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**CHARTWELL BAPTIST CHURCH  
(CLARKSON VILLAGE) INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Members  
Chartwell Baptist Church (Clarkson Village) Inc.  
MISSISSAUGA  
Ontario

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Chartwell Baptist Church (Clarkson Village) Inc., which comprise the statement of financial position as at June 30, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

As is common with many charitable organizations, Chartwell Baptist Church (Clarkson Village) Inc. derives part of its revenues from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of Chartwell Baptist Church (Clarkson Village) Inc. and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and fund balances.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Chartwell Baptist Church (Clarkson Village) Inc. as at June 30, 2018 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.



NORTON McMULLEN LLP  
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada  
November 5, 2018

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**CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.****STATEMENT OF FINANCIAL POSITION**

As at June 30,

2018

2017

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**ASSETS****Current**

Cash	\$ 140,903	\$ 34,693
Restricted Cash	100,501	86,854
Sales taxes recoverable	6,645	5,812
Prepaid and other	6,577	24,703
	<u>\$ 254,626</u>	<u>\$ 152,062</u>

**Capital Assets (Note 2)**846,641      847,946\$ 1,101,267      \$ 1,000,008

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**LIABILITIES****Current**

Accounts payable and accrued liabilities	\$ 73,411	\$ 71,359
Deferred donation revenue (Note 3)	71,604	68,795
	<u>\$ 145,015</u>	<u>\$ 140,154</u>

**FUND BALANCES**

General Fund	\$ 7,516	\$ (6,151)
Restricted Mission Fund	28,897	18,059
Capital Asset Fund	846,641	847,946
Clarkson Designated Fund	73,198	-
	<u>\$ 956,252</u>	<u>\$ 859,854</u>
	<u>\$ 1,101,267</u>	<u>\$ 1,000,008</u>

**Contingency (Note 8)**

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Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes

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**CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.****STATEMENT OF CHANGES IN FUND BALANCES**For the year ended June 30,

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	2018				2017	
	GENERAL FUND	RESTRICTED MISSION FUND	CAPITAL ASSET FUND	CLARKSON DESIGNATED FUND	TOTAL	TOTAL
<b>FUND BALANCES - Beginning</b>	\$ (6,151)	\$ 18,059	\$ 847,946	\$ -	\$ 859,854	\$ 877,544
Excess (deficiency) of revenues over expenses	36,064	10,838	(23,702)	73,198	96,398	(17,691)
Interfund transfers (Note 6)	<u>(22,397)</u>	<u>-</u>	<u>22,397</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 7,516</u>	<u>\$ 28,897</u>	<u>\$ 846,641</u>	<u>\$ 73,198</u>	<u>\$ 956,252</u>	<u>\$ 859,853</u>

See accompanying notes

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# CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.

## STATEMENT OF OPERATIONS

For the year ended June 30,

	2018				2017	
	GENERAL FUND	RESTRICTED MISSION FUND	CAPITAL ASSET FUND	CLARKSON DESIGNATED FUND	TOTAL	TOTAL
<b>REVENUES</b>						
Donations	\$ 518,384	\$ 38,939	\$ -	\$ 73,198	\$ 630,521	\$ 508,583
Saga Day Camp	103,057	-	-	-	103,057	99,195
Rental	10,182	-	-	-	10,182	3,371
Other revenue	2,325	-	-	-	2,325	327
	<u>\$ 633,948</u>	<u>\$ 38,939</u>	<u>\$ -</u>	<u>\$ 73,198</u>	<u>\$ 746,085</u>	<u>\$ 611,476</u>
<b>EXPENSES</b>						
Church operations (Note 4)	\$ 455,975	\$ -	\$ -	\$ -	\$ 455,975	\$ 452,394
Mission expenses (Note 5)	141,909	28,101	-	-	170,010	153,494
Amortization of capital assets	-	-	23,702	-	23,702	23,279
	<u>\$ 597,884</u>	<u>\$ 28,101</u>	<u>\$ 23,702</u>	<u>\$ -</u>	<u>\$ 649,687</u>	<u>\$ 629,167</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>\$ 36,064</u>	<u>\$ 10,838</u>	<u>\$ (23,702)</u>	<u>\$ 73,198</u>	<u>\$ 96,398</u>	<u>\$ (17,691)</u>

See accompanying notes

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**CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.****STATEMENT OF CASH FLOWS**

For the year ended June 30,

2018

2017

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**CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):****OPERATING ACTIVITIES**

Deficiency of revenues over expenses	\$ 96,398	\$ (17,691)
Items not affecting cash:		
Amortization of capital assets	<u>23,702</u>	<u>23,279</u>
	\$ 120,100	\$ 5,588

## Net change in non-cash working capital balances:

Sales taxes recoverable	(833)	5,265
Prepaid and other	18,126	9,681
Accounts payable and accrued liabilities	2,052	4,695
Deferred donation revenue	<u>2,809</u>	<u>51,680</u>
	\$ 142,254	\$ 76,909

**INVESTING ACTIVITIES**

Purchase of capital assets	<u>(22,397)</u>	<u>-</u>
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**INCREASE IN CASH**

	\$ 119,857	\$ 76,909
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**CASH - Beginning**

	<u>121,547</u>	<u>44,638</u>
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**CASH - Ending**

	<u>\$ 241,404</u>	<u>\$ 121,547</u>
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**SUPPLEMENTARY CASH FLOW INFORMATION**

## Cash is allocated as follows:

Unrestricted cash	\$ 140,903	\$ 34,693
Restricted cash	<u>100,501</u>	<u>86,854</u>
	<u>\$ 241,404</u>	<u>\$ 121,547</u>

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# CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NATURE OF OPERATIONS

Chartwell Baptist Church (Clarkson Village) Inc. (the "Church") exists to preach and advance the Christian faith through teaching and ministry and to evangelize at home and abroad. The Church was incorporated under letters patent on June 29, 2010, commenced operations as a registered charity under the Income Tax Act on January 1, 2011 and as such is exempt from income taxes.

### 1. 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) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

Significant estimates include the estimated useful life of capital assets.

#### b) Fund Accounting

Resources are classified into funds according to the activity or objective specified as follows:

**The General Fund** reports assets, liabilities, revenues and expenses for the operating activities of the Church.

**The Restricted Mission Fund** reports the assets, liabilities, revenues and expenses for designated donations which are restricted externally by donors for mission purposes.

**The Capital Asset Fund** reflects the assets, liabilities, revenues and expenses related to the capital assets and any related loans used to finance their acquisition.

**The Clarkson Designated Fund** is utilized at the Board's discretion for revenues and expenses generally not provided for in the annual operating budget.

#### c) Cash and Cash Equivalents

Cash and cash equivalents consists of cash held in the bank.

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# CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### d) Capital Assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and methods:

	<u>Rate</u>	<u>Method</u>
Building	4%	declining balance
Office furniture and equipment	20%	declining balance
Computer equipment	30%	declining balance

#### e) Impairment of Capital Assets

When a capital asset no longer has any long-term service potential to the Church, the excess of its net carrying amount over any residual value is recognized as an expense in the Capital Asset Fund.

#### f) Revenue Recognition

The Church follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which there is no fund are recorded in accordance with the deferral method. Unrestricted contributions are recognized as revenues in the General Fund.

Saga Day Camp, rental and other revenue are recognized as revenue when earned and collection is reasonably assured.

#### g) Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time toward the operations of the Church. The value of this contributed time is not reflected in these financial statements as such value is not capable of reasonable estimation.



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# CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### h) Financial Instruments

##### Measurement of Financial Instruments

The Church initially measures its financial assets and liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The Church has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

##### Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess (deficiency) of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

### 2. CAPITAL ASSETS

Capital assets consist of the following:

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
Building	555,070	146,306	408,764	425,796
Office furniture and equipment	76,417	39,418	36,999	21,053
Computer equipment	2,977	2,099	878	1,097
	<u>\$ 1,034,464</u>	<u>\$ 187,823</u>	<u>\$ 846,641</u>	<u>\$ 847,946</u>

Included in building and land is property located at 1880 Lakeshore Road West, Mississauga, which is co-owned by the Church and a third party on an equal basis. The Church's proportionate share (at cost) is as follows:

	2018
Land	\$ 400,000
Building	<u>555,070</u>
	<u>\$ 955,070</u>

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# CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 3. DEFERRED DONATION REVENUE

Deferred donation revenue represents restricted operating donations received in the current period that were unspent at the fiscal year-end. Changes in the deferred donation revenue balances are as follows:

	2018	2017
<b>Balance - Beginning</b>	\$ 68,795	\$ 17,115
Add: amounts received	152,456	162,441
Less: amounts recognized as revenue	<u>(149,647)</u>	<u>(110,761)</u>
<b>Balance - Ending</b>	<u>\$ 71,604</u>	<u>\$ 68,795</u>

### 4. CHURCH OPERATIONS

Church operations expenses consist of the following:

	2018	2017
Ministry	\$ 342,526	\$ 341,533
Property and maintenance	58,019	55,162
Finance and administration	40,859	39,240
Christian education	9,280	11,619
Communication and fellowship	<u>5,291</u>	<u>4,840</u>
	<u>\$ 455,975</u>	<u>\$ 452,394</u>

### 5. MISSIONS

Missions expenses of the General Fund consist of the following:

	2018	2017
Local outreach	\$ 124,909	\$ 118,713
Foreign	9,000	8,000
National	<u>8,000</u>	<u>7,000</u>
	<u>\$ 141,909</u>	<u>\$ 133,713</u>

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# CHARTWELL BAPTIST CHURCH (CLARKSON VILLAGE) INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 6. INTERFUND TRANSFERS

The General Fund transferred \$22,397 (2017 - \$nil) to the Capital Asset Fund. This transfer is done on an annual basis to provide funding for capital asset acquisitions.

### 7. FINANCIAL INSTRUMENTS

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church's exposure to and concentrations of risk at June 30, 2018:

#### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Church is not exposed to any significant credit risk and there has been no change in assessment of credit risk from the prior year.

#### b) Liquidity Risk

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Church manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

#### c) 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 comprises three types of risk: currency risk, interest rate risk, and price risk. The Church is not exposed to significant market risk.