

Building lives that honour God.



Annual **REPORT**

JULY 1, 2019-JUNE 30, 2020



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Agenda

Annual General Meeting of First Alliance Church Sunday, October 25, 2020

First Segment

1. Meeting called to Order
2. Opening Prayer
3. Declaration of Quorum based on Report from Registration Secretary
4. Minutes of the Annual General Meeting of Monday, October 28, 2019
5. Motion to Appoint Tellers for Annual General Meeting
6. Report of the Nominating Committee for 2020/2021
7. Election of Elders
8. Election of the Nominating Committee for 2021/2022
9. The Story of God's Provision
 - a. Report of the Treasurer
 - b. Appointment of the Auditors for the fiscal period of July 1, 2020 to June 30, 2021

Second Segment

1. Report on Ministry
 - a. Ministry Story of 2019/2020
 - b. Glenmore Christian Academy Report
2. Question and Answer Session
3. Closing Comments/Closing Prayer



A Note From Pastor James



home. Meeting at Glenmore Christian Academy we have already developed a strong presence in the surrounding communities. This fall we have opened our new mid-week ministry centre and offices that gives us even more presence and opportunity.

Our financial planning has allowed us to weather the storm and lean into the future with optimism. We still dream of continuing to be a multiplying church. God has been laying a fresh burden on our hearts for the east side of the city. Would you join with me in prayer and ask God what part you might play?

Many things have changed but we still have the same mission: **Building lives that honour God ... all for Jesus!** We are in this for the long haul. And so we look to Jesus. We read in Hebrews:

"Therefore, since we are surrounded by such a great cloud of witnesses, let us throw off everything that hinders and the sin that so easily entangles. And let us run with perseverance the race marked out for us, fixing our eyes on Jesus, the pioneer and perfecter of faith. For the joy set before him he endured the cross, scorning its shame, and sat down at the right hand of the throne of God. Consider him who endured such opposition from sinners, so that you will not grow weary and lose heart."
(Hebrews 12:1-3, NIV)

Who will ever forget 2020, the year of the great plague? And who could have foreseen the enormous impact of the pandemic? Our lives were shaken, personally and corporately. Yet, in so many ways God had already prepared us at FAC; He was not caught off guard. Our technology upgrades, our online campus led by Pastor Cory, our amazing team of staff and volunteers – everything was in place to allow us to adapt at a moment's notice.

We quickly embraced a theme of **Thriving today ... shaping tomorrow** with 4 key priorities: staff health, ministry capacity, financial stability, and adaptive innovation. Ministries were digitized, a volunteer army mobilized, risks managed, operations adapted, complexity reduced, collaboration enhanced, resilience improved, and costs controlled. Not one member of staff was infected. Despite the challenges, we fed the hungry, housed the homeless, and proclaimed the name of Jesus.

COVID is not the whole story though. In fall 2019 we launched our brand new FAC Southwest campus, led by Pastor Jeff. Over 200 people call this campus

Reflections from our Board of Elders

Written by Dave Orr, Chairman of the Board of Elders

Looking back on our fiscal year of 2019/2020, we see very different periods of time that occurred during our year. While it may seem like a long time ago, throughout much of the year, FAC had many things to celebrate and we were carrying on as normal with large events like a Stampede Breakfast, Alpha courses with dinner, and other events that brought us together as a community and helped to facilitate reaching out to people with the Gospel message. **A key event in our church history was the establishment and opening of the SW Campus – a purposeful move to develop a church presence in an area of the city projected to grow.** It was very exciting to see our staff and volunteer base support this new campus, and see new people attending with a desire to learn about God.

Then, in March, things changed and we entered one of the most challenging times as a church, and as a community that we have faced together. **“Pivot”** became the norm of the day – moving to online services only, worship singers together, then apart, determining how to keep in touch, preparing videos, setting up everyone to work from home – all of these challenges and others needed to be met. Under large amounts of strain and stress, our staff were trying to answer a number of questions over these past months:

- How do we reach people when we can't meet them face-to-face?
- What will be the reaction to only online services?
- Can most people connect online or will some struggle?
- When will we have to be ready to relaunch?
- What will happen to giving?

Certainly, this required new and creative approaches to think about and attempt to answer questions in a way that none of us had encountered before. A huge thank you to Pastor James, our lead team and all our staff who responded willingly and creatively to the challenge. For a time period, everyone needed to

adapt in a number of ways; Zoom meetings became the norm for a way to remain connected; online services took on the prominent role of being our only service option (thank you Cory Harasym for leading this); following all AHS guidelines for services and for gatherings like the Easter Sunrise service; and then, how do we plan to bring people back to our facility in a safe manner.

For dealing with all of these challenges, we thank our staff, and we also thank our God – who is unchanging through a time of upheaval and constant change. He has remained with us throughout, drawing us ever closer, identifying our need for reliance on Him, and showing His love and answers to us in ways we had not previously considered. We praise Him for His goodness to us.

I also wanted to specifically thank a great servant who has moved into retirement, but whose presence at FAC continues to make huge impact, and whose hard work for the Lord continues during this time of “retirement”. Pastor Ray Matheson has and continues to be a dedicated servant of Jesus, the hands and feet to many of our people, and a light that has shone from FAC into the Calgary community and beyond for many years. Ray reflects the humility, kindness and gentleness that should be reflected in the life of a Christ-follower. He and Dee are very special people who hold a special place in the hearts of many at First Alliance.

On behalf of the congregation, I extend our heart-felt thanks to Ray and Dee for many years of dedicated service; and on a personal level, I am grateful to Pastor Ray for the many blessings he has brought to our family and how he has supported us through the years. In times of celebration and times of challenge, Ray has been the reminder to us of Godly living and how much God loves us.

Last year at the Annual General Meeting, questions arose regarding the item of women becoming elders

at FAC. In February of this year, I had shared a letter to members outlining a process of education, study and prayer to review this question. The following month in March, things turned upside down and all of the energies of the staff and elders focused on the response of the church in the COVID environment. Many of our energies are still focused on this as we have resumed in person services, look to how Discoveryland may be implemented, and how the balance between online and in person ministry continues to be developed.

This question of women as elders will be re-visited; however, it will likely not be until well into next year when we can gather for times of full education and discussion. Therefore, it is likely that this item will not be re-visited until the summer of next year; the board will continue to work with Pastor James to bring this forward at the appropriate time.



Thanks to each of you for the opportunity to serve in the role as Chairman for the current completion of a 6 year timeframe – during this time we have hired a new Lead Pastor, planted a Church that has moved out on its own (The Exchange), launched a new Campus within our school location, and weathered a virus storm that has impacted the whole world. I have served with many fantastic board, staff and volunteer people during that time, and appreciate everything that has been accomplished. The greatest thanks go to our loving Father, without whom none of this would have happened and who continues to lead, encourage and guide us. There is no better thing than working together to build His Kingdom.

Minutes

Annual General Meeting of First Alliance Church

Monday, October 28, 2019

12345 40 Street SE Calgary, AB

First Segment

1. **Call to Order** – Dave Orr called the meeting to order at 7:08 pm. Dave welcomed congregants and stated that we have many things to be thankful for as identified in the Annual Report. Dave provided the highlights of the previous year including the start of an online congregation, reaching people in 54 countries with the streaming service, 85 newcomers being supported (20 that were supported by FAC), and the adoption of a new FAC Constitution and Bylaws. Dave thanked the Governance team for their work on these documents to meet the requirement of the CRA. Dave identified that the SW campus was now active and thanked Jeff and James for their efforts over the last year to make this a reality.
2. **Opening Prayer** – Marinus Hus opened the meeting in prayer.
3. **Quorum** – The registration secretary advised that more than 50 members were present, so the meeting was declared duly constituted. The final number of registrations was 186.
4. **Agenda** – Dave Orr reviewed the agenda as included in the Annual Report.
Moved/Seconded that the agenda be adopted. **CARRIED**
5. **Minutes** – **Moved/Seconded** that the Minutes of the AGM of Sunday October 28, 2018 be adopted as circulated in the Annual Report with changes to the GCA Purpose Statement. **CARRIED**
Moved/Seconded that the Minutes of the Congregational Meeting of December 2, 2018 relating to the Constitution and Bylaws for FAC be adopted as circulated in the Annual Report. **CARRIED**
6. **Motion to Appoint Tellers** – **Moved/Seconded** that Mike Humphries be appointed as Head Teller and that he be authorized to recruit assistants as required. **CARRIED**
7. **Report of the Nominating Committee for 2019/2020 (Elders)** – Pastor James Paton, Chair of the Nominating Committee, read the report of the Nominating Committee. The nominees were:
 - Samuel Acquah (1st Term)
 - Brian Hargreaves (1st Term)
 - Phil Bauer (1st Term)
 - Brent Kinnie (3rd Term)
 - Barry Branston (2nd Term)
 - Victor Wong (2nd Term)
 - Brad Emery (1st Term)

The members were instructed to vote for Elders with the ballot they had received when they registered for the meeting. They were instructed to vote for each Elder they wished to select. It was explained that an Elder required a simple majority of the ballots cast to be elected. The ballots were collected by the tellers.

Nominations for the Nominating Committee for 2020/2021 – Barb de Bruyn, Tracey Dyck, and Heather Hair.

- 8. The Story of God's Provision: Report of the Treasurer** – Blair Cooper, Treasurer for FAC, reported on the 2018/2019 fiscal year with commentary elaborating on the Audited Financial Statements included in the Annual Report. Blair indicated each month that he is so thankful for what God is doing at FAC and he is humbled by what God is doing at FAC.

He indicated that there was an increase in the cash position of 300K at the end of June. Capital spending was about 200K and the Board and staff wanted to be respectful of giving. Blair informed that the debt had been reduced by 420K.

Blair identified the change to our financial position due to the sale of the land. The majority of this gain went to paying down the debt and a portion of the monies was used to enhance the FAC video system. He indicated that expenses were kept in line by the lead team.

Blair indicated that there was a surplus this year. Some of the surplus funds have been allocated to the debt reduction program. This was in line with one of the M&M Goals to pay off the debt within 3 years. He stated that there was a 49% debt reduction this year due to the land sale and surplus.

It was indicated that the Exchange is now in their third year and is doing well.

Blair provided an explanation of the deficit for the Care Fund due to the arrival of newcomers which are being funded by FAC. These costs were expected once it was identified that the approval of some of the new comers by the Government had been confirmed.

Blair recognized 3 individuals at FAC - John, Karen and Raymond for their excellent efforts as they undertake their job roles.

The auditors KPMG stated that the financial statements provided were easy to review and information was readily available. The audited statements were approved by the Board.

The treasurer concluded his comments and invited questions.

9. Appointment of the Auditors for the period of July 1, 2019-June 30, 2020

Moved/Seconded that the public accounting firm KPMG LLP be appointed as auditors for the period of July 1, 2019 to June 30, 2020. **CARRIED**

- 10. The report from the Tellers** – was delivered to the Chair. Dave Orr reported that 186 ballots were cast. All seven elders received a majority of votes cast and were declared elected. Dave Orr reported that 186 ballots were cast for the Nominating Committee members and all were declared approved.

Moved/Seconded that the ballots be destroyed. **CARRIED**

Second Segment

1. Report on Ministry

a) Ministry Story of 2018/2019 – Pastor James Paton presented an overview of the information mentioned in the sermon during the weekend services which was the successes and thankfulness of the ministry at FAC during the past year. He acknowledged those staff who had left during the past year. James asked a number of staff to provide stories from the past year.

- 2. Glenmore Christian Academy Report** – Stan Hielema, Head of School, provided the update for GCA. Stan stated he has been with GCA for 4 years and is thankful for the 40 year relationship with FAC.

Stan notified the congregation that Cheryl Miller was stepping down as our Board Chair and he wanted to thank Cheryl for all she has done for GCA as a staff member and as the Board Chair.

Stan provided a few statistics that had been gathered regarding registration at GCA - 22% of the students are from FAC families, 54% of the student body are from families which originate from outside of Canada and 12-13% are from non-Christian families. He described the heart of GCA and asked for prayer for the students and staff for lives to be changed. Stan mentioned we are all stronger together and closed this portion by reading Zephaniah 3:17.

- 3. Questions and Answers** – Dave Orr invited questions from the membership. Several questions were asked and were responded to by Pastor James and Dave.
- 4. Prayer time** – There was a time of congregational prayer.
- 5. Adjournment** – Moved/Seconded that the meeting be adjourned. **CARRIED**
The meeting adjourned at 8:55 pm with an invitation for the members to stay for a time of fellowship and dessert.
- 6. Closing Prayer** – Dave Orr closed the evening in prayer.

Respectfully submitted

Dave Orr
Chairman, Board of Elders

Stephen Buszowski
Secretary, Board of Elders



TOP LEFT-BOTTOM: celebrating the joy of baptisms; 2019 fall kick-off; FAC Southwest Campus DiscoveryLand (GCA Gym).

Report of the Nominating Committee

Nominations for the Board of Elders for 2020-2021

Elders Mid Term – Serving to Fall 2021:

Samuel Acquah (1st Term)
 Phil Bauer (1st Term)
 Barry Branston (2nd Term)
 Brad Emery (1st Term)
 Brian Hargreaves (1st Term)
 Brent Kinnie (3rd Term)
 Victor Wong (2nd Term)

**Elders can serve a maximum of 3 consecutive 2-year terms and must sit out at least one year before being eligible to serve as an elder again.*

Elders who have completed 3 consecutive 2-year terms:

Marinus Hus
 Dave Orr

Resignation:

Adam Kenny

After a thorough, prayerful process the Committee recommends the following names be placed in nomination for a 2-year term commencing Fall 2020**:

Charles Ang (1st Term)
 Blair Cooper (3rd Term)
 Jeff Good (1st Term)
 Daniel Hui (2nd Term)
 Craig Jones (1st Term)

Nominating Committee Members:

Pastor James Paton (Chairman)
 Phil Bauer, Brad Emery, Brian Hargreaves, Barbara de Bruyn, Tracey Dyck, Heather Hair

Provision is made for the addition of names to the Report of the Nominating Committee in Article V of the Church Bylaws.

Article V – Elders

The Nominating Committee shall be comprised of seven (7) members including the Chair. The Nominating Committee shall follow due process to identify and nominate members for vacant positions of the Board and the following year's Nominating Committee. Any Church Member may submit a name to the Nominating Committee for consideration by providing such name in writing to the Chair of the Nominating Committee by June 30 of each year.

Nominations for the 2020-2021 Nominating Committee**:

Jill Hopkins
 Colleen Derksen
 Tolu Solola

***Personal profiles for nominated Elders and Nominating Committee available on pages 10-12.*

Profiles of Nominated Elders for a 2-year term commencing Fall 2020

After a thorough, prayerful, process the Committee recommends the following names be placed in nomination to serve on the Board of Elders for a 2-year term commencing Fall 2020:

Charles Ang



Charles has attended FAC ever since he was dedicated as a baby by Dr. Wendell K. Grout at FAC's former Glenmore Trail location. He grew up in the church and is a proud alumnus of FAC's affiliated school, Glenmore Christian Academy.

Charles has co-led a Small Group for young professionals and served with the church's Guest Experience ministry since about 2013. He has also provided pro bono assistance in his capacity as a lawyer, when called upon. When Charles has free time from his practice as a litigation partner at a regional law firm, he enjoys competing in game nights with his friends and visiting his rambunctious nephews in Vancouver. He has a keen interest in Calgary's social welfare system and the Church's involvement in community outreach.

Blair Cooper



Blair is married to Karen and they have three amazing children. Blair and Karen have attended FAC since 2000. Blair is currently serving as our Church Treasurer on the Board of Elders and can regularly be found serving in the Café and participating in various Harvest programs. Over the years he has hosted at Alpha, led small groups and served on the Worship Tech Team. He is a VP Finance who enjoys leading teams and developing people. In his spare time Blair enjoys family activities, cycling and fly fishing.

Jeff Good



Jeff is married to Tamara and they and their adult daughter Adrianna serve in ministries at FAC. Jeff and Tamara have attended FAC since the mid-1980s. Jeff and Tamara lead our Alpha Ministry and Adrianna is a Student Ministry leader. Jeff and Tamara have the gift of hospitality and love spending time with family and friends. Hiking, hockey and gardening are Jeff's favorite recreational activities. He has a growing passion for evangelism and that Christians be able to share the reasons for the hope they have.

Daniel Hui

Daniel is married to Connie and they have two wonderful children. Daniel and Connie have attended FAC since 2004. They currently lead a small group and had served in the Sunday prayer gatherings from 2015-2018. Daniel and Connie have also served with Mosaic Ministries since 2013. Daniel enjoys spending time with his family; hiking, swimming and playing badminton are his favorite activities. He also has a passion in the area of Christian Education.

Craig Jones

Craig has been married to Heather for 40 years and they have been blessed with two children, Sarah 33 and Daniel 31. They have attended FAC since the opening of the Deerfoot campus. Craig has been involved in numerous volunteer roles at FAC including Cornerstone Cafe, Guest Services, facilitation of Men@First Ministries and leading a Men's Small Group. He also enjoys helping Heather with her volunteer work in the ESL community.

Craig has had the opportunity to participate as well as lead short term mission trips to Nicaragua and Mexico. He enjoys outdoor pleasures including gardening and fishing and has a love for camping with Heather and their friends.

Craig is passionate about serving in Men's Ministry and the mission field both internationally and locally, with organizations such as Mustard Seed, Calgary Food Bank and YYC Lunch Programs.

2020-2021 Nominating Committee

Nomination Profiles

After a thorough, prayerful, process the Committee recommends the following names be placed in nomination to serve on the Nominating Committee for a 1-year term commencing Fall 2020:

Jill Hopkins

After coming to the Lord in 1991 at Southview Alliance Church, Jill Hopkins found her church home at First Alliance in 1994. As a single parent, she found First offered programs and people that supported her in the raising of her daughter, Rosalind but also in the growing of her own faith.

Jill met David Hopkins and they married in 2007. Together, they have continued in their membership and regular attendance at First Alliance.

When Jill was single, she was involved in the leadership of the Singles ministry. Since then, she has dabbled briefly in Harvest and ESL, but has found her passion in church photography as well as in Storyline, both as a photographer and as a writer. Jill is also part of the leadership team in the Photography Club. She also helps out in the Women2Women daytime program as a host and works on the communications volunteer team as lyrics operator for weekend services.

In her spare time, Jill loves spending time with her grandchildren, baking macarons, decorating cakes, gardening, and, of course, doing photography.

Colleen Derksen

Colleen Derksen started attending FAC when her family moved to Calgary in the summer of 1991. Since then she has been involved as a volunteer in a number of areas, including Discoveryland, Harvest Ministries, choir, women's ministries, finance, It Takes a Village (adoption/foster care ministry), and most recently, the check-in team on Saturday nights. Colleen married Brian at FAC in 2004, and Kolbie, Logan, and Rylie joined their family in 2008 and 2009. Their experience with adoption led them to pursue training through Empowered to Connect, and they have taught classes, presented workshops and spoken at conferences in the last 8 years.

Formerly a teacher with the CBE, Colleen is currently homeschooling their 3 children and is looking forward to serving on the nominating committee.

Tolu Solola

Tolu was born in Nigeria and moved to England in her 20s before migrating to Canada. Tolu and her husband Tomi started attending FAC in 2013 along with their 2 children, Tiwa and Tami. She has volunteered in a number of areas including After Service prayer, Alpha, choir, singer and musician on a weekend worship team, and assisting with our food program distribution.

Tolu and her family have participated in short-term mission trips and Tolu and Tomi were also co-leaders on a trip. Tolu is a lifelong learner who trained as a medical doctor and is currently pursuing further studies in vocation ministry at Ambrose Seminary. Tolu greatly values her FAC community and is particularly keen on making intercultural connections.

Commentary on Financial Results

First Alliance Church of The Christian and Missionary Alliance For the Year Ended June 30, 2020

(All references to dollar amounts are \$ thousands unless otherwise noted)

This Commentary on Financial Results is provided to enable readers to assess the financial operations and condition of First Alliance Church for the year ended June 30, 2020. It should be read in conjunction with the audited financial statements, notes, and schedules dated September 21, 2020. Note: unless otherwise noted, reference to dollar amounts in this Commentary are \$ thousands.

Financial Highlights

Total revenues were down 5% or \$473 to \$8,946. Total expenses decreased 8.0% or \$780 to \$8,697. Breakdown of revenue and expense are shown below:

	(\$ thousands)			
Revenue	2020	2019	Change	%
General Fund	6,606	6,355	251	4%
Capital Fund	681	846	(165)	-20%
Missions Fund	987	1,252	(265)	-21%
Care Fund	292	345	(53)	-15%
Subtotal	8,566	8,798	(232)	-3%
The Exchange Church	380	621	(241)	-39%
Total	8,946	9,419	(473)	-5%

Expenses	2020	2019	Change	%
Staff	3,791	4,166	(375)	-9%
Ministry Costs	976	1,072	(96)	-9%
Support Costs	881	938	(57)	-6%
Capital	1,039	1,034	5	0%
Missions	1,028	1,269	(241)	-19%
Care Fund	282	417	(135)	-32%
Subtotal	7,997	8,896	(899)	-10%
The Exchange Church	700	581	119	20%
Total	8,697	9,477	(780)	-8%

Commentary continued on next page ...

General Fund Highlights

The General Fund ended the year with a \$958 surplus (2019 - \$178). As a result of COVID, special grant programs were granted and new programs were implemented to respond to needs in the local community. Total amount received from the Canada Emergency Wage Supplement was \$284. Cost of COVID programs related to meals, outreach and shelter for the homeless were \$127.

Capital Fund Highlights

The Capital Fund ended the year with a \$358 deficit (2019 - \$188 deficit). We invested approximately \$330 in capital equipment during the year of which \$262 was for our SW campus. Due to COVID the church has deferred its principal loan payments for 6 months to preserve cash during this Pandemic crisis. Principal payments deferred in the current fiscal year were \$120. Principal and interest payments will commence in October.

Summary

First Alliance Church, God continues to sustain us as a community faithful to serve and respond where He leads us with the resources required to love on one another. Give thanks in these times of uncertainty we are blessed with the resources to reach new communities, care for the homeless and expand the Kingdom for His glory. Thank you for your faithful giving of resources, time and prayers as we share the good news of God's grace and love.

Respectfully submitted,

Blair Cooper

Treasurer

Non-Consolidated Financial Statements of

**FIRST ALLIANCE CHURCH
OF THE CHRISTIAN AND
MISSIONARY ALLIANCE**

And Independent Auditors' Report thereon

Year ended June 30, 2020

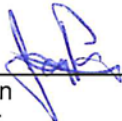
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The non-consolidated financial statements of First Alliance Church of the Christian and Missionary Alliance (the "Church") have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These non-consolidated financial statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the non-consolidated financial statements are presented fairly in all material respects.

The integrity and reliability of the Church's reporting systems are achieved through the use of internal controls comprising written policies, standards and procedures, a formal authorization structure, and satisfaction processes for reviewing internal controls and financial information. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Elders (the "Board") is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the non-consolidated financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee (the "Committee"). The Committee is appointed by the Board and meets periodically with management and the Church's external auditors to review significant accounting, reporting and internal control matters. Following its review of the non-consolidated financial statements and discussions with the auditors, the Committee reports to the Board prior to its approval of the non-consolidated financial statements. The Committee also considers, for review by the Board and approval by the members of the Church, the engagement or re-appointment of the external auditors.

The non-consolidated financial statements have been audited on behalf of the members by KPMG LLP, in accordance with Canadian generally accepted auditing standards.



James Paton
Lead Pastor



Blair Cooper
General Treasurer

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INDEPENDENT AUDITORS' REPORT

To the Members of First Alliance Church of the Christian and Missionary Alliance

Opinion

We have audited the non-consolidated financial statements of First Alliance Church of the Christian and Missionary Alliance (the Entity) which comprise:

- The non-consolidated statement of financial position as at June 30, 2020;
- the non-consolidated statements of operations and changes in fund balances for the year then ended;
- the non-consolidated statement of cash flows for the year then ended;
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at June 30, 2020, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

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 auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 the 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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity'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 the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Non-Consolidated Statement of Financial Position

June 30, 2020, with comparative information for 2019

	General Fund	Restricted funds			Total 2020	Total 2019
		Missions Fund	Capital Fund	Care Fund		
Assets						
Current assets:						
Cash and short term investments (note 2)	\$ 1,500,800	\$ 229,665	\$ 580,315	\$ 108,273	\$ -	\$ 2,419,053
Accounts receivable (note 3)	65,483	-	-	-	-	65,483
Prepaid expenses	59,280	2,029	-	-	-	61,309
Inventory	96,803	-	-	-	-	96,803
	1,722,366	231,694	580,315	108,273	-	2,642,648
Employee loan (note 4)	100,000	-	-	-	-	100,000
Capital assets (note 5)	-	-	28,139,116	-	-	28,139,116
	\$ 1,822,366	\$ 231,694	\$ 28,719,431	\$ 108,273	\$ -	\$ 30,881,764
						\$ 30,658,562
Liabilities and Fund Balances						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 288,108	\$ 216,947	\$ 22,302	\$ 3,781	\$ -	\$ 531,138
Deferred revenue (note 6)	220,222	-	-	-	-	220,222
Demand loans (note 7)	-	-	1,974,866	-	-	1,974,866
	508,330	216,947	1,997,168	3,781	-	2,726,226
						2,752,005
Fund balances:						
Unrestricted	814,036	14,747	558,013	104,492	-	1,491,288
Internally restricted	500,000	-	-	-	-	500,000
Invested in capital assets	-	-	26,164,250	-	-	26,164,250
	1,314,036	14,747	26,722,263	104,492	-	28,155,538
Commitments (note 8)						27,906,557
	\$ 1,822,366	\$ 231,694	\$ 28,719,431	\$ 108,273	\$ -	\$ 30,881,764
						\$ 30,658,562

See accompanying notes to non-consolidated financial statements.

Approved on behalf of the Board:

 Director

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Non-Consolidated Statement of Operations and Changes in Fund Balances

Year ended June 30, 2020, with comparative information for 2019

	General Fund		2019	Missions Fund	Capital Fund	Restricted Funds		Total 2020	Total 2019
	2020					Care Fund	The Exchange (Note 12)		
Revenues:									
Offerings									
General	\$ 5,474,640	\$ 5,279,743	\$	750,975	\$ 303,746	\$ 262,165	\$ 361,956	\$ 1,678,842	\$ 2,138,487
Designated	—	—	—	231,288	376,990	29,476	15,237	652,991	900,530
COVID Government relief	284,194	—	—	—	—	—	—	—	—
Earned revenues and recoveries									
(Schedule 1)	847,552	1,075,195		4,453	—	—	3,168	7,621	13,823
Gain on disposal of assets	—	—	—	—	—	—	—	—	11,576
	6,606,386	6,354,938		986,716	680,736	291,641	380,361	2,339,454	3,064,416
Expenses (Schedules 1 and 2):									
Staff costs	3,790,930	4,165,918		—	—	—	141,195	141,195	244,980
Ministry costs	975,734	1,072,304		1,028,326	—	281,868	422,256	1,732,450	1,736,409
Support costs	881,398	938,264		—	93,071	—	136,320	229,391	380,504
Amortization	—	—	—	—	945,761	—	—	945,761	938,553
	5,648,062	6,176,486		1,028,326	1,038,832	281,868	699,771	3,048,797	3,300,446
Excess (deficiency) of revenues over expenses	958,324	178,452		(41,610)	(358,096)	9,773	(319,410)	(709,343)	(236,030)
Fund balances, beginning of year	855,712	677,260		56,357	26,580,359	94,719	319,410	27,050,845	27,286,875
Interfund transfers	(500,000)	—	—	—	500,000	—	—	500,000	—
Fund balances, end of year	\$ 1,314,036	\$ 855,712	\$	14,747	\$ 26,722,263	\$ 104,492	\$	\$ 26,841,502	\$ 27,050,845

See accompanying notes to non-consolidated financial statements.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Non-Consolidated Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	General Fund		Missions Fund	Restricted Funds			Total 2020	Total 2019
	2020	2019		Capital Fund	Care Fund	The Exchange (Note 12)		
Cash provided by (used in):								
Operating activities:								
Offerings:								
General	\$ 5,474,640	\$ 5,279,743	\$ 750,975	\$ 303,746	\$ 262,165	\$ 361,956	\$ 1,678,842	\$ 2,138,487
Designated	—	—	231,288	376,990	29,476	15,237	652,991	900,530
COVID Government relief	284,194	—	—	—	—	—	—	—
Earned revenues								
and recoveries	1,046,935	1,132,580	4,453	—	—	3,168	7,621	13,823
Staff costs	(3,745,780)	(4,169,757)	—	—	—	(145,503)	(145,503)	(244,662)
Ministry costs	(976,209)	(1,063,368)	(916,619)	—	(280,005)	(430,971)	(1,627,595)	(1,771,722)
Support costs	(897,242)	(930,212)	—	(95,991)	—	(130,982)	(226,973)	(388,852)
	1,186,538	248,985	70,097	584,745	11,636	(327,095)	339,383	647,604
Investments:								
Purchase of capital assets	—	—	—	(329,661)	—	—	(329,661)	(215,323)
Proceeds on disposal of capital assets	—	—	—	—	—	61,451	61,451	14,128
Redemption of short term investments	—	—	—	—	—	—	—	300,000
Financing:								
Loan payments	—	—	—	(329,661)	—	61,451	(268,210)	98,805
Interfund transfers	(500,000)	—	—	(332,811)	—	—	(332,811)	(429,043)
	(500,000)	—	—	500,000	—	—	500,000	—
	(500,000)	—	—	167,189	—	—	167,189	(429,043)
Increase (decrease) in cash	686,538	248,985	70,097	422,273	11,636	(265,644)	238,362	317,366
Cash (overdraft), beginning of year (note 2)	49,285	(199,700)	159,568	(41,958)	96,637	265,644	479,891	162,525
Cash, end of year (note 2)	\$ 735,823	\$ 49,285	\$ 229,665	\$ 380,315	\$ 108,273	\$ —	\$ 718,253	\$ 479,891

See accompanying notes to non-consolidated financial statements.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements

Year ended June 30, 2020, with comparative information for 2019

Description of operations:

First Alliance Church of the Christian and Missionary Alliance (the "Church") is a not-for-profit organization incorporated under the Religious Societies Lands Act of Alberta. The Church is a registered charity within the meaning assigned under the Canadian Income Tax Act and accordingly is exempt from income taxes. The Church's mission is to introduce people to Jesus Christ, to grow together in full devotion to Him, and to reproduce this process in others.

1. Significant accounting policies:

The non-consolidated financial statements of the Church have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The non-consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Cash and cash equivalents:

Cash consists of cash on hand, deposits with third-party Canadian financial institutions and cheques issued in excess of cash. Highly-liquid investments with original maturities less than three months are considered to be cash equivalents.

(b) Short term investments:

Short term investments are highly-liquid investments with original maturities greater than three months or redeemable on demand.

(c) Inventory:

Inventory is comprised of groceries and bookstore merchandise and is valued at the lower of cost and net realizable value, as determined by management, with cost being determined on a First-In, First-Out ("FIFO") method. The use of inventories is reported in Schedule 1 under the ministry costs for the Harvest Ministries and the Library and Resource Centre. The expenses noted for these ministries activities consist primarily of the use of inventory. In the event that circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reserved.

(d) Capital assets:

Capital assets are recorded in the Capital Fund at cost less accumulated amortization. Purchased capital assets are recorded at cost and contributed capital assets are recognized at the fair value on the date of contribution, when fair value can be reasonably determined. Costs incurred while property is under construction is included in the cost of the asset. Amortization and interest paid on debt acquired to fund the construction are recorded as an expense in the Capital Fund.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 2

Year ended June 30, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(d) Capital assets (continued):

Capital assets are amortized on a straight-line basis over their estimated useful lives commencing when assets are placed into service over the following years:

Building	50
Computer equipment	4
Furniture and equipment	10
Parking lot	25

The Church regularly reviews its capital assets to eliminate obsolete or impaired items.

(e) Fund accounting:

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

The General Fund accounts for the Church's operations, program delivery and administration of the Church.

The Missions Fund accounts for offerings designated for local and global missions.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Church's capital assets and building expansion campaign.

The Care Fund accounts for offerings designated for assisting individuals and families who are experiencing financial and material needs so that the Church can minister to the whole person. The Care Fund also accounts for memorial services.

The Exchange reports the assets, liabilities, revenues and expenses related to the Church's Exchange Church program (note 12).

(f) Revenue recognition:

General offerings, which are 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.

Designated offerings, which are restricted contributions, related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Contributions received but not recognized as revenue are reported as deferred revenue of the General Fund. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 3

Year ended June 30, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(f) Revenue recognition (continued):

Earned revenue and recoveries are recognized as revenue when the services or goods are provided. Earned revenues included rental revenue, library sales, bookstore sales, Harvest sales of food, merchandise beverages, and others.

(g) Contributed services:

The Church receives the benefit of contributed services from numerous individuals in many service delivery capacities. Because of the difficulty in determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

(h) Future employee benefits:

The Church sponsors a defined contribution pension plan for eligible staff. Employer contributions are disclosed as retirement funds in the general fund schedule of expenses, earned revenues and recoveries (Schedule 1). This plan provides participants with an account balance at retirement based on the contributions made to the plan and investment income earned on the contributions based on investment decisions made by the participants.

(i) Financial instruments policy:

(i) Measurement:

The Church initially measures its financial assets and liabilities at fair value, and subsequently measures all financial assets and financial liabilities at amortized cost, except equity instruments quoted in an active market, which are reported at fair value with any unrealized gains and losses reported in excess (deficit) of revenues over expenses.

Financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable.

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

(ii) Impairment:

Financial assets subsequently measured at amortized cost are tested for impairment when there are indications that an impairment exists. The amount of write-down is recognized as an impairment loss in excess (deficit) of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of an improvement, provided it is not 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 (deficit) of revenues over expenses in the period the reversal occurs.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 4

Year ended June 30, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(i) Financial instruments policy (continued):

(iii) Transaction costs:

The Church recognizes transaction costs on financial instruments subsequently measured at fair value in excess (deficiency) of revenues over expenses in the period incurred. Financial instruments subsequently measured at amortized cost are adjusted for financing fees and transaction costs which are directly attributable to the origination and acquisition of the financial instruments.

(j) Measurement uncertainty:

The preparation of non-consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organization 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 non-consolidated financial statements and the reported amounts of revenues and expenses during the period. Estimates and assumptions include the estimated useful life of capital assets for amortization purposes, the net payable amount for vacation pay, and the non-recoverable amount of accounts receivable, inventory, and capital assets. By their nature, these estimates are subject to measurement uncertainty, and the effect on the non-consolidated financial statements of changes in such estimates in future period could be significant.

In January 2020, the World Health Organization declared the Novel Coronavirus ("COVID-19") outbreak a global health emergency and on March 11, 2020, it was declared a global pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of nonessential businesses, and physical distancing, have caused material disruption to businesses worldwide, resulting in an economic slowdown.

At the time of approval of these financial statements, First Alliance Church has reviewed its financial activities in response to the COVID-19 pandemic. These factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to First Alliance Church is not known at this time.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 5

Year ended June 30, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(j) Measurement uncertainty (continued):

As a result of the pandemic, the Church qualified for and received the Canada Emergency Wage Subsidy which have been recognized in the General Fund. The Church also negotiated terms with their lender for interest only payments for 6 months. There have been no other impacts to contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. The Church continues to use its capital assets and management has not assessed any impairment that needs to be recognized on these assets at June 30, 2020. The Church continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at June 30, 2020, the Church continues to meet its contractual obligations within normal payment terms and the Church's exposure to credit risk remains largely unchanged.

(k) Changes in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of new handbook sections in the Accounting Standards for Not-for-Profit Part III of the Handbook as follows:

- A. *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at July 1, 2019.

- B. *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at July 1, 2019.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 6

Year ended June 30, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(k) Changes in accounting policies (continued):

C. *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at July 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

2. Cash and short term investments:

The Church considers deposits in banks and investment certificates redeemable on demand as cash and cash equivalents as they are readily available to convert into cash.

	2020	2019
Cash on deposit	\$ 1,454,076	\$ 529,176
Investment certificates	964,977	933,189
	<u>\$ 2,419,053</u>	<u>\$ 1,462,365</u>

The rate of return on short term investments for the year was 1.95% to 3.45% (2019 – 3.45%).

3. Accounts receivable:

Included in accounts receivable is goods and services tax ("GST") recoverable of \$11,653 (2019 – \$18,137).

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 7

Year ended June 30, 2020, with comparative information for 2019

4. Employee loan:

	2020	2019
The housing loan is non-interest bearing and is secured by a mortgage and registerable charge against the related property. While there is no set repayment term, the loan is due within 30 days upon discontinued employment with the Church or disposition of the related property by the employee. If, for any reason, the amount is not repaid within thirty days of being called the loan will bear interest at the bank's prime rate plus 8%	\$ 100,000	\$ 100,000
	\$ 100,000	\$ 100,000

5. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Deerfoot campus				
Land	\$ 4,617,440	\$ —	\$ 4,617,440	\$ 4,617,440
Building	29,061,989	7,193,788	21,868,201	22,449,441
Computer equipment	1,144,874	803,223	341,651	267,155
Furniture and equipment	2,483,188	1,451,914	1,031,274	1,108,239
Parking lot	353,232	72,682	280,550	294,679
	37,660,723	9,521,607	28,139,116	28,736,954
The Exchange				
Computer equipment	—	—	—	34,376
Furniture and equipment	—	—	—	27,075
	—	—	—	61,451
	\$ 37,660,723	\$ 9,521,607	\$ 28,139,116	\$ 28,798,405

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 8

Year ended June 30, 2020, with comparative information for 2019

6. Deferred revenue:

The amounts representing deferred revenue are restricted externally in the manner in which such funds may be used. The restrictions are determined by arrangements between the Church and the specific parties involved in the programs:

	Opening balance	Additions during the year	Recognized as revenue	Ending balance
Events deposits	\$ 14,555	\$ 180,452	\$ 44,571	\$ 150,436
Events registrations	5,633	178,211	114,058	69,786
Summer camp registration	28,315	—	28,315	—
	\$ 48,503	\$ 358,663	\$ 186,944	\$ 220,222

7. Demand loans:

	2020	2019
Non-revolving demand term facility loan bearing interest at the bank's prime rate plus 0.50% per annum and repayable in blended monthly payments of \$45,000. The loan matures on March 6, 2021	\$ 1,974,866	\$ 2,307,677
	\$ 1,974,866	\$ 2,307,677

In addition to the above noted facilities, as at year end the Church had the following available:

A revolving demand facility loan with a \$600,000 limit (2019 – \$300,000) that bears interest at the bank's prime lending rate plus 0.50% per annum. As at June 30, 2020, \$nil (2019 – \$nil) was drawn on the facility.

A business credit card with a \$200,000 limit that is governed by a separate agreement. As at June 30, 2020, \$24,323 (2019 – \$25,593) was drawn on the credit card facility. These amounts are included in accounts payable and accrued liabilities on the non-consolidated statement of financial position.

All facility loans are secured by a general security agreement covering all of the assets of the Church and a collateral mortgage in the amount of \$16,000,000 on the land and building owned by the Church.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 9

Year ended June 30, 2020, with comparative information for 2019

7. Demand loans (continued):

Financial reporting requirements include annual audited non-consolidated financial statements to be provided to the bank within 120 days of each fiscal year end. Financial covenants require the Church to maintain a debt service coverage of not less than 1.10:1. The bank defines debt service coverage as the ratio of EBITDA plus advances from the syndicated mortgage, less unfunded capital expenditures to the total of interest expense and scheduled principal payments in respect of funded debt plus, without duplication, principal and interest payments in respect of the syndicated mortgage. As at June 30, 2020, the Church was in compliance with these requirements.

During the year the Church paid \$84,899 (2019 – \$109,518) in interest expense on its demand loans. Interest expense is included in the support cost of the Capital Fund.

8. Commitments:

The Church has lease commitments for facility and equipment. Subsequent to the year end, the Church entered into an office lease which commences on July 1, 2020 and will expire June 30, 2023. Also subsequent to the year end, the Church entered into a new lease for equipment from a related party, RGO Technologies Inc., which will expire August 31, 2025. Minimum payments for these leases, excluding annual operating costs, are as follows:

	Facility	Equipment	Total
2021	\$ 22,056	\$ 13,346	\$ 35,402
2022	22,056	16,014	38,070
2023	22,056	16,014	38,070
2024	—	16,014	16,014
2025	—	16,014	16,014
Thereafter	—	2,668	2,668
	<u>\$ 66,168</u>	<u>\$ 80,070</u>	<u>\$ 146,238</u>

As well, the Church has entered into an agreement with the Government of Canada to sponsor refugees. The Church acts as the main sponsor whereby refugee families that come to Calgary under this program are supported by the Church. Payments to refugees are only made when the families arrive in Calgary. As at June 30, 2020, the Church has committed to \$nil in sponsorship. During the year the church has paid the balance of the prior year commitment in the amount of \$40,370.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 10

Year ended June 30, 2020, with comparative information for 2019

9. Controlled entity:

The Church controls the Glenmore Christian Academy Educational Society (the "Society"), which owns and operates Glenmore Christian Academy ("GCA"). The Society is a registered charity whose purpose is to provide schooling for children from Kindergarten to Grade 9. The Church's Board of Elders are the members of the Society and as such appoint the Society's Board of Directors.

The financial statements of the Society have not been consolidated in the Church's financial statements. Financial statements of the Society are available on request. Financial summaries of this unconsolidated entity as at August 31 and for the year then ended are as follows (amounts in tables below are shown in \$000's):

	2019	2018
Financial position:		
Total assets	\$ 21,449	\$ 20,083
Total liabilities	4,921	5,291
Total net assets	16,528	14,792
	\$ 21,449	\$ 20,083
Results of operations		
Total revenues	\$ 12,049	\$ 11,339
Total expenses	10,313	9,975
Excess of revenues over expenses	\$ 1,736	\$ 1,364
	2019	2018
Cash flows		
Cash from operations	\$ 2,613	\$ 2,005
Cash used in investing activities	(1,058)	(337)
Cash used in financing activities	(401)	(1,284)
	\$ 1,154	\$ 384

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 11

Year ended June 30, 2020, with comparative information for 2019

9. Controlled entity (continued):

The Society financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. However, unlike the Church, the Society follows the deferral method of accounting for which restricted contributions are not recognized into revenue until the period in which the related expenses are incurred. Were the Society to recognize revenue under the fund method of accounting, the results of its operations and financial position could be significantly different than those noted above.

The resources of the Society are restricted in that \$322,000 (2019 – \$330,000) of funds are restricted for specific projects. In addition, as part of the Society's facility agreement, the long-term debt of \$611,000 (2019 – demand loan of \$1,028,511) is secured by a general security agreement covering all current and future assets of the Society in the amount of \$8,500,000 and the assignment of an insurance policy.

10. Related parties:

During the year, the Church entered into transactions with related parties, which consist of companies related to a member of the Board of Elders. Included in expenses is \$4,492 (2019 – \$21,368) paid to RGO Flooring Ltd. for offices supplies and furnishing and included in capital is \$1,128 (2019 – \$nil). The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Church has entered into a rental agreement with the Society for its SW Campus, starting September 1, 2019 and renews each year until terminated by either party. The Church has exclusive access to the theatre, theatre foyer, cafeteria, west gym and other rooms on Sunday mornings. The agreement will automatically renew annually, until terminated by either party with a written notice. Part of the agreement requires the Church and the Society to purchase certain equipment and the cost of this equipment will be shared equally. If the agreement is terminated by the Society, the book value of the equipment paid by the Church will be charged back to the Society.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 12

Year ended June 30, 2020, with comparative information for 2019

11. Financial instruments:

The Church is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the non-consolidated statement of financial position date.

(a) Credit risk:

Credit risk arises from the possibility that third parties may default on their financial obligations. The Church is exposed to credit risk on cash and cash equivalents and accounts receivable.

The Church's accounts receivable are due from a diverse group of customers and as such are subject to normal credit risks.

The Church's credit risk exposure on cash and cash equivalents is minimized substantially by ensuring that these instruments are held with large Canadian financial institutions.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk as further described below.

(i) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the reporting currency of the Church will fluctuate due to changes in foreign exchange rates. The Church is not exposed to foreign currency exchange risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Church is exposed to both interest rate risk and cash flow risk to the extent that its current demand loan facility is at a variable rate of interest.

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Church is not exposed to significant other price risk.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Notes to non-consolidated financial statements, page 13

Year ended June 30, 2020, with comparative information for 2019

11. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church prepares annual budgets for the General, Missions, Capital and Care Funds and actively monitors its cash flows from operating, investing and financing activities. The Church is exposed to liquidity risk by being dependent on continued offering for cash inflows and on the bank for renewing the facilities.

There have been no changes to risk exposures from 2019, other than potential impacts of the COVID-19 pandemic described in note 1(i).

12. The Exchange:

As noted above, The Exchange fund reports the assets, liabilities, revenues and expenses of the Church's Exchange Church Program (the "Program").

On September 13, 2019, the Program received its own registered charity status with the Canada Revenue Agency and thus became an independent entity called The Exchange Church (the "Exchange"). As of January 1, 2020, The Exchange Church commenced operating independently and no longer reports to the Church and is not considered a related entity.

As a result on January 1, 2020, the Church treated the transaction as a disposition and donated the net assets, including furniture, equipment, and cash and cash equivalents to the Exchange in the amount of \$337,850 bringing the balance in the fund to \$nil. There was no consideration received and the donation was recorded in the statement of operations of the Church as ministry costs. The balances in the Exchange fund included in the statement of operations represent the operations of the Program prior to disposition.

13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Schedule 1: General Fund Schedule of Expenses, Earned Revenues and Recoveries

Year ended June 30, 2020, with comparative figures for 2019

	2020		2019	
	Expenses	Earned Revenues and Recoveries	Expenses	Earned Revenues and Recoveries
Staff costs				
Employee benefits	\$ 327,554	\$ —	\$ 372,507	\$ —
Retirement funds	130,213	—	142,100	—
Salaries	3,333,163	62,700	3,651,311	66,610
	\$ 3,790,930	\$ 62,700	\$ 4,165,918	\$ 66,610
Ministry costs*				
Children's ministries	\$ 58,833	\$ 20,930	\$ 66,253	\$ 16,041
Communications and events	66,986	3,513	123,722	35,852
Community impact	59,224	635	4,638	575
Congregational care	7,807	—	8,348	—
Family and marriage	16,018	9,626	20,665	13,407
Global impact	8,299	787	11,607	20
Harvest ministries	320,012	316,136	368,745	396,157
Leadership development	6,628	5,319	10,633	610
Library and resource centre	77,652	93,827	106,216	143,470
Life connection	28,031	19,296	55,942	35,453
Life development	64,527	6,735	72,357	6,246
Seniors	18,254	11,419	18,732	13,058
Student's ministries	25,285	5,807	48,955	14,118
SW Campus	83,723	—	—	—
Technical arts	35,334	—	30,729	95
Worship arts	99,121	77,676	124,762	86,958
	\$ 975,734	\$ 571,706	\$ 1,072,304	\$ 762,060
Support costs*				
C. & M. A. district operating	\$ 159,323	\$ —	\$ 156,621	\$ —
Finance	137,858	—	111,484	—
Maintenance and repairs	192,194	—	195,265	—
Office administration	23,890	—	25,105	—
Pastoral administration	150,204	—	200,695	—
Rental and other revenues	—	213,146	—	246,465
Utilities	217,929	—	249,094	—
	\$ 881,398	\$ 213,146	\$ 938,264	\$ 246,465
Grand total	\$ 5,648,062	\$ 847,552	\$ 6,176,486	\$ 1,075,195

* Support costs and ministry costs are presented separately from staff costs.

FIRST ALLIANCE CHURCH OF THE CHRISTIAN AND MISSIONARY ALLIANCE

Schedule 2: Mission Fund Schedule of Expenses

Year ended June 30, 2020, with comparative figures for 2019

	Undesignated	Donor Designated	2020 Total
Alliance foreign missions	\$ 679,310	\$ 92,142	\$ 771,452
Alliance home missions	22,380	1,020	23,400
Ambrose University and other colleges, seminaries	11,190	716	11,906
Camp Chamisall	11,190	6,480	17,670
Commissioned missionaries	42,153	64,199	106,352
Other Christian organizations	10,000	9,101	19,101
Short-term missions	29,024	22,137	51,161
Sundry and administration charges	26,623	661	27,284
	\$ 831,870	\$ 196,456	\$ 1,028,326

	Undesignated	Donor Designated	2019 Total
Alliance foreign missions	\$ 735,000	\$ 119,118	\$ 854,118
Alliance home missions	27,000	1,020	28,020
Ambrose University and other colleges, seminaries	14,000	1,652	15,652
Camp Chamisall	14,000	8,918	22,918
Commissioned missionaries	41,740	60,560	102,300
Other Christian organizations	—	8,894	8,894
Short-term missions	33,486	169,924	203,410
Sundry and administration charges	32,187	977	33,164
	\$ 897,413	\$ 371,063	\$ 1,268,476

"Building lives that honour God ... all for Jesus."

We do this through ...

Connecting
in smaller groups

Growing
to become more like Jesus

Serving
God by serving others

Sharing
*the love and message of Jesus
wherever He places us.*



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