

PARKWOOD GARDENS COMMUNITY CHURCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

**(with comparative figures for the
year ended December 31, 2019)**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Parkwood Gardens Community Church:

Qualified Opinion

We have audited the accompanying financial statements of Parkwood Gardens Community Church, which comprise the statement of financial position as at December 31, 2020, the statements of net assets, revenue and expenditures, and 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 possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Parkwood Gardens Community Church as at December 31, 2020 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 Qualified for Opinion

In common with many not-for-profit organizations, the Church derives significant revenue from cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenues over expenditures, current assets and net assets.

Note 2 describes the Church's accounting policy with respect to capital assets. It indicates that the Church has recorded a fair market value adjustment for the value of land and building and has recorded equipment at replacement value. Canadian accounting standards for not-for-profit organizations require that buildings and equipment be recorded at cost when acquired and amortization be recognized for assets with limited useful lives as an expense over the useful lives of the assets. Equipment includes furniture and fixtures and equipment. The effects of this departure from Canadian accounting standards for not-for-profit organizations on the audited financial statements have not been determined for the years ended December 31, 2020 and December 31, 2019.

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 Parkwood Gardens Community 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Parkwood Gardens Community 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 Parkwood Gardens Community Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Parkwood Gardens Community Church'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

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will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement 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 Parkwood Gardens Community 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 Parkwood Gardens Community 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, 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 Parkwood Gardens Community 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 in our audit.

Guelph, Ontario
June 2, 2021



Tonin & Co. LLP
Chartered Professional Accountants
Licensed Public Accountants

PARKWOOD GARDENS COMMUNITY CHURCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT		
Bank	\$ 386,741	\$ 214,938
Guaranteed investment certificate (note 3)	106,413	100,000
HST receivable	4,050	3,607
Prepaid expenses	<u>6,454</u>	<u>5,019</u>
	503,658	323,564
LOAN RECEIVABLE (note 4)	111,208	111,208
CAPITAL (note 2 and 5)	<u>5,140,669</u>	<u>5,150,300</u>
	<u>\$ 5,755,535</u>	<u>\$ 5,585,072</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 15,925	\$ 25,451
Current portion of mortgage payable (note 6)	36,488	32,313
Deferred donations (note 7)	<u>15,586</u>	<u>-</u>
	67,999	57,764
MORTGAGE PAYABLE (note 6)	<u>1,183,779</u>	<u>1,266,448</u>
	<u>1,251,778</u>	<u>1,324,212</u>
NET ASSETS		
OPERATING FUND	188,063	60,672
CAPITAL FUND	4,218,465	4,154,269
BENEVOLENT FUND	12,373	4,530
YOUTH MISSIONS FUND	-	15,129
DIASPORA (note 9)	21,866	18,039
MILL CROSSING (note 8)	<u>62,990</u>	<u>8,221</u>
	<u>4,503,757</u>	<u>4,260,860</u>
	<u>\$ 5,755,535</u>	<u>\$ 5,585,072</u>

(See accompanying notes to financial statements)

PARKWOOD GARDENS COMMUNITY CHURCH
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	OPERATING FUND	CAPITAL FUND	BENEVOLENT FUND	YOUTH MISSIONS FUND	DIASPORA	MILL CROSSING	2020	2019
NET ASSETS, BEGINNING OF YEAR	\$ 60,672	\$ 4,154,269	\$ 4,530	\$ 15,129	\$ 18,039	\$ 8,221	\$ 4,260,860	\$ 4,119,908
Excess of revenues over expenditures (expenditures over revenues)	135,913	55,674	7,843	(15,129)	3,827	54,769	242,897	140,952
Transfers	(8,522)	8,522	-	-	-	-	-	-
NET ASSETS, END OF YEAR	\$ 188,063	\$ 4,218,465	\$ 12,373	\$ -	\$ 21,866	\$ 62,990	\$ 4,503,757	\$ 4,260,860

(See accompanying notes to financial statements)

PARKWOOD GARDENS COMMUNITY CHURCH
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
INCOME		
Donations	\$ 833,423	\$ 802,644
Missions donations	25,522	14,683
Participant fees	890	6,197
Interest	8,528	3,944
Other revenue (note 10)	25,316	18,786
Rental	<u>5,950</u>	<u>10,368</u>
	<u>899,629</u>	<u>856,622</u>
EXPENDITURES		
Ministry	12,286	54,820
Missions	94,730	55,309
UB conference	36,373	31,755
Office	8,649	6,592
Plant (note 11)	75,132	70,701
Amortization	18,153	-
Salaries and benefits	395,693	422,387
Benevolence	1,626	4,773
Loan interest and fees	<u>65,508</u>	<u>69,333</u>
TOTAL EXPENDITURES	<u>708,150</u>	<u>715,670</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING	191,479	140,952
OTHER INCOME AND EXPENSES		
Canada Emergency Wage Subsidy	<u>51,418</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	242,897	140,952
NET ASSETS, beginning of the year	<u>4,260,860</u>	<u>4,119,908</u>
NET ASSETS, END OF THE YEAR	<u>\$ 4,503,757</u>	<u>\$ 4,260,860</u>

(See accompanying notes to financial statements)

PARKWOOD GARDENS COMMUNITY CHURCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 242,897	\$ 140,952
Charges to earnings not requiring cash:		
Amortization	<u>18,153</u>	<u>-</u>
	261,050	140,952
CHANGES IN NON-CASH WORKING CAPITAL		
Decrease in accounts receivable	-	13,920
(Increase) decrease in HST receivable	(443)	7,811
(Increase) decrease in prepaid expenses	(1,435)	99
(Decrease) increase in accounts payable	(9,526)	17,240
Increase in deferred donations	<u>15,586</u>	<u>-</u>
Cash from operating activities	<u>265,232</u>	<u>180,022</u>
FINANCING ACTIVITIES		
Principal repayments of mortgage payable	<u>(78,494)</u>	<u>(69,669)</u>
Cash used in financing activities	<u>(78,494)</u>	<u>(69,669)</u>
INVESTING ACTIVITIES		
Purchases of capital assets	<u>(8,522)</u>	<u>(7,316)</u>
Cash used in investing activities	<u>(8,522)</u>	<u>(7,316)</u>
INCREASE IN CASH FOR THE YEAR	178,216	103,037
CASH AND EQUIVALENTS, beginning of the year	<u>314,938</u>	<u>211,901</u>
CASH AND EQUIVALENTS, end of the year	<u>\$ 493,154</u>	<u>\$ 314,938</u>
REPRESENTED BY:		
Bank	\$ 386,741	\$ 214,938
GIC	<u>106,413</u>	<u>100,000</u>
	<u>\$ 493,154</u>	<u>\$ 314,938</u>

PARKWOOD GARDENS COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

1. PURPOSE OF THE ORGANIZATION

Parkwood Gardens Community Church was set up as a registered charity in 1973. The church operates under the United Brethren Church In Canada (the Conference) banner. The church uses worship, preaching, teaching and social enterprise and association as primary tools to communicate the gospel message of the Bible. The church employs a number of staff members to organize activities as well as a high level of parishioner volunteer participation to carry out the mission. The church was incorporated without share capital December 31, 2016 and the charitable status was transferred to the corporation by CRA in February 2018. The church is exempt from tax under section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (with the exception of capital assets) and reflect the following policies:

(a) Fund accounting

Parkwood Gardens Community Church follows the restricted fund method of accounting for donations. The church ensures, as part of its fiduciary responsibilities, that all funds received with restricted purposes are expended for the purpose for which they are provided.

(b) Revenue recognition

Donation revenue is recognized in the year the donation is received.

Other revenue is recognized as it is earned. Unearned revenue is recorded as deferred revenue on the statement of financial position.

(c) Cash and cash equivalents

Cash and cash equivalents includes bank and guaranteed investment certificates as disclosed on the statements of financial position.

(d) Investments

Short-term investments, which consist of GICs, are carried at amortized cost.

(e) Capital assets

Land and building have been recorded at fair market value based on a third party expert appraisal. Equipment has been recorded at estimated replacement value. Subsequent additions have been recorded at cost. No amortization has been expensed on the land and building as it provides management no benefit. Amortization has been expensed on the furniture and equipment on a straight-line basis using management's best estimate of the assets useful life.

(f) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could materially differ from these estimates. Amounts subject to estimates include expense accruals, amortization, and the value of capital assets.

PARKWOOD GARDENS COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

(g) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at amortized cost. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. GUARANTEED INVESTMENT CERTIFICATE

The guaranteed investment certificate has an interest rate of 3.45% and a maturity date of March 2022.

4. LOAN TO PASTOR

In 2007 the church provided a loan to the pastor to purchase a house. The loan is renewable every five years. Payments are for interest only; the interest rate is set to CRA's prescribed rate at the start of the five year period (currently 2017-11 to 2022-11: 1%). The loan is repayable in full upon departure of the pastor.

5. CAPITAL

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Building & Land	\$ 5,026,424	\$ -	\$ 5,026,424	\$ 5,026,424
Equipment	<u>132,397</u>	<u>18,152</u>	<u>114,245</u>	<u>123,876</u>
	<u>\$ 5,158,821</u>	<u>\$ 18,152</u>	<u>\$ 5,140,669</u>	<u>\$ 5,150,300</u>

6. MORTGAGE PAYABLE

Loan from Christian Stewardship Services (CSS) to finance the building, due June 2023 at an interest rate of 5.25%. Amortization period is 25 years, with monthly combined interest and principal payments of \$8,250.15. On the anniversary date of the loan, a principal repayment privilege of up to 10% of the original principal may be made without penalty. Secured by land and building having a net carrying value of \$5,026,424.

	2020	2019
	\$ 1,220,267	\$ 1,298,761
Less portion due within one year	<u>36,488</u>	<u>32,313</u>
	<u>\$ 1,183,779</u>	<u>\$ 1,266,448</u>

Interest expense for the above loan totaled approximately \$65,508 (2019 - \$69,333). Principal payments are as follows:

2021	\$ 36,488
2022	38,429
2023	40,473
2024	42,625
thereafter	<u>1,062,252</u>
	<u>\$ 1,220,267</u>

PARKWOOD GARDENS COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

7. DEFERRED DONATIONS

Deferred donations consist of donations received for a youth missions trip originally scheduled to occur in 2020, but has been postponed to a future period due to travel restrictions related to COVID-19.

8. MILL CROSSING

Parkwood and The United Brethren Church in Canada (the Conference) initiated a new church in Cambridge in 2005. This church operates under the name Mill Crossing Church. Mill Crossing is not yet a registered charity itself, and all of the financial transactions are processed through Parkwood.

9. DIASPORA

Parkwood and the Conference initiated a new church in Guelph in 2014. This church operates under the name Diaspora. All financial transactions are processed through Parkwood.

10. OTHER REVENUE

	<u>2020</u>	<u>2019</u>
Parkwood Gardens		
Conference share of admin cost	8,200	8,200
Abundance Canada	900	800
Auction	3,744	-
Canada Helps.org	2,784	96
Guelph Vietnamese Church	9,600	7,700
Other	<u>88</u>	<u>165</u>
	<u>25,316</u>	<u>16,961</u>
Mill Crossing		
Cash fund	-	1,670
Other	<u>-</u>	<u>155</u>
	<u>-</u>	<u>1,825</u>
Total other revenue	<u><u>25,316</u></u>	<u><u>18,786</u></u>

11. COMMITMENTS

Mill Crossing is committed to a non-capital leases for premises with annual minimum payments approximately as follows:

2021	\$	21,433
2022		<u>16,670</u>
	\$	<u><u>38,103</u></u>

PARKWOOD GARDENS COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

12. FINANCIAL INSTRUMENTS

The carrying value of the church's financial instruments approximates their fair value. It is management's opinion that the church is not exposed to significant credit, liquidity or currency risks arising from these financial instruments. The church is exposed to interest rate risk on the mortgage payable.

Due to the COVID-19 pandemic restrictions Parkwood has transitioned its activities to primarily online-based services. The ongoing financial impact of the pandemic to the church is uncertain and cannot be determined at this time.