
SPRING GARDEN BAPTIST CHURCH
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members
Spring Garden Baptist Church
NORTH YORK
Ontario

Qualified Opinion

We have audited the accompanying financial statements of Spring Garden Baptist Church which comprise the statement of financial position as at December 31, 2020 and the statement of operations, statement of changes in fund balances, 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 matters 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 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 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, Spring Garden Baptist 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 Spring Garden Baptist Church and we were not able to determine whether any adjustments might be necessary to donation revenues, excess (deficiency) of revenues over expenses, assets and fund balances.

Furthermore, Spring Garden Baptist Church carries a building in its capital assets that has not been amortized. In addition, it is the policy of Spring Garden Baptist Church to expense purchases that would otherwise be recorded as capital assets and amortized on the basis of their estimated useful life. These policies are departures from the Canadian accounting standards for not-for-profit organizations which requires the capitalization of long-lived assets and appropriate amortization of the capital assets over their estimated useful life. Since it is not practicable to determine the adjustment necessary to properly record and amortize capital assets, the effect of this deviation from Canadian accounting standards for not-for-profit organizations has not been quantified.

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

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

April 13, 2021

SPRING GARDEN BAPTIST CHURCH**STATEMENT OF FINANCIAL POSITION**

As at December 31,

2020

2019

ASSETS**Current**

Cash (Note 2)	\$ 206,704	\$ 199,053
Cash - restricted (Note 2)	97,043	438,258
Short-term investments - restricted (Note 3)	320,000	-
Prepaid expenses	6,524	2,265
HST recoverable	8,447	6,458
	<u>\$ 638,718</u>	<u>\$ 646,034</u>

Capital Assets (Note 4)3,123,244 3,123,244\$ 3,761,962 \$ 3,769,278

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 14,518	\$ 14,274
Government remittances payable	7,460	-
	<u>\$ 21,978</u>	<u>\$ 14,274</u>

FUND BALANCES

Unrestricted - General	\$ 3,322,941	\$ 3,316,746
Restricted	417,043	438,258
	<u>\$ 3,739,984</u>	<u>\$ 3,755,004</u>
	<u>\$ 3,761,962</u>	<u>\$ 3,769,278</u>

Approved by the Board:

Jeffrey McSee Director
Apr 23 '21

A. Wayne Director

See accompanying notes

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SPRING GARDEN BAPTIST CHURCH
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended December 31, 2020

	Balance Beginning	Revenues	Expenses	Excess (Deficiency) of Revenues Over Expenses	Inter-Fund Transfers (Note 5)	Balance Ending
UNRESTRICTED						
General Fund	\$ 3,316,746	\$ 562,411	\$ 586,274	\$ (23,863)	\$ 30,058	\$ 3,322,941
RESTRICTED						
Caring & Sharing Fund	\$ 4,996	\$ 20,546	\$ 12,782	\$ 7,764	\$ -	\$ 12,760
Delong Missions Fund	614	7	-	7	-	621
Binkley Memorial Fund	6,532	72	-	72	-	6,604
Discipleship Fund	4,500	1,000	-	1,000	-	5,500
Reserve Fund	421,616	-	-	-	(30,058)	391,558
	\$ 438,258	\$ 21,625	\$ 12,782	\$ 8,843	\$ (30,058)	\$ 417,043
TOTAL FUNDS	\$ 3,755,004	\$ 584,036	\$ 599,056	\$ (15,020)	\$ -	\$ 3,739,984
PRIOR YEAR TOTAL	\$ 3,361,851	\$ 987,525	\$ 594,372	\$ 393,153	\$ -	\$ 3,755,004

See accompanying notes

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SPRING GARDEN BAPTIST CHURCH**STATEMENT OF OPERATIONS**For the year ended December 31,

	General Fund	Restricted Funds	2020 TOTAL	2019 TOTAL
REVENUES				
Donations	\$ 439,470	\$ 21,546	\$ 461,016	\$ 884,977
Rental	60,740	-	60,740	50,688
Summer student grant	39,209	-	39,209	26,974
Missions	17,543	-	17,543	26,148
Government assistance (Note 7)	5,071	-	5,071	-
Investment and sundry	378	79	457	(1,262)
	<u>\$ 562,411</u>	<u>\$ 21,625</u>	<u>\$ 584,036</u>	<u>\$ 987,525</u>
EXPENSES				
Salaries and benefits	\$ 350,991	\$ -	\$ 350,991	\$ 332,515
Church facilities	78,518	-	78,518	102,368
Missions	55,390	12,649	68,039	83,483
Church ministries	65,720	-	65,720	45,248
Taxes and maintenance	18,311	-	18,311	12,289
Professional fees	7,345	-	7,345	5,571
Telephone and equipment	6,964	-	6,964	8,605
Bank charges and fees	2,297	133	2,430	2,171
Stationary and office supplies	738	-	738	2,122
	<u>\$ 586,274</u>	<u>\$ 12,782</u>	<u>\$ 599,056</u>	<u>\$ 594,372</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (23,863)</u>	<u>\$ 8,843</u>	<u>\$ (15,020)</u>	<u>\$ 393,153</u>

See accompanying notes

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SPRING GARDEN BAPTIST CHURCH

STATEMENT OF CASH FLOWS

For the year ended December 31,

2020

2019

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

OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ (15,020)	\$ 393,153
Net change in non-cash working capital balances:		
Prepaid expenses	\$ (4,259)	\$ 280
HST recoverable	(1,989)	(1,600)
Accounts payable and accrued liabilities	244	4,347
Government remittances payable	7,460	-
	<u>\$ 1,456</u>	<u>\$ 3,027</u>
	\$ (13,564)	\$ 396,180

INVESTING ACTIVITIES

Purchase of short term investment	\$ (320,000)	\$ -
Proceeds from mortgage repayment	-	65,000
	<u>\$ (320,000)</u>	<u>\$ 65,000</u>

INCREASE (DECREASE) IN CASH

\$ (333,564) \$ 461,180

CASH - Beginning

637,311 176,131

CASH - Ending

\$ 303,747 \$ 637,311

See accompanying notes

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SPRING GARDEN BAPTIST CHURCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NATURE OF OPERATIONS

The Spring Garden Baptist Church's ("the Church") purpose is to be a caring community, empowered by the Holy Spirit, committed to worshipping God, reaching people for Christ and equipping believers to be relevant biblical disciples of Christ. The Church was incorporated under the Canada Corporations Act without share capital, and is a registered charity under the Income Tax Act, and as such, it 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 with the exception of the Church's accounting policy with respect to capital assets, and include the following significant accounting policies:

a) 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 unrestricted operating activities of the Church.

The Restricted Funds report internally and externally restricted resources and consist of the following:

The Caring and Sharing Fund reports assets, liabilities, revenues and expenses for the transactions of the Church's benevolent fund. The fund's resources are distributed to needy individuals at the discretion of the Church's Elders and Pastoral Staff.

The Delong Missions Fund reports assets, liabilities, revenues and expenses for the transactions of the Church's missions fund. The fund's resources are used to fund missions related projects undertaken by the Church.

The Binkley Memorial Fund reports assets, liabilities, revenues and expenses for the transactions of the Church's memorial fund. The fund's resources are distributed to provide support for short-term mission trips.

The Discipleship Fund reports assets, liabilities, revenues and expenses for the transactions of the Church's discipleship fund. The fund's resources were received from Canadian Baptists of Ontario and Quebec and a bequest and are to be used for mentoring youth.

The Reserve Fund reports assets, liabilities, revenues and expenses for the internally restricted activities of the Church as determined by the Board.

SPRING GARDEN BAPTIST CHURCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

b) 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.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts.

d) Capital Assets

The Church's land and building are recorded at cost. Amortization is not being recorded for the building. All other purchases of long-lived assets are expensed in the year of purchase. During the year \$25,680 (2019 - \$Nil) of capital assets were expensed.

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. There are no impairment indicators in the current year.

f) Contributed Services

The ministries of the Church are dependent on the services of many volunteers. The cost of contributed services is not recognized in these financial statements due to the difficulty in determining their fair value.

g) Revenue Recognition

The Church follows the restricted fund method of accounting for contributions. Externally restricted contributions are recognized as revenue in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the General Fund. Restricted contributions for which there is no fund are accounted for using the deferral method.

Rental and investment income is recognized when earned and collection is reasonably assured in the appropriate fund.

Government grants and assistance are recognized as revenue when received or receivable and collection is reasonably assured and when conditions as to its use have been met.

SPRING GARDEN BAPTIST CHURCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 restricted and unrestricted cash and short term investments. 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 reversals is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. CASH

Cash is allocated as follows:

	2020	2019
Unrestricted		
General Fund	\$ <u>206,704</u>	\$ <u>199,053</u>
Restricted		
Caring and Sharing Fund	\$ 12,760	\$ 4,996
Delong Missions	621	614
Binkley Memorial	6,604	6,532
Discipleship	5,500	4,500
Reserve	<u>71,558</u>	<u>421,616</u>
	\$ <u>97,043</u>	\$ <u>438,258</u>
	<u>\$ 303,747</u>	<u>\$ 637,311</u>

3. SHORT-TERM INVESTMENTS

Short-term investments are internally restricted in support of the reserve fund and consist of the following:

	2020	2019
Scotiabank GIC, .43%, cashable, maturing December 2021	\$ <u>320,000</u>	\$ <u>-</u>

SPRING GARDEN BAPTIST CHURCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. CAPITAL ASSETS

Capital assets consist of the following:

	2020		2019
	Cost	Accumulated Amortization	Net Book Value
Land and building	<u>\$ 3,123,244</u>	<u>\$ -</u>	<u>\$ 3,123,244</u>

5. INTER-FUND TRANSFER

During the year, the Church Board approved the transfer of \$30,058 from the Reserve Fund to the General Fund (2019 - \$421,616 from General Fund to Reserve Fund) in order to fund projects as approved by the Board.

6. FINANCIAL INSTRUMENTS

Risks and Concentrations

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 December 31, 2020:

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.

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.

SPRING GARDEN BAPTIST CHURCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

FINANCIAL INSTRUMENTS - Continued

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 exposed to interest rate risk as follows:

i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Church is exposed to interest rate risk with respect to its investments. The exposure to this risk fluctuates as the investment balance and related interest rates change from year to year.

7. COVID-19 AND GOVERNMENT ASSISTANCE

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In an effort to control the spread of the virus, the Ontario government placed societal restrictions on group gatherings which have significantly impacted the Church's operations throughout the year. The Church has taken steps to mitigate the financial impact of the pandemic including taking advantage of government emergency assistance as described below. The pandemic and its effects continue to cause uncertainty regarding the Church's future cash flows and continued social distancing measures could impact future operations. As at the date of the independent auditor's report, it is impracticable for the Church to quantify this impact on future operations.

During the year, the Church applied for and received \$5,071 in government assistance under the federal government's Canada Emergency Wage Subsidy COVID relief program.