

PARKWOOD GARDENS COMMUNITY  
CHURCH >

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# financial statements

>YEAR ENDED DECEMBER 31, 2023

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# financial statements

>YEAR ENDED DECEMBER 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Parkwood Gardens Community Church:

### **Qualified Opinion**

We have audited the financial statements of Parkwood Gardens Community Church, the "Church", which comprise the statement of financial position as at December 31, 2023, and the statements of operations and changes in fund balances 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 effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at December 31, 2023, 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**

In common with many not-for-profit organizations, the Church derives revenue from donations from interested persons, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Church. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenues, excess of revenues over expenses, and cash flows for the years ended December 31, 2023 and December 31, 2022 and current assets and net assets as at December 31, 2023 and December 31, 2022. Our conclusion on the financial statements as at and for the year ended December 31, 2023 was modified accordingly because of the possible effects of this limitation in scope.

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 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 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 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 the Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 the 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 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 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 during our audit.

Waterloo, Ontario  
Date of Approval

LICENSED PUBLIC ACCOUNTANTS  
CHARTERED PROFESSIONAL ACCOUNTANT

PARKWOOD GARDENS COMMUNITY CHURCH >

# statement of financial position

>DECEMBER 31, 2023

	2023	2022
<b>assets</b>		
<b>current</b>		
Cash	\$ 167,760	\$ 296,039
Guaranteed investment certificate	-	112,426
Government remittances receivable	7,910	4,450
Prepaid expenses	<u>5,676</u>	<u>5,910</u>
	181,346	418,825
<b>non-current</b>		
Property, plant and equipment (Note 3)	4,171,025	4,294,857
Loan receivable (Note 4)	<u>111,208</u>	<u>111,208</u>
	<u>\$ 4,463,579</u>	<u>\$ 4,824,890</u>
<b>liabilities</b>		
<b>current</b>		
Accounts payable and accrued liabilities	\$ 13,147	\$ 11,274
Government remittances payable	8,877	7,148
Deferred contributions (Note 5)	12,969	15,586
Current portion of long term debt	<u>17,617</u>	<u>971,778</u>
	52,610	1,005,786
<b>non-current</b>		
Long term debt (Note 6)	<u>619,796</u>	<u>-</u>
	<u>672,406</u>	<u>1,005,786</u>
<b>commitments (Note 7)</b>		
<b>net assets</b>		
Operating fund	40,314	274,696
Invested in capital assets	3,644,819	3,434,286
Benevolent fund	8,305	7,710
Youth missions fund	2,939	22,307
Building fund	40,376	13,173
Mill crossing (Note 8)	<u>54,420</u>	<u>66,932</u>
	<u>3,791,173</u>	<u>3,819,104</u>
	<u>\$ 4,463,579</u>	<u>\$ 4,824,890</u>

Approved on behalf of the board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

PARKWOOD GARDENS COMMUNITY CHURCH

# statement of operations and changes in fund balances

> YEAR ENDED DECEMBER 31, 2023

	unrestricted	restricted		other	2023	2022
	Operating fund	Benevolent fund	Youth missions fund	Mill Crossing	total	total
<b>revenue</b>						
Donations	\$ 755,931	\$ 4,195	\$ 25,577	\$ 87,398	\$ 898,626	\$ 718,114
Missions	21,374	-	-	851	22,225	13,608
Participant fees	4,080	-	-	-	4,080	2,675
Interest	3,208	-	-	-	4,886	5,011
Rental	15,030	-	-	-	15,030	16,408
Government subsidies	14,362	-	-	-	14,362	50,371
	<u>813,985</u>	<u>4,195</u>	<u>25,577</u>	<u>88,249</u>	<u>959,209</u>	<u>806,187</u>
<b>expenses</b>						
Amortization	-	160,930	-	-	160,930	162,929
Benevolence	-	3,600	-	-	3,600	4,004
Conference	32,884	-	-	-	44,439	33,709
Interest	44,059	-	-	11,555	44,059	56,296
Ministry	25,307	-	-	-	27,276	52,986
Missions	64,711	-	-	1,969	70,211	64,674
Office	21,856	-	-	5,500	24,158	12,754
Plant	71,907	-	-	2,302	27,927	77,192
Restricted	-	-	44,945	-	44,945	-
Wages and benefits	416,180	-	-	51,508	467,688	469,441
	<u>676,904</u>	<u>160,930</u>	<u>44,945</u>	<u>100,761</u>	<u>987,140</u>	<u>933,985</u>
<b>deficiency of revenue over expenses for year</b>	<u>137,081</u>	<u>(160,930)</u>	<u>(19,368)</u>	<u>(12,512)</u>	<u>(27,931)</u>	<u>(127,798)</u>
<b>balance, beginning of year, as previously stated</b>	<u>274,696</u>	<u>3,434,286</u>	<u>22,307</u>	<u>66,932</u>	<u>3,819,104</u>	<u>3,946,902</u>
Investment in capital assets	<u>(371,463)</u>	<u>371,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>balance, end of year</b>	<u>\$ 40,314</u>	<u>\$ 3,644,819</u>	<u>\$ 2,939</u>	<u>\$ 54,420</u>	<u>\$ 3,791,173</u>	<u>\$ 3,819,104</u>

PARKWOOD GARDENS COMMUNITY CHURCH

# statement of cash flows

>YEAR ENDED DECEMBER 31, 2023

	2023	2022
<b>operating activities</b>		
Excess of revenue over expenses for year	\$ (27,931)	\$ (127,798)
Adjustments for:		
Amortization	<u>160,930</u>	<u>162,929</u>
	<u>132,999</u>	<u>35,131</u>
Changes in non-cash working capital:		
Guaranteed investment certificate	112,426	(2,342)
Government remittances receivable	(3,460)	(268)
Prepaid expenses	234	762
Accounts payable and accrued liabilities	1,873	287
Government remittances payable	1,729	200
Deferred contributions	<u>(2,617)</u>	<u>-</u>
	<u>110,185</u>	<u>(1,361)</u>
	243,184	33,770
<b>financing activities</b>		
Repayment of long term debt	(334,365)	(181,150)
<b>investing activities</b>		
Purchase of capital assets	<u>(37,098)</u>	<u>(21,935)</u>
Decrease in cash	(128,279)	(169,315)
Cash balance, beginning of year	<u>296,039</u>	<u>465,354</u>
<b>cash balance, end of year</b>	<u>\$ 167,760</u>	<u>\$ 296,039</u>

# notes to financial statements

>DECEMBER 31, 2023

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## 1. organization

Parkwood Gardens Community Church, the "Church", was set up as a registered charity in 1973. The Church was incorporated without share capital December 31, 2016 and the charitable status was transferred to the corporation by the CRA in February 2018. The Church operates in Guelph, Ontario while the Mill Crossing Church operates in Cambridge, Ontario. The Church operates under the United Brethren Church in Canada (the Conference) banner. The church is exempt from tax under section 149 of the Income Tax Act.

## 2. significant accounting policies

**Basis of Accounting** - These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Fund Accounting** - The Church maintains accounts in accordance with the principles of fund accounting. Fund balances of the Church are classified for accounting and reporting purposes into following funds to be used according to the directions of the donor or as determined by the Church.

The Operating fund reflects contributions received and expenses incurred towards the operation and administration of the Church, its missions, and ministries.

The Invested in Capital fund assets reflected and the net balance of capital assets.

The Benevolent fund reflects the contributions specifically designated for congregational and community care and associated expenses.

The Youth Missions fund reflects the contributions specifically designated for youth missions and associated expenses.

The Building fund reflects the contributions specifically designated for building improvements.

The Mill Crossing fund reflects the contributions received and expenses incurred towards the operation and administration of the Mill Crossing Church, its missions, and its ministries.

**Recognition of Income** - The Church follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental income is recognized when the space is occupied by the renter.

Government subsidies are recognized as income when the related expenses are incurred.

Interest income is recognized as earned.



# notes to financial statements

>DECEMBER 31, 2023

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## **Financial Instruments**

*Initial measurement* - The Church initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

*Subsequent measurement* - The Church subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost. Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable and loan receivable.

The Church has not designated any financial asset or liability to be measured at fair value.

*Impairment* - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

*Transaction costs* - The Church recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Property, Plant and Equipment** - Property, plant and equipment are recorded at historical cost. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Building	Reducing balance	4%
Equipment - Computer & IT	Straightline	4 years
Equipment - Other	Straightline	8 years

Property, plant and equipment acquired during the year are amortized at one half the above annual rates.

**Contributed Materials and Services** - The Church is dependent upon many hours of service contributed by volunteers. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

The Church receives contribution of materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair values can be determined. No contributed materials were recognized as donation revenue during the year.

# notes to financial statements

>DECEMBER 31, 2023

**Disclosure and 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 that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Estimates are used when accounting for certain items such as revenues, useful lives of capital assets, and asset impairments.

### 3. property, plant and equipment

	cost	accumulated amortization	net 2023	net 2022
Land	\$ 700,000	\$ -	\$ 700,000	\$ 700,000
Building	4,326,424	929,325	3,397,099	3,538,645
Equipment - Computer & IT	64,927	62,899	2,028	7,969
Equipment - Other	<u>132,428</u>	<u>60,530</u>	<u>71,898</u>	<u>48,243</u>
	<u>\$ 5,223,779</u>	<u>\$ 1,052,754</u>	<u>\$ 4,171,025</u>	<u>\$ 4,294,857</u>

### 4. loan receivable

Employee loan provided to pastor for purchase of home. The loan is renewable every 5 years and is payable upon departure of the pastor or sale of house. The interest rate is set based on CRA's prescribed rate at the start of the 5 year period (currently 2022-II to 2027-II at 3%).

### 5. deferred contributions

Deferred contributions represent unspent resources externally restricted for specific purposes. Deferred grant income is restricted for anti-hate measures and donations are restricted for United Brethren youth camp sponsorships.

Changes in the deferred contributions are as follows:

	grant	donations	2023 total	2022 total
Balance beginning of year	\$ -	\$ 15,586	\$ 15,586	\$ -
Received during the year	10,000	4,819	14,819	15,586
Recognized as revenue	<u>-</u>	<u>(17,436)</u>	<u>(17,436)</u>	<u>-</u>
Balance, end of year	<u>\$ 10,000</u>	<u>\$ 2,969</u>	<u>\$ 12,969</u>	<u>\$ 15,586</u>

# notes to financial statements

>DECEMBER 31, 2023

## 6. long term debt

	2023	2022
Christian Stewardship Services (CSS) mortgage repayable in monthly instalments of \$4,654, including interest at 6.15%, secured by land and building with carrying value of \$4,097,099, due June 2026	637,413	971,778
Less portion due within one year	<u>17,617</u>	<u>971,778</u>
	<u>\$ 619,796</u>	<u>\$ -</u>

The aggregate amount of principal payments required on the long term debt in each of the next three years is as follows:

2024	\$ 17,617
2025	\$ 18,717
2026	\$ 601,079

## 7. commitments

The Church is obligated under a rental agreement for the premises from which Mill Crossing operates and under contract for maintenance. The contracts expire in 2024 and the future minimum payments under these contracts are as follow:

2024	\$ 20,609
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## 8. mill crossing

The Church and 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 the Church.

## 9. comparative figures

Certain of the comparative figures have been restated to conform to the presentation adopted for the current year.

# notes to financial statements

>DECEMBER 31, 2023

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## 10. financial instruments

**Risk Management** - The significant risks to which the Church is exposed are liquidity risk and interest rate risk. There has been no change to the risk exposures from the prior year.

**Interest Rate Risk** - The Church's interest-bearing assets and liabilities include the pastor loan and the mortgage payable.

The Church has fixed interest rates on their pastor loan and mortgage payable. Consequently, the exposure to fluctuations in future cash flows, with respect to these instruments, as a result of changes in market interest rates, is limited. The mortgage renews in 3 year and the pastor loan renews every five years.

**Liquidity Risk** - Liquidity risk is the risk that the Church will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Church's cash requirements. The Church's borrowing arrangements are concentrated with CSS.

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