

Financial Statements of
SOUTHLAND CHURCH, INC.
July 31, 2023



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, 2023 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, the accompanying financial statements present fairly, in all material respects, the financial position of Southland Church, Inc. as at July 31, 2023, 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 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. 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

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.

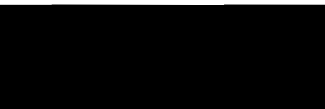
Auditor's Responsibility

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.



Chartered Professional Accountants



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SOUTHLAND CHURCH, INC.
Statement of Operations and Changes in Fund Balance -
General Fund
Year ended July 31, 2023

	2023	2022
RECEIPTS		
Donations	\$ 4,233,109	\$ 4,571,682
Interest	194,723	44,222
Fees and other recoveries	163,184	96,861
	4,591,016	4,712,765
DISBURSEMENTS		
Ministry costs		
Lead Pastor Ministry	32,097	32,510
Youth Ministry	6,706	4,428
Children's Ministry	1,243	2,633
Communications	3,166	3,416
Worship Ministry	17,606	19,239
Retreat and Seminar Ministry	10,430	8,670
Administrative Ministry	39,133	17,824
Pastoral Care Ministry	6,388	7,611
Adult Ministry	4,628	2,881
Welcome Ministry	88,681	42,313
Media Tech Ministry	126,443	162,960
Ministry Appreciation	31,967	5,538
Prayer Ministry	4,732	2,260
Charitable organizations support and outreach	186,717	255,000
	559,937	567,283
Salaries, benefits and allowances (Note 5)	1,485,591	1,638,348
Less: Canada Employment Wage Subsidy	-	(150,399)
Office administration	146,725	178,211
Facilities costs	608,788	567,755
	2,801,041	2,801,198
EXCESS OF RECEIPTS OVER DISBURSEMENTS	1,789,975	1,911,567
FUND BALANCE, BEGINNING OF YEAR	2,417,646	1,189,250
INTERFUND TRANSFERS (Note 7)	(514,709)	(683,171)
FUND BALANCE, END OF YEAR	\$ 3,692,912	\$ 2,417,646

SOUTHLAND CHURCH, INC.
Statement of Operations and Changes in Fund Balance -
Capital Fund
Year ended July 31, 2023

	<u>2023</u>	<u>2022</u>
RECEIPTS		
Donations	\$ -	\$ 7,461
CONTRIBUTION EXPENSE (Note 6)	-	2,834,994
DEPRECIATION OF FIXED ASSETS	1,787,345	2,020,541
	<u>1,787,345</u>	<u>4,855,535</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS AND DEPRECIATION	(1,787,345)	(4,848,074)
FUND BALANCE, BEGINNING OF YEAR	30,812,785	35,302,688
INTERFUND TRANSFERS FROM (Note 7):		
GENERAL FUND	121,709	39,413
CAMP FUND	15,333	318,758
FUND BALANCE, END OF YEAR	<u>\$ 29,162,482</u>	<u>\$ 30,812,785</u>

SOUTHLAND CHURCH, INC.

Statement of Operations and Changes in Fund Balances - Other Funds

Year ended July 31, 2023

	2023							
	Benevolent Fund	Project Africa Fund	Replacement Reserve Fund	Freedom House Fund	School of Ministers Fund	Camp Fund	Church Renewal Ministry Fund	Total
RECEIPTS								
Donations	\$ 72,336	\$ 93,588	\$ -	\$ -	\$ -	\$ 528,359	\$ 321,517	\$ 1,015,800
Fees and fundraising	-	-	-	-	-	177,779	-	177,779
	72,336	93,588	-	-	-	706,138	321,517	1,193,579
Gain on sale of fixed assets	-	-	-	-	-	33,500	-	33,500
	72,336	93,588	-	-	-	739,638	321,517	1,227,079
DISBURSEMENTS (Note 5)	112,225	170,301	9,588	-	-	647,313	476,234	1,415,661
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(39,889)	(76,713)	(9,588)	-	-	92,325	(154,717)	(188,582)
FUND BALANCE, BEGINNING OF YEAR	22,510	128,713	2,126,223	-	17,979	132,323	175,910	2,603,658
INTERFUND TRANSFERS (Note 7):								
From General Fund	30,000	63,000	300,000	-	-	-	-	393,000
To Capital Fund	-	-	-	-	-	(15,333)	-	(15,333)
From School of Ministers	-	-	-	-	(17,979)	-	-	(17,979)
To Church Renewal	-	-	-	-	-	-	17,979	17,979
FUND BALANCE, END OF YEAR	\$ 12,621	\$ 115,000	\$ 2,416,635	\$ -	\$ -	\$ 209,315	\$ 39,172	\$ 2,792,743
	2022							
	Benevolent Fund	Project Africa Fund	Replacement Reserve Fund	Freedom House Fund	School of Ministers Fund	Camp Fund	Church Renewal Ministry Fund	Total
RECEIPTS								
Donations	\$ 58,053	\$ 65,399	\$ -	\$ 2,470	\$ -	\$ 525,438	\$ 512,633	\$ 1,163,993
Fees and fundraising (Note 8)	-	-	-	-	-	87,499	-	87,499
	58,053	65,399	-	2,470	-	612,937	512,633	1,251,492
DISBURSEMENTS (Note 5)	72,357	136,031	76,762	22,496	-	516,125	336,948	1,160,719
CONTRIBUTION EXPENSE (Note 6)	-	-	-	-	-	-	772,000	(772,000)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(14,304)	(70,632)	(76,762)	(20,026)	-	96,812	(596,315)	(681,227)
FUND BALANCE, BEGINNING OF YEAR	11,814	199,345	1,902,985	20,026	17,979	35,511	772,225	2,959,885
INTERFUND TRANSFERS:								
From General Fund	25,000	-	300,000	-	-	318,758	-	643,758
To Capital Fund	-	-	-	-	-	(318,758)	-	(318,758)
FUND BALANCE, END OF YEAR	\$ 22,510	\$ 128,713	\$ 2,126,223	\$ -	\$ 17,979	\$ 132,323	\$ 175,910	\$ 2,603,658

SOUTHLAND CHURCH, INC.
Balance Sheet
July 31, 2023

	General Fund	Capital Fund	Other Funds (Schedule)	2023 Total	2022 Total
ASSETS					
CURRENT					
Cash	\$ 1,440,641	\$ -	\$ 2,792,743	\$ 4,233,384	\$ 5,127,944
Short Term Investments	2,200,000	-	-	2,200,000	-
Accounts receivable	306	-	-	306	40,539
Interest receivable	132,374	-	-	132,374	29,736
GST recoverable	3,173	-	-	3,173	882
Prepays and deposits	206,524	-	-	206,524	141,037
	3,983,018	-	2,792,743	6,775,761	5,340,138
FIXED ASSETS (Note 3)	-	29,162,482	-	29,162,482	30,812,785
	\$ 3,983,018	\$ 29,162,482	\$ 2,792,743	\$ 35,938,243	\$ 36,152,923
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 228,091	\$ -	\$ -	\$ 228,091	\$ 256,943
Deferred revenue	62,015	-	-	62,015	61,891
	290,106	-	-	290,106	318,834
COMMITMENTS (Note 8)					
FUND BALANCES					
Invested in fixed assets	-	29,162,482	-	29,162,482	30,812,785
Externally restricted	-	-	-	-	238,905
Internally restricted	-	-	2,792,743	2,792,743	2,364,753
Unrestricted	3,692,912	-	-	3,692,912	2,417,646
	3,692,912	29,162,482	2,792,743	35,648,137	35,834,089
	\$ 3,983,018	\$ 29,162,482	\$ 2,792,743	\$ 35,938,243	\$ 36,152,923

APPROVED BY THE BOARD

..... Director

SOUTHLAND CHURCH, INC.**Statement of Cash Flows**

Year ended July 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of receipts over disbursements:		
General Fund	\$ 1,789,975	\$ 1,911,567
Capital Fund	(1,787,345)	(4,848,074)
Benevolent Fund	(39,889)	(14,304)
Project Africa Fund	(76,713)	(70,632)
Replacement Reserve Fund	(9,588)	(76,762)
Freedom House Fund	-	(20,026)
Camp Fund	92,325	96,812
Church Renewal Ministry Fund	(154,717)	(596,315)
Items not affecting cash:		
Depreciation of fixed assets	1,787,345	2,020,541
Gain on sale of fixed assets	(33,500)	-
Donation of fixed assets	-	2,834,994
	1,567,893	1,237,801
Changes in non-cash operating working capital items:		
Accounts receivable	40,233	(40,539)
Interest receivable	(102,638)	(12,615)
GST recoverable	(2,291)	24,057
Prepays and deposits	(65,487)	(44,730)
Accounts payable and accrued liabilities	(28,852)	66,481
Deferred revenue	124	61,172
	1,408,982	1,291,627
INVESTING ACTIVITIES		
Change in restricted cash balances	(189,085)	356,227
Acquisition of fixed assets	(137,042)	(365,632)
Proceeds from sale of fixed assets	33,500	-
	(292,627)	(9,405)
NET INCREASE IN CASH POSITION	1,116,355	1,282,222
CASH POSITION, BEGINNING OF YEAR	2,524,286	1,242,064
CASH POSITION, END OF YEAR	\$ 3,640,641	\$ 2,524,286
Cash position is comprised of the following		
Cash	\$ 6,433,384	\$ 5,127,944
Less restricted cash - Schedule	(2,792,743)	(2,603,658)
	\$ 3,640,641	\$ 2,524,286

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2023

1. PURPOSE OF THE ORGANIZATION

Southland Church, Inc. (the "Church" or "Southland") 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, 2023

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, 2023

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

	2023		2022	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 665,855	\$ -	\$ 665,855	\$ 665,855
Buildings and components	40,753,105	13,927,575	26,825,530	28,254,224
Furniture and equipment	3,520,155	2,807,285	712,870	889,475
Audio-visual equipment	2,061,020	1,913,099	147,921	136,718
Land improvements	1,824,650	1,014,344	810,306	866,513
	\$ 48,824,786	\$ 19,662,303	\$ 29,162,482	\$ 30,812,785

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2023

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 7.20% plus 1.0%. The \$10,000,000 equity link line of credit bears interest at [REDACTED] variable standard rate (currently 7.20%). 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, 2023, 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>2023</u>	<u>2022</u>
Salaries, benefits, and allowances included in:		
General fund	\$ 1,412,326	\$ 1,638,348
Camp Fund	73,265	27,136
Church Renewal Ministry Fund	-	218,346
	<u>\$ 1,485,591</u>	<u>\$ 1,883,830</u>

6. EXTERNAL CONTRIBUTIONS

During the prior year, Church Renewal was granted charitable status as a separate legal entity and Southland distributed to them the accumulated funds that had been designated to the church renewal ministry over the years (net of expenses) in the amount of \$772,000.

On January 1, 2022, Southland gifted the land and buildings at [REDACTED] to Adult & Teen Challenge who will continue to carry out the vision of reaching those who struggle with life-controlling behaviors and helping them find freedom in Christ. The net book value of the donated assets was \$2,834,994 and has been recorded as a contribution expense in the Capital Fund in the prior year.

SOUTHLAND CHURCH, INC.
Notes to the Financial Statements
July 31, 2023

7. INTERFUND TRANSFERS

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

	2023		
	General Fund	Capital Fund	Other Funds
Camp Fund to Capital Fund	\$ -	\$ 15,333	\$ (15,333)
General Fund to Capital Fund	(121,709)	121,709	-
General Fund to Benevolent Fund	(30,000)	-	30,000
General Fund to Replacement Reserve	(300,000)	-	300,000
General Fund to Project Africa Fund	(63,000)	-	63,000
School of Ministry Fund	-	-	(17,979)
to Church Renewal Ministry Fund	-	-	17,979
	<u>\$ (514,709)</u>	<u>\$ 137,042</u>	<u>\$ 377,667</u>

8. COMMITMENTS

The Church leases office equipment under an operating lease which expires in November 2027. The annual lease payments during the next five years are as follows:

2024	\$ 26,904
2025	26,904
2026	26,904
2027	26,904
2028	13,452

9. RELATED PARTY TRANSACTIONS

During the prior year, companies controlled by Directors of the Church provided construction services to the Church in the amount of \$3,943. These transactions are in the normal course of operations and are measured at the exchange rate. There were no related party transactions in the current year.

SOUTHLAND CHURCH, INC.**Schedule of Other Funds**

July 31, 2023

	Benevolent Fund	Project Africa Fund	Replacement Reserve Fund	Freedom House Fund	School of Ministers Fund	Camp Fund	Church Renewal Ministry Fund	2023 Total	2022 Total
ASSETS									
CURRENT									
Cash - restricted	\$ 12,621	\$ 115,000	\$ 2,416,635	\$ -	\$ -	\$ 209,315	\$ 39,172	\$ 2,792,743	\$ 2,603,658
FUND BALANCES									
Externally restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,905
Internally restricted	12,621	115,000	2,416,635	-	-	209,315	39,172	2,792,743	2,364,753
	\$ 12,621	\$ 115,000	\$ 2,416,635	\$ -	\$ -	\$ 209,315	\$ 39,172	\$ 2,792,743	\$ 2,603,658