

Financial Statements of
SOUTHLAND CHURCH, INC.
July 31, 2021



INDEPENDENT AUDITOR'S REPORT

To the Members of Southland Church, Inc.

Opinion

We have audited the accompanying financial statements of Southland Church, Inc., (the "Church") which comprise the balance sheet as at July 31, 2021 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the notes to the financial statements.

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 Southland Church, Inc. as at July 31, 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 ("ASNPO").

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Church 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.

In common with many not-for-profit organizations, Southland Church, Inc. derives receipts from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these receipts was limited to the amounts recorded in the records of Southland Church, Inc. Consequently, we were not able to determine whether any adjustments to these receipts, assets and fund balances were necessary.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

Those charged with governance are responsible for overseeing the Church's financial reporting process.

Auditor's Responsibility

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 auditor's 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 GAAS 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 GAAS, we exercise professional judgment 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 the Church'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 the Church's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Church 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.

[REDACTED]
Chartered Professional Accountants
Winnipeg, Manitoba
[REDACTED]

TABLE OF CONTENTS

	<u>Page</u>
Statement of Operations and Changes in Fund Balance – General Fund	1
Statement of Operations and Changes in Fund Balance – Capital Fund	2
Statement of Operations and Changes in Fund Balances – Other Funds	3
Balance Sheet	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 10
Schedule of Other Funds	11

SOUTHLAND CHURCH, INC.
Statement of Operations and Changes in Fund Balance -
General Fund
Year ended July 31, 2021

	<u>2021</u>	<u>2020</u>
RECEIPTS		
Donations	\$ 6,007,256	\$ 7,507,776
Interest	34,635	61,018
Fees and other recoveries	123,273	472,516
	<u>6,165,164</u>	<u>8,041,310</u>
DISBURSEMENTS		
Ministry costs		
Lead Pastor Ministry	17,231	59,516
Youth Ministry	5,202	71,228
Children's Ministry	2,428	15,801
Communications	3,617	5,451
Worship Ministry	16,398	46,675
Retreat and Seminar Ministry	3,481	38,359
Administrative Ministry	17,038	37,614
Pastoral Care Ministry	6,244	19,800
Adult Ministry	1,678	120,560
Welcome Ministry	1,237	136,172
Media Tech Ministry	121,058	101,853
Ministry Appreciation	8,147	2,473
Prayer Ministry	1,229	8,601
Charitable organizations support and outreach	101,700	205,614
Southland Ministries	2,721	6,974
	<u>309,409</u>	<u>876,691</u>
Salaries, benefits and allowances (Note 5)	1,365,962	2,529,826
Office administration	184,207	204,611
Facilities costs	514,733	719,739
	<u>2,374,311</u>	<u>4,330,867</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	3,790,853	3,710,443
FUND BALANCE, BEGINNING OF YEAR	1,464,479	2,072,063
INTERFUND TRANSFERS (Note 6)	(4,066,082)	(4,318,027)
FUND BALANCE, END OF YEAR	\$ 1,189,250	\$ 1,464,479

SOUTHLAND CHURCH, INC.
Statement of Operations and Changes in Fund Balance -
Capital Fund
Year ended July 31, 2021

	<u>2021</u>	<u>2020</u>
RECEIPTS		
Donations	\$ 485,759	\$ 837,656
DISBURSEMENTS		
Mortgage interest and fees	-	5,000
EXCESS OF RECEIPTS OVER DISBURSEMENTS BEFORE DEPRECIATION	485,759	832,656
DEPRECIATION OF FIXED ASSETS	1,977,923	1,899,450
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS AND DEPRECIATION	(1,492,164)	(1,066,794)
FUND BALANCE, BEGINNING OF YEAR	32,705,200	29,780,949
INTERFUND TRANSFERS FROM (Note 6): CAMP FUND	4,089,652	3,991,045
FUND BALANCE, END OF YEAR	\$ 35,302,688	\$ 32,705,200

SOUTHLAND CHURCH, INC.

Statement of Operations and Changes in Fund Balances - Other Funds

Year ended July 31, 2021

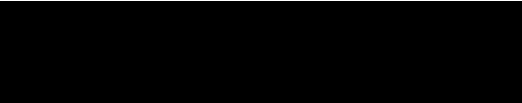
	2021							Total
	Benevolent Fund	Project Africa Fund	Replacement Reserve Fund	Freedom House Fund	School of Ministers Fund	Camp Fund	Church Renewal Ministry Fund	
RECEIPTS								
Donations	\$ 63,195	\$ 145,962	\$ -	\$ 8,410	\$ -	\$ 275,524	\$ 807,918	\$ 1,301,009
Fees and fundraising	-	-	-	-	500	122	-	622
	63,195	145,962	-	8,410	500	275,646	807,918	1,301,631
DISBURSEMENTS (Note 5)	86,609	103,251	-	-	-	218,573	547,901	956,334
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(23,414)	42,711	-	8,410	500	57,073	260,017	345,297
FUND BALANCE, BEGINNING OF YEAR	10,228	156,634	1,602,985	11,616	17,479	327,008	512,208	2,638,158
INTERFUND TRANSFERS (Note 6):								
From General Fund	25,000	-	300,000	-	-	3,741,082	-	4,066,082
To Capital Fund	-	-	-	-	-	(4,089,652)	-	(4,089,652)
FUND BALANCE, END OF YEAR	\$ 11,814	\$ 199,345	\$ 1,902,985	\$ 20,026	\$ 17,979	\$ 35,511	\$ 772,225	\$ 2,959,885

	2020							Total
	Benevolent Fund	Project Africa Fund	Replacement Reserve Fund	Freedom House Fund	School of Ministers Fund	Camp Fund	Church Renewal Ministry Fund	
RECEIPTS								
Donations	\$ 65,549	\$ 91,090	\$ -	\$ 116,671	\$ 32,788	\$ 550,698	\$ 827,219	\$ 1,684,015
Fees and fundraising (Note 8)	-	-	-	21,679	88,275	179,275	-	289,229
	65,549	91,090	-	138,350	121,063	729,973	827,219	1,973,244
DISBURSEMENTS (Note 5)	86,067	90,760	328	152,287	106,744	353,998	702,616	1,492,800
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(20,518)	330	(328)	(13,937)	14,319	375,975	124,603	480,444
FUND BALANCE, BEGINNING OF YEAR	5,746	96,304	1,303,313	25,553	3,160	9,051	387,605	1,830,732
INTERFUND TRANSFERS:								
From General Fund	25,000	60,000	300,000	-	-	3,933,027	-	4,318,027
To Capital Fund	-	-	-	-	-	(3,991,045)	-	(3,991,045)
FUND BALANCE, END OF YEAR	\$ 10,228	\$ 156,634	\$ 1,602,985	\$ 11,616	\$ 17,479	\$ 327,008	\$ 512,208	\$ 2,638,158

SOUTHLAND CHURCH, INC.
Balance Sheet
July 31, 2021

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Other Funds</u> (Schedule)	<u>2021 Total</u>	<u>2020 Total</u>
ASSETS					
CURRENT					
Cash	\$ 1,242,064	\$ -	\$ 2,959,885	\$ 4,201,949	\$ 4,397,850
Interest receivable	17,121	-	-	17,121	25,812
GST recoverable	24,939	-	-	24,939	31,366
Prepays and deposits	96,307	-	-	96,307	58,082
	1,380,431	-	2,959,885	4,340,316	4,513,110
FIXED ASSETS (Note 3)	-	35,302,688	-	35,302,688	32,705,200
	\$ 1,380,431	\$ 35,302,688	\$ 2,959,885	\$ 39,643,004	\$ 37,218,310
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 190,462	\$ -	\$ -	\$ 190,462	\$ 407,313
Deferred revenue	719	-	-	719	3,160
	191,181	-	-	191,181	410,473
COMMITMENTS (Note 7)					
FUND BALANCES					
Invested in fixed assets	-	35,302,688	-	35,302,688	32,705,200
Externally restricted	-	-	83,246	83,246	14,319
Internally restricted	-	-	2,876,639	2,876,639	2,623,839
Unrestricted	1,189,250	-	-	1,189,250	1,464,479
	1,189,250	35,302,688	2,959,885	39,451,823	36,807,837
	\$ 1,380,431	\$ 35,302,688	\$ 2,959,885	\$ 39,643,004	\$ 37,218,310

APPROVED BY THE BOARD



.. Director

SOUTHLAND CHURCH, INC.
Statement of Cash Flows
Year ended July 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess (deficiency) of receipts over disbursements:		
General Fund	\$ 3,790,853	\$ 3,710,443
Capital Fund	(1,492,164)	(1,066,794)
Benevolent Fund	(23,414)	(20,518)
Project Africa Fund	42,711	330
Replacement Reserve Fund	-	(328)
Freedom House Fund	8,410	(13,937)
School of Ministers Fund	500	14,319
Camp Fund	57,073	375,975
Church Renewal Ministry Fund	260,017	124,603
Items not affecting cash:		
Depreciation of fixed assets	1,977,923	1,899,450
	<u>4,621,909</u>	<u>5,023,543</u>
Changes in non-cash operating working capital items:		
Interest receivable	8,691	13,974
GST recoverable	6,427	(24,591)
Prepays and deposits	(38,225)	20,344
Accounts payable and accrued liabilities	(216,851)	171,407
Deferred revenue	(2,441)	(173,574)
	<u>4,379,510</u>	<u>5,031,103</u>
INVESTING ACTIVITIES		
Change in restricted cash balances	(321,727)	(807,426)
Acquisition of fixed assets	(4,575,411)	(4,823,701)
	<u>(4,897,138)</u>	<u>(5,631,127)</u>
NET DECREASE IN CASH POSITION	(517,628)	(600,024)
CASH POSITION, BEGINNING OF YEAR	1,759,692	2,359,716
CASH POSITION, END OF YEAR	\$ 1,242,064	\$ 1,759,692
Cash position is comprised of the following		
Cash	\$ 4,201,949	\$ 4,397,850
Less restricted cash - Schedule	(2,959,885)	(2,638,158)
	<u>\$ 1,242,064</u>	<u>\$ 1,759,692</u>

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2021

1. PURPOSE OF THE ORGANIZATION

Southland Church, Inc. (the "Church") is a church whose mission is "Love God, Love People, Be Discipled, Make Disciples". The Church is incorporated under the Manitoba Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) 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 unrestricted resources.

The Capital Fund reports the assets, liabilities, receipts and disbursements related to the Church's fixed assets.

The Benevolent Fund reports restricted resources that are to be used to assist people in financial need throughout the year.

The Project Africa Fund reports restricted resources that are to be used to fund projects in Africa, either carried out directly by the Church or through another Canadian charity that carries out charitable work on the continent of Africa.

The Replacement Reserve Fund reports restricted resources that are to be used for large maintenance and equipment replacement needs for the Church.

The Freedom House Fund (formerly Four Winds Project Fund) reports restricted resources that are to be used to fund the Church's ministry to individuals who are stuck in patterns of destructive and/or disabling thoughts and actions (Romans 7:15) and are willing to engage in a one-year live-in mentorship program to pursue freedom in Christ.

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Fund accounting (continued)

The School of Ministers Fund reports restricted resources that are to be used to fund the Church's eight-month discipleship school for young adults with the aim to provide young disciples with the opportunity to develop intimacy with Christ, and then with His power and unique calling on their lives, minister in this local church, this region and beyond.

The Camp Fund reports restricted resources that are to be used to fund the Church's summer camp ministry.

The Church Renewal Ministry Fund reports restricted resources that are to be used to assist in the costs associated with working with other Canadian and international churches in ministry development and training.

b) Fixed assets

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. If the fair value of a contributed asset cannot not be reasonably determined it is recorded at a nominal amount.

Depreciation is reported in the Capital Fund and is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and components	15 - 40 years
Furniture and equipment	2 - 10 years
Audio-visual equipment	3 - 10 years
Land improvements	15 years

c) Receipts recognition

Donations related to offerings are recognized upon receipt of the offering. Interest income is recognized as revenue in the General Fund when earned. The Church recognizes fees and other recoveries when persuasive evidence of an arrangement exists, service has been provided, the price is fixed or determinable and collection is reasonably assured.

d) Contributed services

A large number of people have volunteered significant amounts of their time to the Church. No objective basis is available to measure the value of this significant contribution and no amount has been reflected in these financial statements for these services.

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments and related risks

Financial assets and financial liabilities are initially recognized at fair value when the Church becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

The Church recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

Interest rate risk is the risk to the Church's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. Because the Church does not currently have any debts, it is not impacted by changes in interest rates. The Church does not use derivative instruments to reduce exposure to this risk.

f) Use of estimates

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Significant estimates included in these financial statements relate to the determination of the useful life of fixed assets. Actual results could differ from these estimates.

3. FIXED ASSETS

	2021		2020	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 2,290,498	\$ -	\$ 2,290,498	\$ 2,290,498
Buildings and components	42,706,598	11,875,938	30,830,660	28,050,976
Furniture and equipment	4,813,221	3,913,704	899,517	752,090
Audio-visual equipment	2,993,413	2,704,328	289,085	494,141
Land improvements	1,759,555	766,627	992,928	1,117,495
	\$ 54,563,285	\$ 19,260,597	\$ 35,302,688	\$ 32,705,200

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2021

4. CREDIT FACILITIES

The Church has entered into an agreement with [REDACTED] for a \$500,000 line of credit to support general operations and a \$10,000,000 equity link line of credit to assist with the cashflow management of future projects. The \$500,000 line of credit bears interest at [REDACTED] variable standard rate, which is currently 2.95% plus 1.0%. The \$10,000,000 equity link line of credit bears interest at [REDACTED] variable standard rate (currently 2.95%). These credit facilities are secured by: 1) a multi-purpose mortgage in the amount of \$20,000,000 creating a 1st charge on the Church's property located at [REDACTED] which is supported by the assignment of comprehensive property loss insurance; and 2) a registered 1st charge general security agreement over all assets of the Church. As at July 31, 2021, the Church had not availed itself of any portion of either line of credit.

5. SALARIES, BENEFITS AND ALLOWANCES

The following table details the total salaries, benefits and allowances incurred by the Church.

	<u>2021</u>	<u>2020</u>
Salaries, benefits and allowances included in:		
General Fund	\$ 1,365,962	\$ 2,529,826
Freedom House Fund	-	100,661
School of Ministers Fund	-	58,038
Camp Fund	17,445	41,595
Church Renewal Ministry Fund	380,616	389,864
	<u>\$ 1,764,023</u>	<u>\$ 3,119,984</u>

Salaries, benefits and allowances are net of \$719,286 received from the Government of Canada for the Canada Emergency Wage Subsidy (2020 - \$360,037).

6. INTERFUND TRANSFERS

During the year, the Board of Directors approved the following interfund transfers:

	<u>2021</u>		
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Other Funds</u>
Camp Fund to Capital Fund	\$ -	\$ 4,089,652	\$(4,089,652)
General Fund to Benevolent Fund	(25,000)	-	25,000
General Fund to Replacement Reserve Fund	(300,000)	-	300,000
General Fund to Camp Fund	(3,741,082)	-	3,741,082
	<u>\$ (4,066,082)</u>	<u>\$ 4,089,652</u>	<u>\$ (23,570)</u>

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2021

7. COMMITMENTS

The Church leases office equipment under an operating lease which expires in December 2023. The annual lease payments during the next three years are as follows:

2022	\$ 37,392
2023	37,392
2024	<u>18,696</u>
	<u>\$ 93,480</u>

8. FUNDRAISING

Fees and fundraising receipts in the Camp Fund are reported net of the cost for grocery gift cards and other similar types of fundraising activities of \$nil (2020 - \$305,033).

9. RELATED PARTY TRANSACTIONS

During the year companies controlled by Directors of the Church provided construction services to the Church in the amount of \$4,230,468 (2020 - \$4,395,687). These transactions are in the normal course of operations and are measured at the exchange value.

SOUTHLAND CHURCH, INC.
Schedule of Other Funds
July 31, 2021

	Benevolent Fund	Project Africa Fund	Replacement Reserve Fund	Freedom House Fund	School of Ministers Fund	Camp Fund	Church Renewal Ministry Fund	2021 Total	2020 Total
ASSETS									
CURRENT									
Cash - restricted	\$ 11,814	\$ 199,345	\$ 1,902,985	\$ 20,026	\$ 17,979	\$ 35,511	\$ 772,225	\$ 2,959,885	\$ 2,638,158
FUND BALANCES									
Externally restricted	\$ -	\$ -	\$ -	\$ 8,410	\$ 14,819	\$ -	\$ 60,017	\$ 83,246	\$ 14,319
Internally restricted	11,814	199,345	1,902,985	11,616	3,160	35,511	712,208	2,876,639	2,623,839
	\$ 11,814	\$ 199,345	\$ 1,902,985	\$ 20,026	\$ 17,979	\$ 35,511	\$ 772,225	\$ 2,959,885	\$ 2,638,158