loss (gain) on disposal of capital assets	3,780	(452)
	525,932	453,273
Changes in non-cash operating working capital:		
Accounts receivable	20,658	8,096
Prepaid expenses and deposits	6,864	(5,142)
Accounts payable and accrued liabilities	46,273	(126,578)
	599,727	329,649
Financing:		
Deferred capital contributions received	52,930	80,446
Deferred contributions received	597,628	591,090
Proceeds of demand loans	900,000	1,081,372
Repayment of demand loans	(902,214)	(32,574)
Increase (decrease) of MB Mission advance	72,000	(128,000)
	720,344	1,592,334
Investing:		
Purchase of capital assets	(753,886)	(2,346,209)
Proceeds on disposal of capital assets	3,550	1,250
Proceeds on sale of investment	5,675	-
	(744,661)	(2,344,959)
Increase (decrease) in cash	575,410	(422,976)
Cash, beginning of year	173,233	596,209
Cash, end of year	\$ 748,643	\$ 173,233

See accompanying notes to financial statements.

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements

Year ended June 30, 2018  
(Unaudited)

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## **Nature of operations:**

Northview Community Church (the "Church") is incorporated under the Societies Act (British Columbia), and is a member of the B.C. Conference of Mennonite Brethren Churches. The Church is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. On November 28, 2016 the new Societies Act (British Columbia) became effective and the Church filed for transition on April 13, 2017.

## **1. Significant accounting policies:**

### **(a) Basis of presentation:**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

### **(b) Revenue recognition:**

The Church follows the deferral method of accounting. This method recognizes unrestricted contributions as revenue when received and externally restricted contributions as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets and the fair value of contributed capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Department income is recognized as revenue in the year in which the related expenses are recognized.

Goods-in-kind received by the Church are recorded in the financial statements at their fair market value, when it can be reasonably determined. Services contributed are not recognized in the financial statements.

Pledges are not recognized until received.

Interest income is recognized as revenue when earned.

Volunteers contribute a significant amount of time each year to assist the Church in carrying out its programs and services. Because of the difficulty in determining fair market values, contributed services of volunteer hours are not recognized in these financial statements.



# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

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## 1. Significant accounting policies (continued):

### (c) Capital assets:

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense and betterments which extend the estimated life of assets are capitalized. When a capital asset no longer contributes to the Church's ability to provide service, its carrying amount is written down to its residual value, if any.

Capital assets are amortized on a declining balance basis at the following annual rates:

Asset	Rate
Buildings	4%
Equipment and furniture	20% to 50%

### (d) Use of estimates:

The preparation of the financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and accounts payable and accrued liabilities. Actual results could differ from those estimates.

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or 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.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

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## 1. Significant accounting policies (continued):

### (e) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Church determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Church expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

## 2. Restrictions on cash:

The Church has commitments to disburse funds as specified by donors. These funds have not been segregated from the general cash of \$748,643 (2017 - \$173,233) and consist of the following:

	2018	2017
Deferred operating contributions	\$ 603,051	\$ 615,609

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## 3. Bank indebtedness:

The Church has available an operating line of credit with Coast Capital Savings to a maximum of \$250,000, bearing interest at 4.45% per annum. As at June 30, 2018, the Church has not drawn on this facility.

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

## 4. Investment:

In 2015, the Church received a short-term investment donation. The Church has committed to dispose of 8% of the investment per year and disburse as specified by the donor. The short-term investment consists of the following:

	2018	2017
Mutual funds	\$ 34,629	\$ 33,793

## 5. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 4,734,348	\$ -	\$ 4,734,348	\$ 4,734,348
Buildings	21,373,160	6,197,539	15,175,620	15,315,803
Equipment and furniture	3,449,258	2,467,206	982,052	1,067,647
	\$ 29,556,766	\$ 8,664,745	\$ 20,892,020	\$ 21,117,798

## 6. Contributed property:

In the prior year, the B.C. Conference of Mennonite Brethren Churches donated property from one of its churches, Hyde Creek Community Church ("TriCity"), to the Church. The property had a fair value of \$2,311,000 and \$466,700 for the land and building respectively, as per the 2017 BC Assessment. The Church assumed TriCity's cash of \$24,856, accounts receivable of \$470, accounts payable of \$927 and demand loan of \$1,515,383. The Church began operating the Port Coquitlam property as a campus of the Church as of February 22, 2017.

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$39,454 (2017 - \$32,624) which include amounts payable for payroll related taxes.

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

## 8. Demand loans:

	2018	2017
Canadian Conference of Mennonite Brethren Churches mortgage, with monthly payments of \$17,530 including interest at 3.75% per annum, approved to a maximum of \$3,500,000	\$ 2,114,576	\$ 2,656,735
Canadian Conference of Mennonite Brethren Churches mortgage, with monthly payments of \$12,274 including interest at 3.75% per annum	2,022,755	1,482,810
	\$ 4,137,331	\$ 4,139,545

The demand loans are secured by mortgages over land and buildings owned by the Church.

Interest in the amount of \$171,154 (2017 - \$118,670) was paid on the demand loans and is included in the Mission and TriCity campus expenses (schedule).

Principal repayments are due approximately as follows:

2019	\$ 207,207
2020	215,050
2021	223,190
2022	231,638
2023	240,406
Thereafter	3,019,840
	\$ 4,137,331

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

## 9. Deferred contributions:

### (a) Deferred operating contributions:

Deferred operating contributions are donations received which are restricted by the donor for designated purposes and unspent at year-end. When the Church uses the funds for the designated purpose the contributions are recognized as revenue.

	2018	2017
Adult Short-term Mission	\$ 4,537	\$ 3,163
Apologetics Canada General	54,183	32,211
Apologetics Scholarship Fund	15,045	-
Children's Missions	4,243	4,985
Elevate Missions	22,436	22,436
Home of Angels	37,634	33,793
Intern Support	80	-
Local Outreach Missions	3,523	3,523
Missions Offerings	246,686	339,747
Missions Trips	12,395	-
Special Needs	182,193	148,962
Syrian Refugee	15,000	15,000
TriCity	5,037	11,730
Vertical Edge Missions	59	59
	<u>\$ 603,051</u>	<u>\$ 615,609</u>
Balance, beginning of year	\$ 615,609	\$ 439,957
Deferred contributions received	597,628	591,090
Amounts recognized in Statement of Operations	(610,186)	(415,438)
Balance, end of year	<u>\$ 603,051</u>	<u>\$ 615,609</u>

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

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## 9. Deferred contributions (continued):

### (b) Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	\$ 4,032,350	\$ 3,928,585
Deferred capital contributions received	52,930	55,590
Contributed capital assets	-	216,190
Amounts amortized to revenue	(163,411)	(168,015)
Balance, end of year	\$ 3,921,869	\$ 4,032,350

## 10. Advance from MB Mission:

In 2012, the Church entered into a contract with MB Mission, in which the Church will provide rental space for MB Mission for 10 years, with the option of four 10 year renewal periods, in exchange for construction funds. As part of the terms of the contract, the funds are repayable in full upon cancellation or expiry of lease agreement. In 2015 the Church began repaying these funds.

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

## 11. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2018	2017
Capital assets - net book value	\$ 20,892,020	\$ 21,117,798
Amounts financed by:		
Deferred capital contributions	(3,921,869)	(4,032,350)
Demand loans	(4,137,331)	(4,139,545)
Advance from MB Mission	(1,616,200)	(1,544,200)
	\$ 11,216,620	\$ 11,401,703

(b) Change in invested in capital assets is calculated as follows:

	2018	2017
Excess (deficiency) of revenue over expenses:		
Amortization of deferred capital contributions	\$ 163,411	\$ 168,015
Amortization of capital assets	(972,334)	(896,370)
	\$ (808,923)	\$ (728,355)

	2018	2017
Net change in invested in capital assets:		
Purchase of capital assets	\$ 753,886	\$ 2,346,209
Contributed capital assets	-	1,707,175
Repayment of (funded by) demand loan	2,214	(2,564,181)
Funded by deferred capital contributions	(52,930)	(271,780)
Disposition of capital assets	(7,330)	(797)
(Increase) decrease of advance from MB Mission	(72,000)	128,000
	623,840	1,344,626
Contributed land	-	1,070,525
	\$ 623,840	\$ 2,415,151

# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

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## 12. Director, employee and contractor compensation:

For the fiscal year ending June 30, 2018, the Church had five (2017 - five) employees whose total remuneration exceeded \$75,000. The total remuneration for these employees was \$497,046 (2017 - \$479,768).

## 13. Commitments:

The Church leases equipment under long-term operating leases that expire in April 2023. Minimum lease payments are approximately as follows:

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2019	\$	25,134
2020		24,452
2021		22,114
2022		18,924
2023		14,609
	\$	105,233

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## 14. Internally restricted

The board internally restricted rental income from MB Mission for possible future repayment of the Advance from MB Mission (note 10).

In the current year, \$200,000 was transferred from the internally restricted fund to the unrestricted fund.



# NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2018  
(Unaudited)

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## 15. Financial risks:

### Liquidity risk:

Liquidity risk is the risk that the Church will be unable 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 budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change in the risk exposure from 2017.

### Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Church monitors on a regular basis the credit risk to which the Church is exposed in relation to its financial assets and takes steps to minimize the risk of loss. Management does not believe there is a significant credit risk. There has been no change in the risk exposure from 2017.

### Interest rate risk:

The Church is exposed to interest rate risk on its floating interest rate and fixed interest rate financial instruments. Fixed-rate instruments subject the Church to a fair value risk while a floating rate instrument subject it to a cash flow risk. The Church is exposed to interest rate risk as a result of the fixed rate on the demand loans. There has been no change in the risk exposure from 2017.

# NORTHVIEW COMMUNITY CHURCH

## Schedule of Department Revenue and Expenses

Year ended June 30, 2018, with comparative information for 2017  
(Unaudited)

			2018		2017	
	Revenue	Expenses	Deficiency of revenue over expenses	Revenue	Expenses	Deficiency of revenue over expenses
Administration	\$ 4,174	\$ 214,111	\$ (209,937)	\$ 5,763	\$ 190,031	\$ (184,268)
Apologetics Canada	219,280	219,280	-	183,043	183,043	-
BC Conference of MB Churches	-	140,000	(140,000)	-	140,000	(140,000)
Building Maintenance Projects	-	-	-	-	7,273	(7,273)
Canadian Conference of MB Churches	-	5,000	(5,000)	-	5,000	(5,000)
Caregiving/Seasons	45,453	50,082	(4,629)	29,319	36,745	(7,426)
Children's Ministry	53,594	122,153	(68,559)	49,796	126,042	(76,246)
Community/First Touch	341	51,392	(51,051)	-	46,083	(46,083)
Discipleship/Prayer	3,140	15,794	(12,654)	1,486	11,787	(10,301)
Facilities	4,705	484,584	(479,879)	7,673	404,372	(396,699)
High School Youth	15,666	44,720	(29,054)	17,308	37,615	(20,307)
Kitchen Food Services	59,705	136,949	(77,244)	32,940	118,463	(85,523)
Leadership Development	14,120	329,875	(315,755)	2,375	271,607	(269,232)
Mennonite Educational Institute	-	154,404	(154,404)	-	143,550	(143,550)
Men's	10,911	15,066	(4,155)	8,231	8,856	(625)
Missions	377,944	856,483	(478,539)	238,578	797,665	(559,087)
Mission Campus (note 7)	19,537	352,913	(333,376)	17,644	258,206	(240,562)
Missions Trips	131,896	131,896	-	102,307	102,307	-
Other Outside Support Agencies	-	10,027	(10,027)	-	12,172	(12,172)
Personnel	-	3,531,116	(3,531,116)	18,016	3,269,479	(3,251,463)
Resource Center	91	773	(682)	151	1,228	(1,077)
TriCity Campus (note 7)	48,389	226,428	(178,040)	35,236	58,778	(23,542)
Young Adults	8,422	26,750	(18,328)	9,080	25,153	(16,073)
Special Needs	142,443	142,443	-	137,334	137,334	-
Middle School	37,105	60,599	(23,494)	30,014	53,582	(23,568)
Women's	44,620	50,611	(5,991)	40,561	55,080	(14,519)
Worship & Arts	24,765	94,749	(69,984)	5,527	72,322	(66,795)
<b>Totals</b>	<b>\$ 1,266,300</b>	<b>\$ 7,468,198</b>	<b>\$ (6,201,898)</b>	<b>\$ 972,382</b>	<b>\$ 6,573,773</b>	<b>\$ (5,601,391)</b>