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**CLARKSON COMMUNITY CHURCH**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Clarkson Community Church  
MISSISSAUGA  
Ontario

### *Qualified Opinion*

We have audited the accompanying financial statements of Clarkson Community Church which comprise the statement of financial position as at June 30, 2019 and the statement of changes in fund balances, statement of operations - general fund, statement of operations - saga fund, and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2019 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.

### *Basis for Qualified Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 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 qualified opinion.

As is common with many charitable organizations, Clarkson Community Church derives part of its revenue 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 Clarkson Community Church 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.

### *Responsibilities of Management and Those Charged with Governance 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.

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.

*Auditor's 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 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 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 these 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 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 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.

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.

*Norton McMullen LLP*

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

December 1, 2019

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**CLARKSON COMMUNITY CHURCH**  
**STATEMENT OF FINANCIAL POSITION**

As at June 30,	2019	2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 157,440	\$ 140,903
Restricted cash	102,169	100,501
Sales taxes recoverable	3,659	6,645
Prepaid and other	3,770	6,577
	<u>\$ 267,038</u>	<u>\$ 254,626</u>
<b>Capital Assets (Note 2)</b>	<u>822,715</u>	<u>846,641</u>
	<u>\$ 1,089,753</u>	<u>\$ 1,101,267</u>

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**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 60,763	\$ 73,411
Deferred donation revenue (Note 3)	82,982	71,604
	<u>\$ 143,745</u>	<u>\$ 145,015</u>

**FUND BALANCES**

General Fund	\$ 24,122	\$ 7,516
Saga Fund	6,786	-
Restricted Mission Fund	19,187	28,897
Capital Asset Fund	822,715	846,641
Clarkson Designated Fund	73,198	73,198
	<u>\$ 946,008</u>	<u>\$ 956,252</u>
	<u>\$ 1,089,753</u>	<u>\$ 1,101,267</u>

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Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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**CLARKSON COMMUNITY CHURCH**  
**STATEMENT OF CHANGES IN FUND BALANCES**

For the year ended June 30, 2019

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	Balance - Beginning	Revenues	Expenses	Transfers (Note 4)	Balance - Ending
<b>General Fund</b> (Page 5)	<u>\$ 7,516</u>	<u>\$ 509,275</u>	<u>\$ 492,669</u>	<u>\$ -</u>	<u>\$ 24,122</u>
<b>Saga Fund</b> (Page 6)	<u>\$ -</u>	<u>\$ 109,846</u>	<u>\$ 103,060</u>	<u>\$ -</u>	<u>\$ 6,786</u>
<b>Other</b>					
Restricted Mission Fund	\$ 28,897	\$ 23,718	\$ 33,428	\$ -	\$ 19,187
Capital Asset Fund	846,641	-	23,926	-	822,715
Clarkson Designated Fund	73,198	-	-	-	73,198
	<u>\$ 948,736</u>	<u>\$ 23,718</u>	<u>\$ 57,354</u>	<u>\$ -</u>	<u>\$ 915,100</u>
<b>TOTAL</b>	<u>\$ 956,252</u>	<u>\$ 642,839</u>	<u>\$ 653,083</u>	<u>\$ -</u>	<u>\$ 946,008</u>
<b>PRIOR YEAR TOTAL</b>	<u>\$ 859,854</u>	<u>\$ 746,085</u>	<u>\$ 649,687</u>	<u>\$ -</u>	<u>\$ 956,252</u>

See accompanying notes

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# CLARKSON COMMUNITY CHURCH

## STATEMENT OF OPERATIONS - General Fund

For the year ended June 30,	2019	2018
<b>REVENUES</b>		
Donations	\$ 489,512	\$ 518,384
Other revenue	10,407	2,325
Rental	9,356	10,182
Saga day camp	-	103,057
	<u>\$ 509,275</u>	<u>\$ 633,948</u>
<b>EXPENSES</b>		
Ministry	\$ 338,919	\$ 342,526
Property and maintenance	58,563	58,019
Finance and administration	34,916	40,859
Local outreach	26,087	124,909
Christian education	10,815	9,280
Foreign missions	10,000	9,000
National missions	8,000	8,000
Communication and fellowship	5,369	5,291
	<u>\$ 492,669</u>	<u>\$ 597,884</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 16,606</u>	<u>\$ 36,064</u>

See accompanying notes

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# CLARKSON COMMUNITY CHURCH

## STATEMENT OF OPERATIONS - Saga Fund

For the year ended June 30,

2019

2018

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### REVENUES

Camp fees	\$ 105,132	\$ -
Camp donations	4,714	-
	<u>\$ 109,846</u>	<u>\$ -</u>

### EXPENSES

Wages and benefits	\$ 52,690	\$ -
Year-round ministry	22,202	-
Camp programs	16,228	-
Administration	8,851	-
Supplies	3,089	-
	<u>\$ 103,060</u>	<u>\$ -</u>

### EXCESS OF REVENUES OVER EXPENSES

	<u>\$ 6,786</u>	<u>\$ -</u>
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See accompanying notes

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# CLARKSON COMMUNITY CHURCH

## STATEMENT OF CASH FLOWS

For the year ended June 30,

2019

2018

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### CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

#### OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ (10,244)	\$ 96,398
Items not affecting cash:		
Amortization of capital assets	<u>23,926</u>	<u>23,702</u>
	\$ 13,682	\$ 120,100
Net change in non-cash working capital balances:		
Sales taxes recoverable	2,986	(833)
Prepaid and other	2,807	18,126
Accounts payable and accrued liabilities	(12,648)	2,052
Deferred donation revenue	<u>11,378</u>	<u>2,809</u>
	\$ 18,205	\$ 142,254

#### INVESTING ACTIVITIES

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

	\$ 18,205	\$ 119,857
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#### CASH - Beginning

	<u>241,404</u>	<u>121,547</u>
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#### CASH - Ending

	<u>\$ 259,609</u>	<u>\$ 241,404</u>
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#### SUPPLEMENTARY CASH FLOW INFORMATION

Cash is allocated as follows:

Unrestricted cash	\$ 157,440	\$ 140,903
Restricted cash	<u>102,169</u>	<u>100,501</u>
	<u>\$ 259,609</u>	<u>\$ 241,404</u>

See accompanying notes

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# CLARKSON COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NATURE OF OPERATIONS

Clarkson Community Church (the "Church", formerly Chartwell Baptist Church (Clarkson Village) Inc.) 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 Saga Fund** reports the assets, liabilities, revenues and expenses for related to saga day camp.

**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.

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# CLARKSON COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

c) **Cash and Cash Equivalents**

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

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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# CLARKSON COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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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:

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 400,000	\$ -	\$ 400,000	\$ 400,000
Building	555,070	162,656	392,414	408,764
Office furniture and equipment	76,417	46,818	29,599	36,999
Computer equipment	2,977	2,275	702	878
	<u>\$ 1,034,464</u>	<u>\$ 211,749</u>	<u>\$ 822,715</u>	<u>\$ 846,641</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:

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

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# CLARKSON COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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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:

	2019	2018
<b>Balance - Beginning</b>	\$ 71,604	\$ 68,795
Add: amounts received	84,435	152,456
Less: amounts recognized as revenue	<u>(73,057)</u>	<u>(149,647)</u>
<b>Balance - Ending</b>	<u>\$ 82,982</u>	<u>\$ 71,604</u>

### 4. INTERFUND TRANSFERS

The General Fund transferred \$nil (2018 - \$22,397) to the Capital Asset Fund. This transfer is done on an annual basis to provide funding for capital asset acquisitions.

### 5. 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, 2019:

#### 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 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.