

REVIEW ENGAGEMENT REPORT

The Members

Vineyard Christian Fellowship

We have reviewed the statement of financial position of Vineyard Christian Fellowship as at December 31, 2006 and the statement of operations and changes in fund balances and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the society.

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

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Langley, British Columbia

September 12, 2007

d'Abadie Moody
Chartered Accountants

VINEYARD CHRISTIAN FELLOWSHIP
STATEMENT OF FINANCIAL POSITION

(Unaudited)

December 31, 2006

	<u>Operating Fund</u>	<u>Property and Equipment Fund</u>	<u>2006</u>	<u>2005</u>
ASSETS				
CURRENT				
Cash and equivalents	\$ 34,274	\$ -	\$ 34,274	\$ 9,591
Accounts receivable	375	-	375	-
	<u>34,649</u>	<u>-</u>	<u>34,649</u>	<u>9,591</u>
PROPERTY AND EQUIPMENT (Notes 2 & 3)	-	1,089,260	1,089,260	1,121,662
ASSETS UNDER CAPITAL LEASE (Notes 2 & 4)	-	1,655	1,655	6,868
	<u>\$ 34,649</u>	<u>\$ 1,090,915</u>	<u>\$ 1,125,564</u>	<u>\$ 1,138,121</u>
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable	\$ 22,044	\$ -	\$ 22,044	\$ 22,270
Current portion of term debt (Note 5)	70,062	34,009	104,071	111,130
Current portion of obligations under capital leases (Note 6)	-	6,495	6,495	6,989
	<u>92,106</u>	<u>40,504</u>	<u>132,610</u>	<u>140,389</u>
TERM DEBT (Note 5)	-	500,946	500,946	535,247
OBLIGATIONS UNDER CAPITAL LEASES (Note 6)	-	1,043	1,043	7,538
	<u>92,106</u>	<u>542,493</u>	<u>634,599</u>	<u>683,174</u>
FUND BALANCES				
Unrestricted	(57,457)	-	(57,457)	(92,655)
Invested in property and equipment	-	548,422	548,422	547,602
	<u>(57,457)</u>	<u>548,422</u>	<u>490,965</u>	<u>454,947</u>
	<u>\$ 34,649</u>	<u>\$ 1,090,915</u>	<u>\$ 1,125,564</u>	<u>\$ 1,138,121</u>

Approved by Directors

Director

Director

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

(Unaudited)

For the Year Ended December 31, 2006

	Operating Fund	Property and Equipment Fund	2006	2005
REVENUE				
Tithes and offerings	\$ 328,545	\$ -	\$ 328,545	\$ 300,034
Course fees	21,878	-	21,878	104,918
Facility & parking rentals	24,889	-	24,889	16,735
Bookstore income	5,311	-	5,311	52,060
Other income	3,172	-	3,172	16,758
	<u>383,795</u>	<u>-</u>	<u>383,795</u>	<u>490,505</u>
EXPENDITURES				
Salaries, wages & benefits	102,455	-	102,455	180,171
Administration (Schedule)	69,969	-	69,969	112,990
Amortization	-	40,999	40,999	52,969
Bad debts	4,421	-	4,421	-
Facilities overhead (Schedule)	62,176	-	62,176	85,628
Ministry expenses (Schedule)	59,783	-	59,783	54,716
Events, conferences & retreats	7,974	-	7,974	11,029
	<u>306,778</u>	<u>40,999</u>	<u>347,777</u>	<u>497,503</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	77,017	(40,999)	36,018	(6,998)
FUND BALANCES - Beginning of year	(92,655)	547,602	454,947	461,945
Interfund transfers	(41,819)	41,819	-	-
FUND BALANCES - End of year	<u>\$ (57,457)</u>	<u>\$ 548,422</u>	<u>\$ 490,965</u>	<u>\$ 454,947</u>

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP
STATEMENT OF CASH FLOWS

(Unaudited)

For the Year Ended December 31, 2006

	<u>Operating Fund</u>	<u>Property and Equipment Fund</u>	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenditures for the year	\$ 77,017	\$ (40,999)	\$ 36,018	\$ (6,998)
Items not affecting cash:				
Amortization	-	40,999	40,999	52,969
	77,017	-	77,017	45,971
Changes in non-cash working capital:				
Accounts receivable	(375)	-	(375)	5,585
Accounts payable	(226)	-	(226)	(4,895)
	76,416	-	76,416	46,661
INVESTING ACTIVITIES				
Purchase of property and equipment	-	(3,384)	(3,384)	(2,000)
Purchase of assets under capital lease	-	-	-	(3,308)
	-	(3,384)	(3,384)	(5,308)
FINANCING ACTIVITIES				
Net repayment of term debt	(9,914)	(31,446)	(41,360)	(39,996)
Net repayment of obligations under capital leases	-	(6,989)	(6,989)	(12,377)
	(9,914)	(38,435)	(48,349)	(52,373)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,502	(41,819)	24,683	(11,020)
CASH AND CASH EQUIVALENTS - Beginning of year	9,591	-	9,591	20,611
Interfund transfers	(41,819)	41,819	-	-
CASH AND CASH EQUIVALENTS - End of year	\$ 34,274	\$ -	\$ 34,274	\$ 9,591

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP
OPERATING FUND EXPENDITURES SCHEDULE

(Unaudited)

For the Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
Administration		
Bank charges and interest	\$ 2,515	\$ 4,516
Dues and subscriptions	1,132	1,126
Equipment lease and rental	10,089	1,223
Honorariums	12,680	23,995
Insurance	12,193	11,673
Interest - capital leases	1,126	2,751
Legal and accounting	2,400	2,675
Office, printing, and other	10,409	25,180
Professional fees	8,482	30,037
Telephone and internet	8,943	9,814
	<u>\$ 69,969</u>	<u>\$ 112,990</u>
Facilities overhead		
Interest - term debt	\$ 31,881	\$ 33,113
Property tax	556	474
Rent	700	7,700
Repairs and maintenance	15,039	29,236
Security system	833	487
Utilities	13,167	14,618
	<u>\$ 62,176</u>	<u>\$ 85,628</u>
Ministry expenses		
Benevolence	\$ 39,052	\$ 36,890
Designated funds	7,743	8,223
Outreach	480	120
Supplies	440	2,476
Tithes	12,068	7,007
	<u>\$ 59,783</u>	<u>\$ 54,716</u>

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2006

1. PURPOSE OF ORGANIZATION

To develop and maintain a church body of believers in accordance with the Holy Scriptures, dedicated to doing the will of God on earth.

Vineyard Christian Fellowship is incorporated under the Society Act of British Columbia and is also a registered charity under the Income Tax Act and as such is not subject to income taxes.

2. ACCOUNTING POLICIES

Operations

These financial statements reflect the financial affairs of the society without ascribing values to volunteer time.

Fund accounting

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

The Operating Fund accounts for the society's program delivery and administration. This fund reports unrestricted resources.

The Property and Equipment Fund reports the assets, liabilities, revenues and expenditures of the society's property and equipment.

Property and equipment

Property and equipment are recorded at cost with amortization recorded on the straight line basis over their estimated useful lives as follows:

Building	40 years
Furniture	5 years
Computer and media equipment	3 years
Vehicle	5 years

Revenue recognition

Unrestricted donations are recognized as revenue of the operating fund in the year received or receivable.

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2006

2. **ACCOUNTING POLICIES (continued)**

Assets under capital lease

Assets under capital lease are recorded at cost with amortization recorded on the straight line basis over five years.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the evaluation of amounts payable and accrued liabilities and the determination of useful lives of property and equipment for the purposes of calculating amortization.

3. **PROPERTY AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2006</u>	<u>2005</u>
Land	\$ 797,000	\$ -	\$ 797,000	\$ 797,000
Building	337,891	50,682	287,209	295,655
Furniture	153,880	153,880	-	23,107
Computer and media equipment	211,414	207,663	3,751	4,200
Vehicle	<u>2,000</u>	<u>700</u>	<u>1,300</u>	<u>1,700</u>
	<u>\$ 1,502,185</u>	<u>\$ 412,925</u>	<u>\$ 1,089,260</u>	<u>\$ 1,121,662</u>

4. **ASSETS UNDER CAPITAL LEASE**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2006</u>	<u>2005</u>
Equipment	\$ <u>27,971</u>	\$ <u>26,316</u>	\$ <u>1,655</u>	\$ <u>6,868</u>

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2006

5. **TERM DEBT**

	<u>Operating Fund</u>	<u>Property and Equipment Fund</u>	<u>2006</u>	<u>2005</u>
Envision Credit Union:				
Demand Loan	\$ 70,062	\$ -	\$ 70,062	\$ 79,976
Commercial mortgage	<u>-</u>	<u>534,955</u>	<u>534,955</u>	<u>566,401</u>
	70,062	534,955	605,017	646,377
Less current portion	<u>70,062</u>	<u>34,009</u>	<u>104,071</u>	<u>111,130</u>
	<u>\$ -</u>	<u>\$ 500,946</u>	<u>\$ 500,946</u>	<u>\$ 535,247</u>

Demand loan is repayable in monthly instalments of \$1,507 including interest at Envision prime rate, secured by a promissory note, a second mortgage and assignment of rents.

Commercial mortgage was renewed in February 2007. Under the new terms the mortgage is repayable in blended monthly instalments of \$5,446 including interest at prime plus 1% per annum, due February 2008, secured by land and building.

Principal repayments over the next five years are estimated to be:

2007	\$ 100,766
2008	31,544
2009	33,790
2010	36,197
2011	38,775

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2006

6. **OBLIGATIONS UNDER CAPITAL LEASES**

	<u>2006</u>	<u>2005</u>
Dell equipment lease payable in blended monthly instalments of \$148 including implied interest at 10.7% per annum.	\$ 580	\$ 2,201
Com Pro Business Solutions Ltd. lease payable in blended monthly instalments of \$528 including implied interest at 9.75% per annum.	6,958	12,326
	7,538	14,527
Amounts payable within one year:	6,495	6,989
	\$ <u>1,043</u>	\$ <u>7,538</u>

The following is a schedule of future minimum lease payments under the capital leases:

	2007	\$ 6,927
	2008	1,056
Total future minimum lease payments		7,983
Less amount representing interest		<u>445</u>
Present value of minimum net lease payments		\$ <u>7,538</u>

VINEYARD CHRISTIAN FELLOWSHIP
NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2006

7. RELATED PARTY TRANSACTIONS

The following is a summary of the society's related party transactions:

	<u>2006</u>	<u>2005</u>
Association of Vineyard Churches of Canada (Related by common purpose)		
Tithes expenses	\$ <u>12,068</u>	\$ <u>4,700</u>

8. FINANCIAL INSTRUMENTS

The society's financial instruments consist of cash and equivalents, accounts receivable, accounts payable, term debt and obligations under capital leases. Unless otherwise noted, it is management's opinion that the society is not exposed to significant interest or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying value.

9. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.