
CHURCH ON THE QUEENSWAY
FINANCIAL STATEMENTS
JULY 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Church on the Queensway
TORONTO
Ontario

Qualified Opinion

We have audited the accompanying financial statements of Church on the Queensway which comprise the statement of financial position as at July 31, 2021 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 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 July 31, 2021 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, Church on the Queensway derives part of its revenues in the form of receiptable and non-receiptable 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 Church on the Queensway and we were not able to determine whether any adjustments might be necessary to contributions, excess (deficiency) of revenues over expenses, assets, and fund balances.

Other Matter

The financial statements of Church on the Queensway for the year ended July 31, 2020 were audited by another auditor who expressed a similar qualified opinion on those statements on October 25, 2020.

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.

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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

October 21, 2021

CHURCH ON THE QUEENSWAY
STATEMENT OF FINANCIAL POSITION

As at July 31,

2021

2020

	Church Operations	Capital Assets	Total	Total
ASSETS				
Current				
Cash	\$ 539,817	\$ -	\$ 539,817	\$ 429,392
Accounts receivable	655	-	655	25,520
HST recoverable	39,629	-	39,629	89,212
Prepaid expenses	21,846	-	21,846	23,261
	<u>\$ 601,947</u>	<u>\$ -</u>	<u>\$ 601,947</u>	<u>\$ 567,385</u>
Capital Assets (Note 2)	-	7,660,242	7,660,242	7,839,908
Due from Related Party (Note 3)	<u>329,997</u>	<u>-</u>	<u>329,997</u>	<u>360,098</u>
	<u>\$ 931,944</u>	<u>\$ 7,660,242</u>	<u>\$ 8,592,186</u>	<u>\$ 8,767,391</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 88,905	\$ -	\$ 88,905	\$ 91,049
Interest payable	4,579	-	4,579	55,750
Government remittances payable	27,981	-	27,981	31,211
Deferred contributions (Note 4)	23,131	-	23,131	24,646
Note payable	-	-	-	55,000
Current portion of mortgage payable (Note 5)	<u>-</u>	<u>202,869</u>	<u>202,869</u>	<u>4,460,000</u>
	<u>\$ 144,596</u>	<u>\$ 202,869</u>	<u>\$ 347,465</u>	<u>\$ 4,717,656</u>
Mortgage Payable (Note 5)	<u>-</u>	<u>3,461,783</u>	<u>3,461,783</u>	<u>-</u>
	<u>\$ 144,596</u>	<u>\$ 3,664,652</u>	<u>\$ 3,809,248</u>	<u>\$ 4,717,656</u>
FUND BALANCES	<u>787,348</u>	<u>3,995,590</u>	<u>4,782,938</u>	<u>4,049,735</u>
	<u>\$ 931,944</u>	<u>\$ 7,660,242</u>	<u>\$ 8,592,186</u>	<u>\$ 8,767,391</u>

Commitments (Note 7)

Approved by the Board:



Director



Director

See accompanying notes

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CHURCH ON THE QUEENSWAY
STATEMENT OF CHANGES IN FUND BALANCES

For the year ended July 31,

2021

2020

	Church Operations	Capital Assets	Total	Total
BALANCE - Beginning	\$ 669,827	\$ 3,379,908	\$ 4,049,735	\$ 3,884,333
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,205,050	(471,847)	733,203	165,402
TRANSFERS (Note 8)	<u>(1,087,529)</u>	<u>1,087,529</u>	<u>-</u>	<u>-</u>
BALANCE - Ending	<u>\$ 787,348</u>	<u>\$ 3,995,590</u>	<u>\$ 4,782,938</u>	<u>\$ 4,049,735</u>

See accompanying notes

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CHURCH ON THE QUEENSWAY

STATEMENT OF OPERATIONS

For the year ended July 31,

2021

2020

	Church Operations	Capital Assets	Total	Total
REVENUES				
Contributions - Tithes, offerings and building	\$ 5,363,684	\$ -	\$ 5,363,684	\$ 4,980,535
Contributions - Missions	452,740	-	452,740	300,347
Rentals & sundry	102,294	-	102,294	110,267
Departmental ministries	7,823	-	7,823	71,493
Centre for the arts	-	-	-	86,007
	<u>\$ 5,926,541</u>	<u>\$ -</u>	<u>\$ 5,926,541</u>	<u>\$ 5,548,649</u>
EXPENSES				
Salaries and wages	\$ 2,949,996	\$ -	\$ 2,949,996	\$ 2,893,645
Missions	683,623	-	683,623	629,676
Amortization	-	471,847	471,847	468,682
Property	458,289	-	458,289	524,623
Departmental ministries	150,983	-	150,983	266,402
Interest on long-term debt	149,720	-	149,720	180,852
Administration	124,222	-	124,222	127,714
Bank charges	76,032	-	76,032	58,115
Church events	63,794	-	63,794	74,895
Professional fees	32,906	-	32,906	27,674
Centre for the arts	22,091	-	22,091	97,572
Transportation	9,835	-	9,835	23,470
Advertising and promotion	-	-	-	9,927
	<u>\$ 4,721,491</u>	<u>\$ 471,847</u>	<u>\$ 5,193,338</u>	<u>\$ 5,383,247</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 1,205,050</u>	<u>\$ (471,847)</u>	<u>\$ 733,203</u>	<u>\$ 165,402</u>

See accompanying notes

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CHURCH ON THE QUEENSWAY

STATEMENT OF CASH FLOWS

For the year ended July 31,

2021

2020

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

OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 733,203	\$ 165,402
Items not affecting cash:		
Amortization	<u>471,847</u>	<u>468,682</u>
	<u>\$ 1,205,050</u>	<u>\$ 634,084</u>

Net change in non-cash working capital balances:

Accounts receivable	\$ 24,865	\$ 574
HST recoverable	49,583	(55,762)
Prepaid expenses	1,415	4,150
Accounts payable and accrued liabilities	(2,144)	(80,129)
Interest payable	(51,171)	(1,830)
Government remittances payable	(3,230)	3,303
Deferred contributions	<u>(1,515)</u>	<u>28,397</u>
	<u>\$ 17,803</u>	<u>\$ (101,297)</u>
	<u>\$ 1,222,853</u>	<u>\$ 532,787</u>

INVESTING ACTIVITIES

Purchase of capital assets	<u>\$ (292,181)</u>	<u>\$ (703,964)</u>
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FINANCING ACTIVITIES

Mortgage principal repayments	\$ (795,348)	\$ (300,000)
Repayment of note payable	(55,000)	-
Advances to (repayments from) related party	<u>30,101</u>	<u>(50,616)</u>
	<u>\$ (820,247)</u>	<u>\$ (350,616)</u>

INCREASE (DECREASE) IN CASH

\$ 110,425 \$ (521,793)

CASH - Beginning

429,392 951,185

CASH - Ending

\$ 539,817 \$ 429,392

See accompanying notes

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CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

NATURE OF OPERATIONS

Church on the Queensway (the "Church") is a not-for-profit organization incorporated provincially under the laws of Ontario and continued under the Canada Not-For-Profit Corporations Act. As a registered charity the Church is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Church operates to:

Proselytize, preach, teach, promote, disseminate, help and advance the Gospel of Jesus Christ and the whole Bible to people of all ages both in Canada and the world.

Establish, maintain and support a house of worship with services conducted in accordance with the tenets and doctrines of the Christian faith.

Provide and operate non-profit residential accommodation and incidental facilities exclusively for:

- persons of low income;
- senior citizens primarily of low or modest income; or
- disabled persons primarily of low or modest income.

Support and maintain missions and missionaries for both home and foreign mission.

Advance education by establishing, operating and/or supporting Christian schools.

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) Fund Accounting

Resources are classified into funds according to the activities or objectives specified as follows:

i) Church Operations Fund

The Church Operations Fund accounts for operations and programs of the Church. Unrestricted contributions, other revenues and cost of ministries are reported in this fund.

ii) Capital Assets Fund

The Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to the Church's capital assets and building improvements.

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

b) 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 Church Operations Fund. Restricted contributions for which there is no fund are accounted for using the deferral method. Rental revenue is recognized in the Church Operations Fund as earned and when collection is reasonably assured.

c) 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.

d) Cash and Cash Equivalents

Cash and cash equivalents consist solely of cash held in the Church's bank accounts.

e) Capital Assets

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

	<u>Rate</u>	<u>Method</u>
Buildings	4%	declining balance
Parking lot	10%	declining balance
Audio and visual	5 to 10 years	straight-line
Motor vehicles	10 years	straight-line
Computer equipment	4 years	straight-line
Furniture and fixtures	10 years	straight-line

f) 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 Assets Fund.

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

g) Contributed Services

Volunteers contribute significant hours per year to assist the Church in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

h) Financial Instruments

Measurement of Financial Instruments

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

Financial assets measured at amortized cost includes cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, interest payable and mortgage payable.

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:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,864,126	\$ -	\$ 2,864,126	\$ 2,864,126
Buildings	10,532,009	6,763,831	3,768,178	3,919,959
Parking Lot	1,072,767	697,085	375,682	426,079
Audio and visual	1,233,896	875,214	358,682	313,787
Motor vehicles	283,176	175,264	107,912	80,466
Computer equipment	288,584	256,517	32,067	57,968
Furniture and fixtures	1,534,447	1,380,852	153,595	177,523
	<u>\$ 17,809,005</u>	<u>\$ 10,148,763</u>	<u>\$ 7,660,242</u>	<u>\$ 7,839,908</u>

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

3. RELATED PARTY BALANCES AND TRANSACTIONS

The following related parties have engaged in transactions with the Church:

Haven on the Queensway	Significant influence through loans and support provided
Billy Richards International Ministry (B.R.I.M.)	An organization controlled by a senior staff member of the Church

Amounts owing from Haven on the Queensway are as follows:

	2021	2020
Due from related party	\$ <u>329,997</u>	\$ <u>360,098</u>

All amounts due from the related party are non-interest bearing and have no specified terms of repayment.

The Church has engaged with related parties in the following transactions:

	2021	2020
Haven on the Queensway		
Rental revenue	\$ (39,480)	\$ (39,480)
Mission expenditures	<u>100,000</u>	<u>160,000</u>
	<u>\$ 60,520</u>	<u>\$ 120,520</u>
 Billy Richards International Ministry (B.R.I.M.)		
Mission expenditures	<u>\$ 10,000</u>	<u>\$ 10,000</u>

These transactions were carried out in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration agreed upon by the related parties.

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

4. DEFERRED CONTRIBUTIONS

Deferred contributions represents unspent contributions received for missionaries in Jamaica and senior funds collected for future events. The changes in deferred contributions are as follows:

	2021	2020
Balance - Beginning	\$ 24,646	\$ 15,680
Contributions received	13,293	(5,707)
Deferred contributions recognized as revenue	<u>(14,808)</u>	<u>14,673</u>
Balance - Ending	<u>\$ 23,131</u>	<u>\$ 24,646</u>
Ending balance consists of:		
STM Jamaica	\$ 13,293	\$ 14,673
Senior Funds	<u>9,838</u>	<u>9,973</u>
	<u>\$ 23,131</u>	<u>\$ 24,646</u>

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

5. MORTGAGE PAYABLE

The balance and terms of the mortgage are as follows:

	2021	2020
Pentecostal Financial Services Group Inc. - interest at 3.75% per annum, repayable in annual payments of \$300,000 and interest payments due semi-annually, balance due April 1, 2021 and secured by 1536 The Queensway, Toronto, ON M8Z 1T5	\$ -	\$ 4,460,000
Royal Bank of Canada - interest at 2.85% per annum, repayable in monthly blended payments of \$25,391, balance due April 15, 2024 and secured by 1536 The Queensway, Toronto, ON M8Z 1T5 which has a carrying value of \$3,746,609	<u>3,664,652</u>	<u>-</u>
	\$ 3,664,652	\$ 4,460,000
Less: Current portion	<u>202,869</u>	<u>4,460,000</u>
	<u>\$ 3,461,783</u>	<u>\$ -</u>

Principal repayment requirements for each of the next three years are as follows:

2022	\$ 202,869
2023	208,726
2024	<u>3,253,057</u>
	<u>\$ 3,664,652</u>

6. OPERATING LINE OF CREDIT

The Church has a revolving demand facility that bears interest at prime plus 1.00%, is authorized up to \$250,000, and is secured by land and building. As of July 31, 2021, prime was 2.45% and the amount outstanding on this facility was \$Nil.

The operating line of credit and mortgage (Note 5) are subject to the following covenant:

- a) Maintenance of a minimum debt service coverage ratio of 1.25:1, defined as excess of revenues over expenses before interest and amortization divided by total monthly required repayments of principal and interest for the year. As of July 31, 2021, the church was in compliance with the covenant.

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

7. COMMITMENTS

The Church has entered into a lease agreement for printer equipment which expires January 2026. The future minimum annual payments including HST for the next five years are as follows:

2022	\$	53,408
2023		53,408
2024		53,408
2025		53,408
2026		<u>40,056</u>
	\$	<u>253,688</u>

8. INTERFUND TRANSFERS

During the year, the General Fund transferred \$1,087,529 (2020 - \$1,003,964) to the Capital Assets Fund for capital asset purchases and mortgage principal repayments.

9. 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 July 31, 2021:

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 as at July 31, 2021. There has been no change in the 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, interest payable and mortgage payable. The Church manages this risk by managing its working capital and by generating sufficient cash flows from operations.

CHURCH ON THE QUEENSWAY

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

9. 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. As described in Notes 5 and 6, the Church is exposed to interest rate risk with respect to its short and long-term financing. The exposure to this risk fluctuates as the debt and related interest rates change from year to year.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been restated in order to conform with the presentation adopted in the current year.