

Financial Statements of

**NORTHVIEW COMMUNITY
CHURCH**

Year ended June 30, 2017
(Unaudited)



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REVIEW ENGAGEMENT REPORT

To the Stewardship Committee of Northview Community Church

We have reviewed the statement of financial position of Northview Community Church (the "Church") as at June 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Church.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

In common with many churches and charitable organizations, the Church derives revenue from donations, the completeness of which cannot be verified through our review procedures. Accordingly, we were not able to determine whether, as at and for the year ended June 30, 2017 what, if any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statements of operations, excess of revenues over expenses reported in the statement of cash flows and current assets and unrestricted net assets reported in the statement of financial position.

Except for the limitation, as described in the preceding paragraph, to perform adequate review procedures over the completeness of revenues, based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

November 28, 2017

Abbotsford, Canada

NORTHVIEW COMMUNITY CHURCH

Statement of Financial Position

June 30, 2017, with comparative information for 2016
(Unaudited)

	2017	2016
Assets		
Current assets:		
Cash (note 2)	\$ 173,233	\$ 596,209
Accounts receivable	43,408	51,036
Prepaid expenses and deposits	90,078	84,936
Investment (note 3)	33,793	31,931
	<u>340,512</u>	<u>764,112</u>
Capital assets (note 4)	21,117,798	16,891,056
	<u>\$ 21,458,310</u>	<u>\$ 17,655,168</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 394,142	\$ 519,793
Demand loans (note 7)	4,139,545	1,575,364
Deferred operating contributions (note 8(a))	615,609	439,957
	<u>5,149,296</u>	<u>2,535,114</u>
Advance from MB Mission (note 9)	1,544,200	1,672,200
Deferred capital contributions (note 8(b))	4,032,350	3,928,585
Net assets:		
Unrestricted	(869,239)	(395,638)
Internally restricted (note 13)	200,000	200,000
Invested in capital assets (note 10)	11,401,703	9,714,907
	<u>10,732,464</u>	<u>9,519,269</u>
Commitments (note 12)		
	<u>\$ 21,458,310</u>	<u>\$ 17,655,168</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, 2017, with comparative information for 2016

(Unaudited)

	2017	2016
Revenues:		
General contributions	\$ 6,471,291	\$ 6,257,409
Departmental (Schedule)	972,382	1,298,659
Interest income	673	306
	<u>7,444,346</u>	<u>7,556,374</u>
Expenses:		
Departmental (Schedule)	<u>6,573,773</u>	<u>6,814,644</u>
Excess of revenues over expenses before the undernoted items	870,573	741,730
Other income (expenses):		
Amortization of deferred capital contributions (note 8(b))	168,015	163,691
Gain on disposal of capital assets	452	67
Amortization of capital assets	<u>(896,370)</u>	<u>(810,762)</u>
	<u>(727,903)</u>	<u>(647,004)</u>
Excess of revenues over expenses	<u>\$ 142,670</u>	<u>\$ 94,726</u>

See accompanying notes to financial statements.

NORTHVIEW COMMUNITY CHURCH

Statement of Changes in Net Assets

Year ended June 30, 2017 with comparative information for 2016
(Unaudited)

	Invested in capital assets (note 10)	Internally restricted (note 12)	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$ 9,714,907	\$ 200,000	\$ (395,638)	\$ 9,519,269	\$ 9,424,543
Excess (deficiency) of revenue over expenses (note 10(b))	(847,025)	-	989,695	142,670	94,726
Net change in investment in capital assets (note 10(b))	1,463,296	-	(1,463,296)	-	-
Contributed land (note 10(b))	1,070,525	-	-	1,070,525	-
Balance, end of year	\$ 11,401,703	\$ 200,000	\$ (869,239)	\$ 10,732,464	\$ 9,519,269

NORTHVIEW COMMUNITY CHURCH

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

(Unaudited)

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 142,670	\$ 94,726
Items not involving cash:		
Amortization of capital assets	896,370	810,762
Amortization of deferred capital contributions	(168,015)	(163,691)
Deferred contributions recognized in the statement of operations	(415,438)	(640,338)
Change in fair market value of investment	(1,862)	15,240
Gain on disposal of capital assets	(452)	(67)
	453,273	116,632
Changes in non-cash operating working capital:		
Accounts receivable	8,096	(18,350)
Prepaid expenses and deposits	(5,142)	(706)
Accounts payable and accrued liabilities	(126,578)	201,665
	329,649	299,241
Financing:		
Deferred capital contributions received	80,446	41,484
Deferred contributions received	591,090	633,343
Proceeds of demand loan	1,081,372	57,166
Repayment of demand loan	(32,574)	-
Repayment to MB Mission	(128,000)	(127,800)
	1,592,334	604,193
Investing:		
Purchase of capital assets	(2,346,209)	(976,074)
Proceeds on disposal of capital assets	1,250	1,325
Decrease in investments	-	2,830
	(2,344,959)	(971,919)
Decrease in cash	(422,976)	(68,485)
Cash, beginning of year	596,209	664,694
Cash, end of year	\$ 173,233	\$ 596,209

See accompanying notes to financial statements.

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements

Year ended June 30, 2017

(Unaudited)

Nature of operations:

Northview Community Church (the "Church") is incorporated under the Society Act (British Columbia), and is a member of the B.C. Conference of Mennonite Brethren Churches. On November 28, 2016 the new Societies Act (British Columbia) became effective. The Church has until November 28, 2018 to transition to the new act. 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.

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, 2017

(Unaudited)

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, 2017

(Unaudited)

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 \$173,233 (2016 - \$596,209) and consist of the following:

	2017	2016
Deferred operating contributions	\$ 615,609	\$ 439,957

3. 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:

	2017	2016
Mutual funds	\$ 33,793	\$ 31,931

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2017

(Unaudited)

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 4,734,348	\$ -	\$ 4,734,348	\$ 2,423,348
Buildings	20,841,824	5,526,021	15,315,803	13,627,506
Equipment	3,272,605	2,204,958	1,067,647	840,202
	<u>\$ 28,848,777</u>	<u>\$ 7,730,979</u>	<u>\$ 21,117,798</u>	<u>\$ 16,891,056</u>

5. Contributed property:

During the 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.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$32,624 (2016 - \$30,183) which include amounts payable for payroll related taxes.

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2017
(Unaudited)

7. Demand loans:

	2017	2016
Canadian Conference of Mennonite Brethren Churches mortgage, with monthly payments of \$17,995 including interest at 3.75% per annum, approved to a maximum of \$3,500,000	\$ 2,656,735	\$ 1,575,364
Canadian Conference of Mennonite Brethren Churches mortgage, with semi monthly payments of \$4,367 including interest at 3.75% per annum	1,482,810	-
	\$ 4,139,545	\$ 1,575,364

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

Interest in the amount of \$118,670 (2016 - \$57,166) was paid on the demand loans and is included in the Mission TriCity campus expenses (schedule).

Principal repayments are due approximately as follows:

2018	\$ 167,525
2019	176,011
2020	182,673
2021	189,587
2022	196,764
Thereafter	3,226,985
	\$ 4,139,545

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2017

(Unaudited)

8. 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.

	2017	2016
Adult Short-term Mission	\$ 3,163	\$ 3,163
Apologetics Canada General	32,211	36,692
Children's Missions	4,985	5,347
Elevate Missions	22,436	8,400
Home of Angels	33,793	34,761
Inasmuch Community Society	-	37,838
Local Outreach Missions	3,523	3,523
Missions Offerings	339,747	164,300
Special Needs	148,962	130,874
Syrian Refugee	15,000	15,000
TriCity	11,730	-
Vertical Edge Missions	59	59
	<u>\$ 615,609</u>	<u>\$ 439,957</u>
Balance, beginning of year	\$ 439,957	\$ 446,952
Deferred contributions received	591,090	633,343
Less amounts spent	(415,438)	(640,338)
Balance, end of year	<u>\$ 615,609</u>	<u>\$ 439,957</u>

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2017

(Unaudited)

8. 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.

	2017	2016
Balance, beginning of year	\$ 3,928,585	\$ 4,050,792
Deferred capital contributions received	55,590	41,484
Contributed capital assets	216,190	-
Less amounts amortized to revenue	(168,015)	(163,691)
Balance, end of year	\$ 4,032,350	\$ 3,928,585

9. 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, 2017

(Unaudited)

10. Invested in capital assets:

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

	2017	2016
Capital assets - net book value	\$ 21,117,798	\$ 16,891,056
Amounts financed by:		
Deferred capital contributions	(4,032,350)	(3,928,585)
Demand loans	(4,139,545)	(1,575,364)
Advance from MB Mission	(1,544,200)	(1,672,200)
	\$ 11,401,703	\$ 9,714,907

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

	2017	2016
Excess (deficiency) of revenue over expenses:		
Amortization of deferred capital contributions	\$ 168,015	\$ 163,691
Amortization of capital assets	(896,370)	(810,762)
Interest on demand loans	(118,670)	(57,166)
	\$ (847,025)	\$ (704,237)

	2017	2016
Net change in invested in capital assets:		
Purchase of capital assets	\$ 2,346,209	\$ 976,074
Contributed capital assets	1,707,175	-
Funded by demand loan	(2,445,511)	-
Funded by deferred capital contributions	(271,780)	(41,484)
Disposition of capital assets	(797)	(1,258)
Repayment to MB Mission	128,000	127,800
	1,463,296	1,061,132
Contributed land	1,070,525	-
	\$ 2,533,821	\$ 1,061,132

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2017

(Unaudited)

11. Director, employee and contractor compensation:

For the fiscal year ending 2017, the Church had five employees whose total remuneration exceeded \$75,000. The total remuneration for these five employees was \$479,768.

12. Commitments:

The Church leases equipment under long-term operating leases that expire March 1, 2020. Minimum lease payments are approximately as follows:

2018	\$	13,360
2019		5,528
2020		3,190
	\$	22,078

13. Internally restricted

The board has internally restricted rental income from MB Mission for possible future repayment of the Advance from MB Mission (note 9).

NORTHVIEW COMMUNITY CHURCH

Notes to Financial Statements (continued)

Year ended June 30, 2017
(Unaudited)

14. 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 2016.

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. Management does not believe there is a significant credit risk. The Church monitors on a regular basis the credit risk to which the Church is exposed in relations to its financial assets and takes steps to minimize the risk of loss. There has been no change in the risk exposure from 2016.

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 2016.

Capital cost allowance

Year ended June 30, 2017, with comparative information for 2016
(Unaudited)

Class	UCC, beginning of the year	Additions	UCC before adjustment and allowance	Rate	Amount	UCC, end of year
	₹	- ₹	- ₹	-	- %₹	- ₹

NORTHVIEW COMMUNITY CHURCH

Schedule of Department Revenue and Expenses

Year ended June 30, 2017, with comparative information for 2016
(Unaudited)

			2017		2016	
	Revenue	Expenses	Deficiency of revenue over expenses	Revenue	Expenses	Deficiency of revenue over expenses
Administration	\$ 5,763	\$ 190,031	\$ (184,268)	\$ 4,753	\$ 215,744	\$ (210,991)
Apologetics Canada	183,043	183,043	-	186,870	186,870	-
BC Conference of MB Churches	-	140,000	(140,000)	-	155,000	(155,000)
Building Maintenance Projects	-	7,273	(7,273)	-	154,846	(154,846)
Canadian Conference of MB Churches	-	5,000	(5,000)	-	5,000	(5,000)
Caregiving/Seasons	29,319	36,745	(7,426)	28,370	41,422	(13,052)
Children's Ministry	49,796	126,042	(76,246)	57,299	175,464	(118,165)
Community/First Touch	-	46,083	(46,083)	353	37,627	(37,274)
Discipleship/Prayer	1,486	11,787	(10,301)	5,696	12,147	(6,451)
Facilities	7,673	404,372	(396,699)	6,332	424,987	(418,655)
High School Youth	17,308	37,615	(20,307)	14,573	38,338	(23,765)
Kitchen Food Services	32,940	118,463	(85,523)	39,780	108,065	(68,285)
Leadership Development	2,375	271,607	(269,232)	9,000	337,650	(328,650)
Mennonite Educational Institute	-	143,550	(143,550)	-	120,190	(120,190)
Men's	8,231	8,856	(625)	7,542	18,015	(10,473)
Missions	238,578	797,665	(559,087)	490,708	1,059,246	(568,538)
Mission Campus (note 7)	17,644	258,206	(240,562)	9,881	186,601	(176,720)
Missions Trips	102,307	102,307	-	219,806	220,211	(405)
Other Outside Support Agencies	-	12,172	(12,172)	-	17,255	(17,255)
Personnel	18,016	3,269,479	(3,251,463)	30,420	2,965,694	(2,935,274)
Resource Center	151	1,228	(1,077)	163	764	(601)
TriCity Campus (note 7)	35,236	58,778	(23,542)	-	-	-
Young Adults	9,080	25,153	(16,073)	7,480	24,275	(16,795)
Special Needs	137,334	137,334	-	132,341	132,341	-
Middle School	30,014	53,582	(23,568)	18,109	38,859	(20,750)
Women's	40,561	55,080	(14,519)	27,420	37,786	(10,366)
Worship & Arts	5,527	72,322	(66,795)	1,763	100,247	(98,484)
Totals	\$ 972,382	\$ 6,573,773	\$ (5,601,391)	\$ 1,298,659	\$ 6,814,644	\$ (5,515,985)