

LAKESIDE BIBLE CHURCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(with comparative figures
for the year ended December 31, 2017)

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INDEPENDENT AUDITOR'S REPORT

To: The Directors of Lakeside Bible Church:

Qualified Opinion

I have audited the accompanying financial statements of Lakeside Bible Church, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Lakeside Bible Church, as at December 31, 2018, and the results of its operation and its cash flows for the year then ended in accordance with Canadian accounting standards for non-for-profit organization.

Basis for Qualified Opinion

In common with many charitable organizations, Lakeside Bible Church derives revenue from donations, the completeness of which is not susceptible to satisfactory audit certification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Lakeside Bible Church. Therefore, I was not able to determine whether any adjustments might be necessary to recorded donation, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. My audit opinion on the financial statements for the year ended December 31, 2018 and 2017 was modified accordingly because of the possible effect of this scope limitation.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. I am independent of Lakeside Bible Church, in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for qualified audit 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 non-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 Lakeside Bible Church's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate Lakeside Bible Church, or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing Lakeside Bible Church's financial reporting process.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the organization's Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in regard.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 omission, misrepresentations, or to 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 Lakeside Bible Church, 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 condition that may cast significant doubt on Lakeside Bible Church's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in

my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained to the date of our auditor's report. However, future events or conditions may cause 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that I identify during my audit.



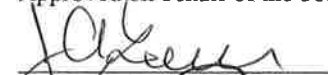

Guelph, Ontario.
June 11, 2019

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

LAKESIDE BIBLE CHURCH
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Assets	
CURRENT	2018	2017
Cash short term investments	\$ 137,034	\$ 117,370
Accounts Receivable	-	42,230
HST recoverable	18,959	19,199
Marketable securities	-	145
Deferred interest	134	911
Loan receivable	70,696	71,272
Prepaid Expenses	150	792
	226,973	251,919
CAPITAL (note 3)	5,311,726	5,540,402
	\$ 5,538,699	\$ 5,792,321
	Liabilities and net assets	
CURRENT		
Cash and short term investments overdrawn	\$ -	\$ 0
Accounts payable and accrued liabilities	57,031	49,701
Deferred revenue	94,302	126,373
Current portion of long term debt (note 4)	94,767	97,921
	246,100	273,995
LONG TERM DEBT (note 4)	2,699,016	2,771,351
	2,699,016	2,771,351
NET ASSETS		
Restricted for capital assets	2,517,935	2,569,957
Restricted Working capital	-	-
Restricted Youth purposes	8,073	8,073
Restricted Mission purposes	14,418	1,490
Unrestricted Project funds	53,531	53,531
Unrestricted general purposes	-374	113,924
	2,593,583	2,746,975
	\$ 5,538,699	\$ 5,792,321

Approved on behalf of the board:

 Director
 Director

(see accompanying notes to financial statements)

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B.D. Hawkins, CPA, CA

LAKESIDE BIBLE CHURCH
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ 2,569,957	\$ 0	\$ 8,073	\$ 1,490	\$ 53,531	\$ 113,924	\$ 2,746,975
Adjust opening re amortization (note 7)							
Adjust							
Revenues	350	-	0	34,710	0	2,095,387	2,130,447
Expenses	-360,209	-	0	(21,782)	0	-1,901,848	-2,283,839
	\$ 2,210,098	\$ 0	\$ 8,073	\$ 14,418	\$ 53,531	\$ 307,463	\$ 2,593,583
Transfers	307,837						
Balance, end of year	\$ 2,517,935	\$ 0	\$ 8,073	\$ 14,418	\$ 53,531	\$ -374	\$ 2,593,583

Note (a) Restricted for Capital

Assets is comprised of the following assets and liabilities per the statement of financial position

Capital assets	\$ 5,311,718
HST recoverable	0
Long term debt	-2,793,783
Adjustment (note 7)	\$ 2,517,935

(see accompanying notes to financial statements)
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B.D. Hawkins, CPA, CA

LAKESIDE BIBLE CHURCH
STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2018

	Restricted for Capital Assets	Internally Restricted	Unrestricted General Purpose	2018	2017
REVENUES					
Lakeside Central					
Donations - General	\$ -	\$ -	\$ 1,402,072	\$ 1,402,072	\$ 1,451,619
- Church Planting	-	-	0	0	0
- Community Impact	-	15,443	-	15,443	18,928
- Missions	-	13,896	-	13,896	17,410
- Building	350	-	-	350	3,314
Lakeside Downtown	-	-	135,719	135,719	158,213
Lakeside outpost	-	-	96,000	96,000	95,000
Missions fundraising	-	5,371	-	5,371	20,717
Self supporting ministries	-	-	344,139	344,139	301,782
Rental income	-	-	106,295	106,295	112,455
Syrian Refugee Fund	-	-	-	0	0
Grants	-	-	0	0	15,645
Miscellaneous	-	-	11,162	11,162	4,318
	<u>350</u>	<u>34,710</u>	<u>2,095,387</u>	<u>2,130,447</u>	<u>2,199,401</u>
EXPENDITURES					
Program, ministry and salaries	-	-	1,160,561	1,160,561	1,229,915
Property	-	-	233,399	233,399	215,381
Lakeside kids	-	-	6,825	6,825	7,857
Maturity	-	-	5,778	5,778	4,337
Youth ministries	-	-	6,622	6,622	4,831
Administration	-	-	53,172	53,172	52,482
Community care and integration	-	-	25,269	25,269	27,637
Community impact	-	6,077	-	6,077	31,251
Missions	-	15,705	-	15,705	39,861
Self supporting ministries	-	-	262,489	262,489	214,336
Lakeside downtown	-	-	29,679	29,679	27,285
Lakeside outpost	-	-	118,054	118,054	97,466
Syrian Refugee Expense	-	-	-	0	453
	<u>-</u>	<u>21,782</u>	<u>1,901,848</u>	<u>1,923,630</u>	<u>1,953,092</u>
SURPLUS (Deficit)					
before other expenses	<u>350</u>	<u>12,928</u>	<u>193,539</u>	<u>206,817</u>	<u>246,309</u>
OTHER EXPENSES					
Long term debt	130,562	-	-	130,562	133,644
(Deficit) Surplus before amortization	<u>-130,212</u>	<u>12,928</u>	<u>193,539</u>	<u>76,255</u>	<u>112,665</u>
Amortization (note 7)	229,647	-	-	229,647	243,870
	<u>-359,859</u>	<u>12,928</u>	<u>193,539</u>	<u>-153,392</u>	<u>-131,205</u>
(DEFICIT) Surplus for the year	<u>\$ -359,859</u>	<u>\$ 12,928</u>	<u>\$ 193,539</u>	<u>\$ -153,392</u>	<u>\$ -131,205</u>

(see accompanying notes to financial statements)

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B.D. Hawkins, CPA, CA

LAKESIDE BIBLE CHURCH
STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2018

OPERATING ACTIVITIES	2018	2017
Net (deficit) surplus for the year	\$ -153,392	\$ -131,205
Changes to earnings not involving cash:		
Adjustment to surplus - previous year	0	(11,162)
Amortization	229,647	243,870
	<u>76,255</u>	<u>101,503</u>
Changes in non-cash working capital balances:		
(Increase)decrease in HST recoverable	240	1,598
(Increase)Decrease in accounts receivable	42,230	-41,695
Decrease (Increase) in loan receivable	576	1,613
Decrease(Increase) in prepaid expenses	642	5,481
Decrease (increase) in deferred interest	777	1,468
Increase (decrease) in accounts payable and accrued liabilities	7,330	-18,968
Increase (Decrease) in deferred revenue	-32,071	126,373
Cash flow from operations	<u>95,979</u>	<u>177,373</u>
 FINANCING ACTIVITIES		
(Decrease) increase in current portion of long term debt	-3,154	-106,614
Increase in long term debt - net	-72,335	44,599
Cash and equivalents from financing activities	<u>-75,489</u>	<u>-62,015</u>
 INVESTING ACTIVITIES		
(Purchase) of capital assets	-971	0
(Increase) decrease in value of donated shares	145	4,974
Cash and equivalents from investing activities	<u>-826</u>	<u>4,974</u>
 (Decrease) in cash and equivalents for the year	19,664	120,332
 Cash and equivalents, beginning of year	117,370	-2,962
 Cash and equivalents, end of year	<u>\$ 137,034</u>	<u>\$ 117,370</u>
 Represented by:		
Cash and short term investments	<u>\$ 137,034</u>	<u>\$ 117,370</u>

(see accompanying notes to financial statements)

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B.D. Hawkins, CPA, CA

LAKESIDE BIBLE CHURCH
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018

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, 2018

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, 2018

3 Capital assets and amortization

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land - Conservation	\$ 450,000	\$ -	\$ 450,000	\$ 450,000
Land - Norfolk	660,848	-	660,848	660,848
Building - Conservation	7,490,629	3,609,640	3,880,989	4,085,251
Building - Norfolk	379,951	106,471	273,480	287,874
Furniture and equipment	588,076	543,932	44,144	53,967
Paving	8,452	6,187	2,265	2,462
	<u>\$ 9,577,956</u>	<u>\$ 4,266,230</u>	<u>\$ 5,311,726</u>	<u>\$ 5,540,402</u>

4 Long Term Debt

The long term debt is made up of:

	2018	2017
Mortgage payable- blended monthly principal and interest payments of \$18,328, interest at 5.00%, due January 1, 2036, secured by real property.	\$ 2,782,752	\$ 2,839,331
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.		0
Royal Bank lease payable - monthly payments of \$1,576 plus HST for 48 months, termination date August 2019	11,031	29,941
Loan Payable, dated Nov. 2, 2016 , due 7 days after demand, payable to 1708957 Ontario Ltd. No payments, no interest.		-
	<u>2,793,783</u>	<u>2,869,272</u>
Less: Current portion	94,767	97,921
	<u>\$ 2,699,016</u>	<u>\$ 2,771,351</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, 2018

Principal repayments for the next five years are as follows:

2019	94,767
2020	87,782
2021	92,652
2022	97,392
2023	102,375
	\$ 474,968

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, 2018.

(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 comparative year (2017) amortization recorded at the rates per note 1 is \$243,870.

The previous 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 2018 and 2017 and prior years.