

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**

**Financial Statements**

**Year Ended December 31, 2017**

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**

**Index to Financial Statements**

**Year Ended December 31, 2017**

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	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenditures - General Fund	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 10
Church Operating Expenses ( <i>Schedule 1</i> )	11
Ministry Expenses ( <i>Schedule 2</i> )	11
Rectory Operating Expenses ( <i>Schedule 3</i> )	11
Salaries and Allowances ( <i>Schedule 4</i> )	12
Statement of Restricted Funds ( <i>Schedule 5</i> )	12 - 13

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of St. Mark's Anglican Lutheran Church, Midland Inc.

We have audited the accompanying financial statements of St. Mark's Anglican Lutheran Church, Midland Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures - general fund, changes in net assets and cash flow 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 judgment, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, St. Mark's Anglican Lutheran Church, Midland Inc. derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of St. Mark's Anglican Lutheran Church, Midland Inc. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2017, current assets and net assets as at December 31, 2017.

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Independent Auditor's Report to the Members of St. Mark's Anglican Lutheran Church, Midland Inc.  
(continued)

We draw attention to Note 2 of the financial statements which describes that St. Mark's Anglican Lutheran Church adopted Canadian Accounting Standards for Not-for-Profit Organizations on January 1, 2017, but did not apply these standards retrospectively as required. The effect of this departure from Canadian Accounting Standards for Not-for-Profit Organization on the audited financial statements has not been determined.

#### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of St. Mark's Anglican Lutheran Church, Midland Inc. as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statement figures for the year ended December 31, 2016 were neither audited nor reviewed and are presented for comparative purposes only.

Midland, Ontario  
April 26, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**

**Statement of Financial Position**

**December 31, 2017**

	2017	2016 <i>Unaudited</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 42,563	\$ 69,742
Cash - restricted	30,679	-
Cash - held in trust (Note 6)	28,093	39,443
Accounts receivable	292	29,223
HST recoverable	2,213	937
Restricted investments (Note 5)	283,637	24,893
Prepaid expenses	1,640	847
Due from related party	-	18,365
	<u>389,117</u>	183,450
RESTRICTED INVESTMENTS (Note 5)	<u>100,000</u>	100,000
	<u>\$ 489,117</u>	<u>\$ 283,450</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 9,887	\$ 5,542
Funds held in trust (Note 6)	28,093	39,443
	<u>37,980</u>	44,985
<b>NET ASSETS</b>		
General Fund	36,821	2,492
Restricted Funds (Note 7)	314,316	135,973
Endowment Fund (Note 8)	100,000	100,000
	<u>451,137</u>	238,465
	<u>\$ 489,117</u>	<u>\$ 283,450</u>

**APPROVED ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2017**

	General Fund	Restricted Funds	Endowment Fund	2017	2016 <i>Unaudited</i>
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 2,492	\$ 135,973	\$ 100,000	\$ <b>238,465</b>	\$ 243,052
Excess of revenue over expenses for the year	1,526	-	-	<b>1,526</b>	1,749
Unrealized gains	-	2,831	-	<b>2,831</b>	5,041
Fund contributions	-	9,120	-	<b>9,120</b>	17,300
Fund expenses	-	(14,608)	-	<b>(14,608)</b>	(30,677)
Fund transfers	-	-	-	-	2,000
Amalgamation (Note 3)	32,803	181,000	-	<b>213,803</b>	-
<b>NET ASSETS - END OF YEAR</b>	\$ <b>36,821</b>	\$ <b>314,316</b>	\$ 100,000	\$ <b>451,137</b>	\$ 238,465

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**  
**Statement of Revenues and Expenditures - General Fund**  
**Year Ended December 31, 2017**

	2017	2016 <i>Unaudited</i>
<b>REVENUE</b>		
Donations - general	\$ 122,571	\$ 128,469
Donations - memorial	10,775	340
Donations - Faithworks	60	75
Unrealized gain	17,601	1,504
Fundraising	7,365	5,227
Rental income	7,651	5,155
Dividend income	5,031	4,801
Interest income	477	465
	<u>171,531</u>	<u>146,036</u>
<b>EXPENSES</b>		
Church operating expenses ( <i>Schedule 1</i> )	34,420	29,088
Ministry expenses ( <i>Schedule 2</i> )	27,692	22,444
Rectory operating expenses ( <i>Schedule 3</i> )	6,681	6,142
Salaries and allowances ( <i>Schedule 4</i> )	101,212	86,613
	<u>170,005</u>	<u>144,287</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>\$ 1,526</u>	<u>\$ 1,749</u>

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.****Statement of Cash Flow****Year Ended December 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 1,526	\$ 1,749
Items not affecting cash:		
Deficiency of restricted fund contributions over expenses	(5,488)	(13,377)
Unrealized gain	(17,601)	(1,504)
Donation of shares	(6,144)	-
	<u>(27,707)</u>	<u>(13,132)</u>
Changes in non-cash working capital:		
Accounts receivable	28,931	(2,208)
HST recoverable	(1,276)	2,954
Prepaid expenses	(793)	(139)
Accounts payable and accrued liabilities	4,345	(2,322)
Funds held in trust	(11,350)	(11,954)
	<u>19,857</u>	<u>(13,669)</u>
Cash flow used by operating activities	<u>(7,850)</u>	<u>(26,801)</u>
<b>FINANCING ACTIVITY</b>		
Advances to related parties	-	(10,000)
<b>DECREASE IN CASH FLOW</b>	<b>(7,850)</b>	<b>(36,801)</b>
Cash - beginning of year	<u>109,185</u>	<u>145,986</u>
<b>CASH - END OF YEAR</b>	<b>\$ 101,335</b>	<b>\$ 109,185</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 42,563	\$ 69,742
Cash - restricted	30,679	-
Cash held in trust	28,093	39,443
	<u>\$ 101,335</u>	<u>\$ 109,185</u>



# ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.

## Notes to Financial Statements

Year Ended December 31, 2017

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### 1. DESCRIPTION OF ORGANIZATION

St. Mark's Anglican Lutheran Church, Midland Inc. is a Not-for-Profit Organization incorporated without share capital under the laws of Ontario. The Church is a registered charity under the Income Tax Act and as such is exempt from income tax.

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### 2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Organization adopted Canadian Accounting Standards for Not-for-Profit Organizations. These financial statements are the first prepared in accordance with these standards. These standards were not applied retroactively and, therefore, no changes were made to the Statement of Financial Position, to the Statement of Changes in Net Assets or to the Statement of Revenues and Expenditures as a result of the adoption of this new accounting framework.

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### 3. AMALGAMATION WITH HOLY CROSS LUTHERAN CHURCH

St. Mark's Anglican Church and Holy Cross Lutheran Church ("Holy Cross") voted to amalgamate in May 2012. On January 1, 2017, the two churches officially amalgamated and a new not-for-profit Organization was incorporated called St. Mark's Anglican Lutheran Church, Midland Inc.

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. The significant policies are detailed as follows:

#### Revenue recognition

St. Mark's Anglican Lutheran Church, Midland Inc., 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 General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Unrestricted investment income earned on the Endowment Fund and Restricted Funds are recognized as revenue of the General Fund. Other investment income is recognized as revenue of the General Fund when earned.

Other revenues are recognized when earned.

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# ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.

## Notes to Financial Statements

Year Ended December 31, 2017

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Donated services and materials

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

#### Capital assets

Capital assets are expensed in the year of purchase.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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### 5. RESTRICTED INVESTMENTS

	<u>2017</u>	<u>2016</u>
Clarkson Estate	\$ 106,355	\$ 101,504
McMullen Estate	24,507	23,389
Manulife shares	7,857	-
National Bank portfolio investment	<u>244,918</u>	<u>-</u>
Subtotal	383,637	124,893
Short-term portion	<u>283,637</u>	<u>24,893</u>
Long-term portion	<u>\$ 100,000</u>	<u>\$ 100,000</u>

The Clarkson and McMullen Estates are invested in the Consolidated Trust Fund managed by The Incorporated Synod of the Diocese of Toronto.

The National Bank portfolio investment came from the amalgamation of St. Mark's Anglican Church with Holy Cross Lutheran Church.

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**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.****Notes to Financial Statements****Year Ended December 31, 2017**

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**6. FUNDS HELD IN TRUST**

The Church held funds in trust at year-end for the following groups:

	<u>2017</u>	<u>2016</u>
MarksMen	\$ 86	\$ (164)
Youth group	1,473	1,473
Georgian Bay Refugee Support	<u>26,534</u>	<u>38,134</u>
	<u>\$ 28,093</u>	<u>\$ 39,443</u>

The amounts held for the Georgian Bay Refugee Support are in a bank account separate from the other funds.

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**7. RESTRICTED FUNDS**

	<u>2017</u>	<u>2016</u>
Building Fund (Schedule 5)	\$ 242	\$ 7,909
Grant Leach Memorial Fund (Schedule 5)	32,329	34,300
McMullen Estate (Schedule 5)	24,507	23,389
Our Faith Our Hope Fund (Schedule 5)	41,482	42,247
Jack Pettigrew Memorial Fund (Schedule 5)	15,459	15,459
Incumbent's Discretionary Fund (Schedule 5)	11,319	12,669
Tremblay Fund (Schedule 5)	7,978	-
Holy Cross Fund (Schedule 5)	<u>181,000</u>	<u>-</u>
	<u>\$ 314,316</u>	<u>\$ 135,973</u>

The Grant Leach Memorial Fund, McMullen Estate, Our Faith Our Hope Fund, Incumbent's Discretionary Fund and Tremblay Fund are externally restricted funds. Externally restricted funds have covenants imposed by the donors. The Grant Leach Memorial Fund can only be spent on building and equipment. The McMullen Estate funds can only be withdrawn upon approval of the Vestry. The Our Faith Our Hope Fund can only be spent on accessibility, youth ministry/education, communication and outreach. The Incumbent's Discretionary's Fund can be spent on youth programs, education and wages. The Tremblay Fund can be spent on outreach for the elderly and infirm.

The Building Fund, Jack Pettigrew Memorial Fund and Holy Cross Fund are internally restricted funds. Internally restricted funds have covenants imposed by the board of directors. The Building Fund can be spent on building and equipment. The Jack Pettigrew Memorial Fund can be spent at the discretion of the Board of Directors. The Holy Cross Fund can be spent on missions.

Income earned on restricted funds can be used at the discretion of the Church Wardens and has been reported in the General Fund.

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**8. ENDOWMENT FUND**

These funds were contributed by the Clarkson Estate and must be held by the The Incorporated Synod of the Diocese of Toronto in trust. The income earned on these funds can be used at the discretion of the Church Wardens and has been reported in the General Fund.

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**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**

**Notes to Financial Statements**

**Year Ended December 31, 2017**

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9. COMPARATIVE FIGURES

Certain figures have been reclassified to conform with the current year's presentation.

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**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.****Church Operating Expenses****(Schedule 1)****Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
Insurance	\$ 5,395	\$ 5,029
Interest and bank charges	266	166
Office expenses	5,550	6,511
Professional fees	10,288	3,742
Repairs and maintenance	5,282	6,101
Telephone	1,486	1,378
Utilities	6,153	6,161
	<b>\$ 34,420</b>	<b>\$ 29,088</b>

**Ministry Expenses****(Schedule 2)****Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
Advertising	\$ 196	\$ -
Allotment	13,803	11,693
Altar supplies and flowers	5,577	4,476
Benevolence commitment	3,451	3,227
Bishop retreat	762	-
Choir and music	880	1,040
Church school	519	729
Donations and local outreach	1,750	1,093
Dues and fees	286	186
Synod expense	468	-
	<b>\$ 27,692</b>	<b>\$ 22,444</b>

**Rectory Operating Expenses****(Schedule 3)****Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
Utilities	\$ 3,101	\$ 2,208
Insurance	659	725
Repairs and maintenance	658	1,504
Property taxes	2,073	2,043
Telephone	190	(338)
	<b>\$ 6,681</b>	<b>\$ 6,142</b>

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.****Salaries and Allowances****(Schedule 4)****Year Ended December 31, 2017**

	2017	2016
Clergy wages and benefits	\$ 65,717	\$ 50,856
Secretary, custodian and organist wages and benefits	34,055	33,957
Professional development	-	200
Travel	1,440	1,600
	<u>\$ 101,212</u>	<u>\$ 86,613</u>

**Statement of Restricted Funds****(Schedule 5)****Year Ended December 31, 2017**

	2017	2016
<b>BUILDING FUND</b>		
Balance - beginning of year	\$ 7,909	\$ 26,078
Donations	711	-
New doors	(4,885)	-
Stove	(654)	-
Vestry renovations	(760)	-
Garage door	(2,079)	-
Parking lot resurfacing	-	(7,900)
Rectory painting	-	(10,269)
Balance - end of year	<u>\$ 242</u>	<u>\$ 7,909</u>
<b>GRANT LEACH MEMORIAL FUND</b>		
Balance - beginning of year	\$ 34,300	\$ 34,761
Wildlife removal and repairs	(1,971)	-
Altar equipment	-	(461)
Balance - end of year	<u>\$ 32,329</u>	<u>\$ 34,300</u>
<b>MCMULLEN ESTATE</b>		
Balance - beginning of year	\$ 23,389	\$ 22,163
Unrealized gain	1,118	1,226
Balance - end of year	<u>\$ 24,507</u>	<u>\$ 23,389</u>
<b>OUR FAITH OUR HOPE FUND</b>		
Balance - beginning of year	\$ 42,247	\$ 47,663
Donations	212	5,245
Local outreach	-	(5,500)
Technology upgrade	(977)	(1,239)
Moving expenses	-	(3,922)
Balance - end of year	<u>\$ 41,482</u>	<u>\$ 42,247</u>

*(continues)*

**ST. MARK'S ANGLICAN LUTHERAN CHURCH, MIDLAND INC.**

**Statement of Restricted Funds (continued)**

**(Schedule 5)**

**Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>JACK PETTIGREW MEMORIAL FUND</b>		
Balance - no change during the year	\$ 15,459	\$ 15,459
<b>INCUMBENT'S DISCRETIONARY FUND</b>		
Balance - beginning of year	\$ 12,669	\$ -
Donations	1,280	11,260
Transfer from general fund	-	2,000
Expenses	<u>(2,630)</u>	<u>(591)</u>
Balance - end of year	\$ 11,319	\$ 12,669
<b>TREMBLAY FUND</b>		
Tremblay - contributions	\$ 6,144	\$ -
Unrealized gain	1,713	-
Dividends	<u>121</u>	<u>-</u>
Balance - end of year	\$ 7,978	\$ -
<b>HOLY CROSS FUND</b>		
HLCL Mission Fund - balance from amalgamation	\$ 181,000	\$ -
<b>MISCELLANEOUS FUNDS</b>		
Contributions	\$ 650	\$ 795
Expenses	<u>(650)</u>	<u>(795)</u>
	\$ -	\$ -
<b>GRAND TOTAL</b>		
Balance - beginning of year	\$ 135,973	\$ 146,124
Unrealized gain	2,831	1,226
Contributions	9,120	17,300
Expenses	(14,608)	(30,677)
Balance from amalgamation	181,000	-
Transfers	<u>-</u>	<u>2,000</u>
Balance - end of year	\$ 314,316	\$ 135,973