

REVIEW ENGAGEMENT REPORT

The Members

Vineyard Christian Fellowship

We have reviewed the statement of financial position of Vineyard Christian Fellowship as at December 31, 2005 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.

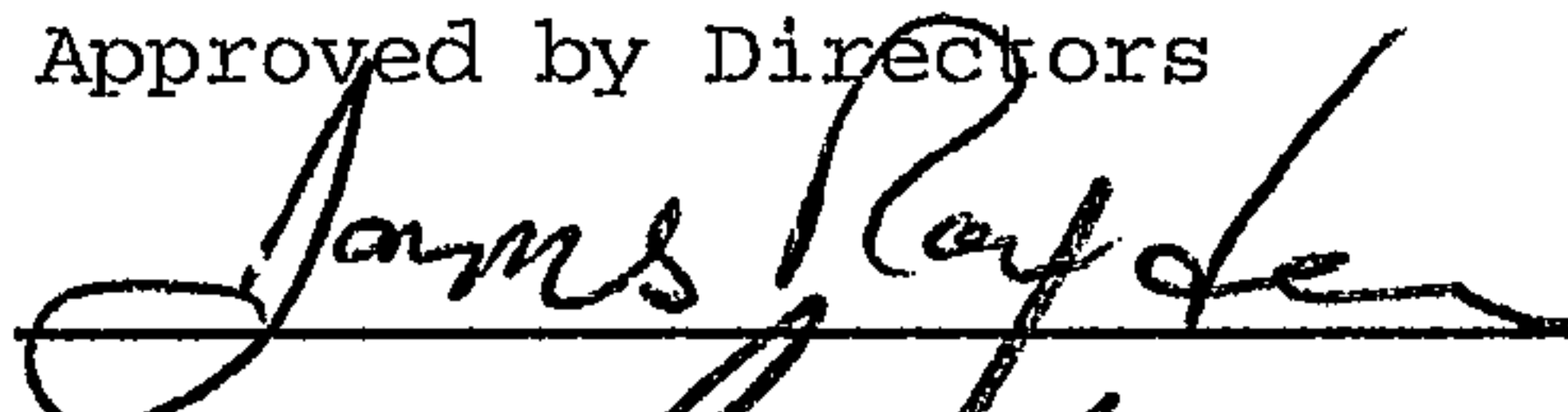
Langley, British Columbia

d'Abadie Moody
Chartered Accountants


VINEYARD CHRISTIAN FELLOWSHIP
STATEMENT OF FINANCIAL POSITION
(Unaudited)
December 31, 2005

	<u>Operating Fund</u>	<u>Property and Equipment Fund</u>	<u>2005</u>	<u>2004</u>
ASSETS				
CURRENT				
Cash and equivalents	\$ 9,591	\$ -	\$ 9,591	\$ 20,611
Accounts receivable	-	-	-	5,585
	<u>9,591</u>	<u>-</u>	<u>9,591</u>	<u>26,196</u>
PROPERTY AND EQUIPMENT (Notes 2 & 3)	-	1,121,662	1,121,662	1,163,860
ASSETS UNDER CAPITAL LEASE (Notes 2 & 4)	-	6,868	6,868	12,331
	<u>\$ 9,591</u>	<u>\$ 1,128,530</u>	<u>\$ 1,138,121</u>	<u>\$ 1,202,387</u>
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable	\$ 22,270	\$ -	\$ 22,270	\$ 27,165
Current portion of term debt (Note 5)	79,976	31,154	111,130	39,705
Current portion of obligations under capital leases (Note 6)	-	6,989	6,989	14,577
	<u>102,246</u>	<u>38,143</u>	<u>140,389</u>	<u>81,447</u>
TERM DEBT (Note 5)	-	535,247	535,247	646,668
OBLIGATIONS UNDER CAPITAL LEASES (Note 6)	-	7,538	7,538	12,327
	<u>102,246</u>	<u>580,928</u>	<u>683,174</u>	<u>740,442</u>
FUND BALANCES				
Unrestricted	(92,655)		(92,655)	(90,953)
Invested in property and equipment	-	547,602	547,602	552,898
	<u>(92,655)</u>	<u>547,602</u>	<u>454,947</u>	<u>461,945</u>
	<u>\$ 9,591</u>	<u>\$ 1,128,530</u>	<u>\$ 1,138,121</u>	<u>\$ 1,202,387</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, 2005

	Operating Fund	Property and Equipment Fund	2005	2004
REVENUE				
Tithes and offerings	\$ 300,034	\$ -	\$ 300,034	\$ 358,864
Course fees	104,918	-	104,918	95,886
Facility & parking rentals	16,735	-	16,735	15,609
Bookstore income	52,060	-	52,060	13,146
Other income	16,758	-	16,758	5,979
	<u>490,505</u>	<u>-</u>	<u>490,505</u>	<u>489,484</u>
EXPENDITURES				
Salaries, wages & benefits	180,171	-	180,171	161,765
Administration (Schedule)	112,990	-	112,990	60,261
Amortization		52,969	52,969	108,473
Facilities overhead (Schedule)	85,628	-	85,628	101,026
Ministry expenses (Schedule)	54,716	-	54,716	65,558
Events, conferences & retreats	11,029	-	11,029	40,510
	<u>444,534</u>	<u>52,969</u>	<u>497,503</u>	<u>537,593</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	45,971	(52,969)	(6,998)	(48,109)
FUND BALANCES - Beginning of year	(90,953)	552,898	461,945	510,054
Interfund transfers	(47,673)	47,673	-	-
FUND BALANCES - End of year	<u>\$ (92,655)</u>	<u>\$ 547,602</u>	<u>\$ 454,947</u>	<u>\$ 461,945</u>

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP
STATEMENT OF CASH FLOWS
(Unaudited)
For the Year Ended December 31, 2005

	<u>Operating Fund</u>	<u>Property and Equipment Fund</u>	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenditures for the year	\$ 45,971	\$ (52,969)	\$ (6,998)	\$ (48,109)
Items not affecting cash:				
Amortization	-	52,969	52,969	108,473
	45,971	-	45,971	60,364
Changes in non-cash working capital:				
Accounts receivable	5,585	-	5,585	690
Accounts payable	(4,895)	-	(4,895)	(1,359)
	46,661	-	46,661	59,695
INVESTING ACTIVITIES				
Purchase of property and equipment	-	(2,000)	(2,000)	(5,589)
Purchase of assets under capital lease	-	(3,308)	(3,308)	-
	-	(5,308)	(5,308)	(5,589)
FINANCING ACTIVITIES				
Net repayment of term debt	(10,008)	(29,988)	(39,996)	(38,263)
Net repayment of obligations under capital leases	-	(12,377)	(12,377)	(11,594)
	(10,008)	(42,365)	(52,373)	(49,857)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,653	(47,673)	(11,020)	4,249
CASH AND CASH EQUIVALENTS - Beginning of year	20,611	-	20,611	16,362
Interfund transfers	(46,565)	46,565	-	-
CASH AND CASH EQUIVALENTS - End of year	\$ <u>10,699</u>	\$ <u>(1,108)</u>	\$ <u>9,591</u>	\$ <u>20,611</u>

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP
OPERATING FUND EXPENDITURES SCHEDULE

(Unaudited)

For the Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Administration		
Bank charges and interest	\$ 4,516	\$ 2,678
Dues and subscriptions	1,126	709
Entertainment	58	27
Honorariums	23,995	19,968
Insurance	11,673	8,700
Interest - capital leases	2,751	4,522
Legal and accounting	2,675	2,500
Office, printing, and other	25,359	12,915
Postage and courier	986	159
Professional fees	30,037	6,900
Telephone and internet	9,814	5,704
	<u>\$ 112,990</u>	<u>\$ 64,782</u>
Facilities overhead		
Interest - term debt	\$ 33,113	\$ 35,425
Property tax	474	952
Rent	7,700	2,100
Repairs and maintenance	29,236	47,639
Security system	487	511
Utilities	14,618	11,978
	<u>\$ 85,628</u>	<u>\$ 98,605</u>
Ministry expenses		
Benevolence	\$ 36,890	\$ 44,054
Designated funds	8,223	2,770
Outreach	120	1,385
Supplies	2,476	11,698
Tithes	7,007	5,651
	<u>\$ 54,716</u>	<u>\$ 65,558</u>

See Accompanying Notes to the Financial Statements

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2005

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, 2005

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>2005</u>	<u>2004</u>
Land	\$ 797,000	\$ -	\$ 797,000	\$ 797,000
Building	337,891	42,236	295,655	304,103
Furniture	153,880	130,773	23,107	53,883
Computer and media equipment	208,031	203,831	4,200	8,874
Vehicle	<u>2,000</u>	<u>300</u>	<u>1,700</u>	<u>-</u>
	<u>\$ 1,498,802</u>	<u>\$ 377,140</u>	<u>\$ 1,121,662</u>	<u>\$ 1,163,860</u>

4. **ASSETS UNDER CAPITAL LEASE**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2005</u>	<u>2004</u>
Equipment	<u>\$ 27,971</u>	<u>\$ 21,103</u>	<u>\$ 6,868</u>	<u>\$ 12,331</u>

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2005

5. TERM DEBT

	<u>Operating Fund</u>	<u>Property and Equipment Fund</u>	<u>2005</u>	<u>2004</u>
Envision Credit Union:				
Demand Loan	\$ 79,976	\$ -	\$ 79,976	\$ 89,984
Commercial mortgage	<u>-</u>	<u>566,401</u>	<u>566,401</u>	<u>596,389</u>
	79,976	566,401	646,377	686,373
Less current portion	<u>79,976</u>	<u>31,154</u>	<u>111,130</u>	<u>39,705</u>
	<u>\$ -</u>	<u>\$ 535,247</u>	<u>\$ 535,247</u>	<u>\$ 646,668</u>

Demand loan is repayable in monthly instalments of \$834 plus interest at Envision prime rate, secured by a promissory note, a second mortgage and assignment of rents.

Commercial mortgage is repayable in blended monthly instalments of \$4,807 including interest at 4.8% per annum, due March 2006, secured by land and building. Subsequent to year-end, the mortgage was renewed on a month to month basis under the existing terms pending receipt of the year-end financial statements

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

2006	\$ 41,162
2007	42,691
2008	44,295
2009	45,977
2010	47,742

VINEYARD CHRISTIAN FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2005

6. **OBLIGATIONS UNDER CAPITAL LEASES**

	<u>2005</u>	<u>2004</u>
CIT equipment lease payable in blended monthly instalments of \$428 including implied interest at 17.32% per annum.	\$ -	\$ 4,988
Dell equipment lease payable in blended monthly instalments of \$75 including implied interest at 18% per annum.	-	763
Dell equipment lease payable in blended monthly instalments of \$148 including implied interest at 10.7% per annum.	2,201	-
Com Pro Business Solutions Ltd. lease payable in blended monthly instalments of \$528 including implied interest at 9.75% per annum.	12,326	17,197
Dell equipment lease payable in blended monthly instalments of \$312 including implied interest at 20.25% per annum.	<u>-</u>	<u>3,956</u>
	14,527	26,904
Amounts payable within one year:	<u>6,989</u>	<u>14,577</u>
	\$ <u>7,538</u>	\$ <u>12,327</u>

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

2006	\$ 8,112
2007	6,927
2008	<u>1,056</u>
Total future minimum lease payments	16,095
Less amount representing interest	<u>1,568</u>
Present value of minimum net lease payments	\$ <u>14,527</u>

VINEYARD CHRISTIAN FELLOWSHIP
NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

December 31, 2005

7. RELATED PARTY TRANSACTIONS

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

	<u>2005</u>	<u>2004</u>
Association of Vineyard Churches of Canada (Related by common purpose) Tithes expenses	\$ <u>4,700</u>	\$ <u>5,651</u>

8. FINANCIAL INSTRUMENTS

The society's financial instruments consist of cash and equivalents, accounts receivable, accounts payable, term debt and obligation 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.