

LAKESIDE BIBLE CHURCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures
for the year ended December 31, 2016)

Contents

	Page
Independent auditor's report	1
Statement of financial position	2
Statement of changes in net assets - restricted, capital assets, and unrestricted funds	3
Statement of operations	4
Statement of cash flow	5
Notes to financial statements	6 to 9

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INDEPENDENT AUDITOR'S REPORT

To: The Directors of Lakeside Bible Church:

Report on the Financial Statements

I have audited the accompanying financial statements of Lakeside Bible Church, which comprise the statement of financial position as at December 31, 2017 and the statements of changes in net assets, operations and changes in financial position for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives some of the revenue from cash sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, revenues over expenditures and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31 2017 and 2016, and net assets as at December 31 and December 31 for both the 2017 and 2016 years. Also the organization does not capitalize or amortize any capital assets purchased through funding received.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the statement of financial position of Lakeside Bible Church as at December 31, 2017 and 2016 and the results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Guelph, Ontario.
May 17, 2018

B. D. Hawkins
B. D. Hawkins, CPA, CA
Licensed Public Accountant.

**LAKESIDE BIBLE CHURCH
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

Assets

CURRENT

	2017	2016
Cash short term investments	\$ 117,370	\$ -
Accounts Receivable	42,230	535
HST recoverable	19,199	20,797
Marketable securities	145	5,118
Deferred interest	911	2,379
Loan receivable	71,272	72,885
Prepaid Expenses	792	6,273
	251,919	107,987

CAPITAL (note 3)

	5,540,402	5,784,272
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	\$ 5,792,321	\$ 5,892,259
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Liabilities and net assets

CURRENT

Cash and short term investments overdrawn	\$ 0	\$ 2,962
Accounts payable and accrued liabilities	49,701	68,669
Deferred revenue	126,373	-
Current portion of long term debt (note 4)	97,921	204,535
	273,995	276,166

LONG TERM DEBT (note 4)

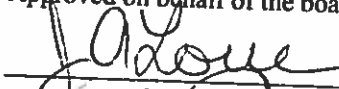

	2,771,351	2,726,752
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NET ASSETS

Restricted for capital assets	2,569,957	2,955,318
Restricted Working capital	-	-
Restricted Youth purposes	8,073	8,073
Restricted Mission purposes	1,490	16,000
Unrestricted Project funds	53,531	53,531
Unrestricted general purposes	113,924	(143,581)
	2,746,975	2,889,341

	\$ 5,792,321	\$ 5,892,259
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Approved on behalf of the board:

 Director
 Director

(see accompanying notes to financial statements)

(page 2)

B.D. Hawkins, CPA, CA

LAKESIDE BIBLE CHURCH
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Restricted for Capital assets (note a)	Restricted Working Capital	Restricted Youth Purposes	Restricted Mission Purposes	Unrestricted Project	Unrestricted General Purpose	Total
Balance, beginning of year	\$ 2,574,490	\$ 0	\$ 8,073	\$ 16,000	\$ 53,531	\$ (143,581)	\$ 2,508,513
Adjust opening re amortization (note 7)	380,828						380,828
Adjust	(11,161)						(11,161)
Revenues	3,314	-	-	57,055	0	2,139,032	2,199,401
Expenses	(377,514)			(71,565)	0	(1,881,527)	(2,330,606)
	\$ 2,569,957	\$ 0	\$ 8,073	\$ 1,490	\$ 53,531	\$ 113,924	\$ 2,746,975
Transfers							
Balance, end of year	\$ 2,569,957	\$ 0	\$ 8,073	\$ 1,490	\$ 53,531	\$ 113,924	\$ 2,746,975

Note (a) Restricted for Capital
Assets is comprised of the
following assets and liabilities
per the statement of financial
position

Capital assets	\$ 5,540,402
HST recoverable	19,199
Long term debt	(2,869,273)
Adjustment (note 7)	(120,371)
	<u>\$ 2,569,957</u>

(see accompanying notes to financial statements)
(page 3)

B.D. Hawkins, CPA, CA

LAKESIDE BIBLE CHURCH
STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2017

	Restricted for Capital Assets	Internally Restricted	Unrestricted General Purpose	2017	2016
REVENUES					
Lakeside Central					
Donations - General	\$ -	\$ -	\$ 1,451,619	\$ 1,451,619	\$ 1,558,846
- Church Planting	-	-	-	0	-
- Community Impact	-	18,928	-	18,928	29,823
- Missions	-	17,410	-	17,410	34,598
- Building	3,314	-	-	3,314	6,368
Lakeside Downtown	-	-	158,213	158,213	151,851
Lakeside outpost	-	-	95,000	95,000	141,776
Missions fundraising	-	20,717	-	20,717	54,341
Self supporting ministries	-	-	301,782	301,782	297,905
Rental income	-	-	112,455	112,455	77,144
Syrian Refugee Fund	-	-	-	0	4,990
Grants	-	-	15,645	15,645	2,366
Miscellaneous	-	-	4,318	4,318	1,527
	<u>3,314</u>	<u>57,055</u>	<u>2,139,032</u>	<u>2,199,401</u>	<u>2,361,535</u>
EXPENDITURES					
Program, ministry and salaries	-	-	1,229,915	1,229,915	1,239,711
Property	-	-	215,381	215,381	219,905
Lakeside kids	-	-	7,857	7,857	7,721
Maturity	-	-	4,337	4,337	6,854
Youth ministries	-	-	4,831	4,831	9,890
Administration	-	-	52,482	52,482	66,292
Community care and integration	-	-	27,637	27,637	32,532
Community impact	-	31,251	-	31,251	41,208
Missions	-	39,861	-	39,861	98,884
Self supporting ministries	-	-	214,336	214,336	313,210
Lakeside downtown	-	-	27,285	27,285	88,698
Lakeside outpost	-	-	97,466	97,466	74,722
Syrian Refugee Expense	-	453	-	453	1,456
	<u>-</u>	<u>71,565</u>	<u>1,881,527</u>	<u>1,953,092</u>	<u>2,201,083</u>
SURPLUS (Deficit) before other expenses	<u>3,314</u>	<u>(14,510)</u>	<u>257,505</u>	<u>246,309</u>	<u>160,452</u>
OTHER EXPENSES					
Long term debt	133,644	-	-	133,644	158,963
(Deficit) Surplus before amortization	<u>(130,330)</u>	<u>(14,510)</u>	<u>257,505</u>	<u>112,665</u>	<u>1,489</u>
Amortization (note 7)	243,870	-	-	243,870	259,321
	<u>(374,200)</u>	<u>(14,510)</u>	<u>257,505</u>	<u>(131,205)</u>	<u>(257,832)</u>
(DEFICIT) Surplus for the year	<u>\$ (374,200)</u>	<u>\$ (14,510)</u>	<u>\$ 257,505</u>	<u>\$ (131,205)</u>	<u>\$ (257,832)</u>

(see accompanying notes to financial statements)

(page 4)

LAKESIDE BIBLE CHURCH
STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2017

OPERATING ACTIVITIES	2017	2016
Net (deficit) surplus for the year	\$ (131,205)	\$ (257,832)
Changes to earnings not involving cash:		
Adjustment to surplus - previous year	(11,162)	9,391
Amortization	243,870	259,321
	<u>101,503</u>	<u>10,880</u>
Changes in non-cash working capital balances:		
(Increase) decrease in HST recoverable	1,598	(7,354)
(Increase) Decrease in accounts receivable	(41,695)	260
Decrease (Increase) in loan receivable	1,613	(32,016)
Decrease (Increase) in prepaid expenses	5,481	(6,273)
Decrease (increase) in deferred interest	1,468	2,159
Increase (decrease) in accounts payable and accrued liabilities	(18,968)	49,710
Increase (Decrease) in deferred revenue	126,373	(1,000)
Cash flow from operations	<u>177,373</u>	<u>16,366</u>
FINANCING ACTIVITIES		
(Decrease) increase in current portion of long term debt	(106,614)	(94,797)
Increase in long term debt - net	44,599	57,254
Cash and equivalents from financing activities	<u>(62,015)</u>	<u>(37,543)</u>
INVESTING ACTIVITIES		
(Purchase) of capital assets	0	(20,132)
(Increase) decrease in value of donated shares	4,974	(5,068)
Cash and equivalents from investing activities	<u>4,974</u>	<u>(25,200)</u>
(Decrease) in cash and equivalents for the year	120,332	(46,377)
Cash and equivalents, beginning of year	(2,962)	43,415
Cash and equivalents, end of year	<u>\$ 117,370</u>	<u>\$ (2,962)</u>
Represented by:		
Cash and short term investments	<u>\$ 117,370</u>	<u>\$ (2,962)</u>

(see accompanying notes to financial statements)
(page 5)

**LAKESIDE BIBLE CHURCH
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017**

1 Purpose of the organization

Lakeside Bible Church is a registered charity, incorporated without share capital under the laws of Ontario, whose primary purpose is to promote and teach the gospel of Jesus Christ to the world.

2 Significant accounting policies

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

a. Marketable securities

Marketable securities are classified as held for trade and are recorded at fair value.

b. Capital assets and amortization

Capital asset purchases are recorded at cost. Amortization is recorded using the straight line method at the following rates:

Land - Conservation	0%
Land - Norfolk	0%
Building - Conservation	5%
Building - Norfolk	5%
Furniture and equipment	20%
Paving	8%

c. Impairment of long lived assets

Long lived assets are tested for recoverability whenever events of changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

d. Contributed services and materials

Contributed services by volunteers and contributed materials are not recognized in the financial statements.

e. Income taxes

The corporation has registered with Canada Revenue Agency as a charitable organization and is therefore exempt for income tax purposes under Section 149(1)(f) of the Income tax Act.

LAKESIDE BIBLE CHURCH
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2017

f. Fund accounting

Lakeside Bible Church follows the restricted fund method of accounting for contributions.

The general fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources.

The project fund accounts for special funds raised and set aside for special purposes. The fund reports unrestricted resources.

The capital asset fund reports the assets, liabilities, revenues and expenses related to Lakeside Bible Church's capital assets and building expansion campaign.

The mission fund reports revenues and expenses for the churches mission activities.

The youth fund reports revenues and expenses related to fundraising and distribution with respect to youth activities and scholarships.

The working capital fund is to set aside funds in the event the current account is operating in a deficit in a particular year.

g. Revenue recognition

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

h. Use of estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, 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 year. Actual results could differ from those estimates.

i. Financial instruments

Measurement - the organization initially measures its financial assets and liabilities as fair value. Amount due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

Impairment - financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

LAKESIDE BIBLE CHURCH
 NOTES TO THE FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2017

3 Capital assets and amortization

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land - Conservation	\$ 450,000	\$ -	\$ 450,000	\$ 450,000
Land - Norfolk	660,848	-	660,848	660,848
Building - Conservation	7,490,629	3,405,378	4,085,251	4,300,265
Building - Norfolk	379,951	92,077	287,874	303,025
Furniture and equipment	587,105	533,138	53,967	67,458
Paving	8,452	5,990	2,462	2,676
	<u>\$ 9,576,985</u>	<u>\$ 4,036,583</u>	<u>\$ 5,540,402</u>	<u>\$ 5,784,272</u>

4 Long Term Debt

The long term debt is made up of:

	2017	2016
Mortgage payable- blended monthly principal and interest payments of \$18,328, interest at 5.00%, due January 1, 2036, secured by real property.	\$ 2,839,331	\$ 2,777,133
Royal Bank term loan - blended monthly principal and interest payments of \$1,518 , interest at 4.20%, due April 2017, secured by GIC held by Lakeside.	-	5,302
Royal Bank lease payable - monthly payments of \$1,576 plus HST for 48 months, termination date August 2019	29,941	48,852
Loan Payable, dated Nov. 2, 2016 , due 7 days after demand, payable to 1708957 Ontario Ltd. No payments, no interest.	0	100,000
	<u>2,869,272</u>	<u>2,931,287</u>
Less: Current portion	97,921	204,535
	<u>\$ 2,771,351</u>	<u>\$ 2,726,752</u>

On January 1, 2016, the mortgage payable was renegotiated with a new repayment term and due date.

LAKESIDE BIBLE CHURCH
 NOTES TO THE FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2017

Principal repayments for the next five years are as follows:

2018	97,921
2019	94,767
2020	87,782
2021	92,652
2022	97,392
	\$ 470,514

5 Capital disclosures

The organization's objective when managing capital is to safeguard the organization's ability to continue as a going concern so it can continue to promote and teach the gospel of Jesus Christ to the world.

The organization manages the capital structure and makes adjustments to it in light of changes in economic conditions. The organization is not subject to externally imposed capital requirements.

6 Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations as at December 31, 2017.

(a) Credit risk - Credit risk arises from the potential that certain parties will fail to perform their obligations, It is management's opinion that its accounts receivable credit risk exposure is limited.

(b) Liquidity risk - Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk in its long term mortgages.

The organization expects to meet these obligations as they come due by generating sufficient cash flows from donations from the continued support of its members.

(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. It is management's opinion that the organization is not exposed to currency risk or other price risk.

(d) Interest rate risk - The organization is exposed to interest rate price risk on its long term debt.

7 Financial statement changes - prior period error re estimation of amortization

The financial statements and comparative figures have been changed to correct the estimation of amortization of the capital assets and to record the amortization per Note 1 and the rates disclosed there.

The current year amortization recorded at the rates per note 1 is \$243,870.

The comparative year (2016) amortization at the rates per note 1 is \$259,321. The amount recorded prior to the correction was \$349,050.

The cumulative amount recorded prior to 2016 was \$380,828.

These changes affect the statement of financial position (capital assets and net assets), the statement of changes in net assets, the statement of operations, and the statement of cash flows for 2017 and 2016 and prior years.