



CHARTERED ACCOUNTANT

**The Anglican Church of
the Incarnation
Financial Statements**

December 31, 2010

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CHARTERED ACCOUNTANT

Independent Auditor's Report

To the Parishioners of
Anglican Church of the Incarnation

Report on the Financial Statements

I have audited the accompanying financial statements of Anglican Church of the Incarnation, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets and cash flows 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 generally accepted accounting policies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 risks of material misstatements 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 is sufficient and appropriate to provide a basis for my qualified audit opinion.



CHARTERED ACCOUNTANT

Basis for Qualified Opinion

In common with many charitable organizations, the Church derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to amounts recorded in the records of the Church and I was not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenditures, assets and fund balances.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Anglican Church of the Incarnation as at December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

“Charles Havill”

Oakville, Canada
April 6, 2011

Chartered Accountant
Licensed Public Accountant

The Anglican Church of the Incarnation Statement of Financial Position

December 31,	General Fund 2010	Building 2010	Restricted Funds Property Renewal 2010	Rectory Reserve 2010	Total 2010	Total 2009
Assets						
Current						
Cash and cash equivalents (Note 3)	\$ 11,190	\$ 19,719			\$ 30,909	\$ 75,854
Receivables	2,557				2,557	
Interfund receivable		28,918			28,918	22,463
Prepays	<u>360</u>				<u>360</u>	<u>2,092</u>
	14,107	<u>48,637</u>			<u>62,744</u>	<u>100,409</u>
Long-term investments (Note 4)				\$ 162,174	162,174	157,074
Capital assets (Note 5)		<u>1,465,027</u>			<u>1,465,027</u>	<u>1,515,434</u>
	<u>\$ 14,107</u>	<u>\$ 1,513,664</u>		<u>\$ 162,174</u>	<u>\$ 1,689,945</u>	<u>\$ 1,772,917</u>
Liabilities						
Current						
Payables and accruals	\$ 2,537				\$ 2,537	\$ 25,154
Interfund payable	26,064		\$ 2,854		28,918	22,463
Deferred revenue	12,575				12,575	12,383
Due to Diocese of Niagara (Notes 6 and 8)	29,334	\$ 129,949			159,283	100,338
Current portion of long-term debt		<u>16,200</u>			<u>16,200</u>	<u>16,200</u>
	70,510	146,149	2,854		219,513	176,538
Long-term debt (Note 7)		<u>98,457</u>			<u>98,457</u>	<u>114,657</u>
	<u>70,510</u>	<u>244,606</u>	<u>2,854</u>		<u>317,970</u>	<u>291,195</u>
Fund Balances						
Invested in capital assets		1,269,058			1,269,058	1,350,020
Externally restricted				\$ 162,174	162,174	157,074
Internally restricted	(56,403)		\$ (2,854)		(2,854)	6,037
Unrestricted	<u>(56,403)</u>	<u>1,269,058</u>	<u>(2,854)</u>	<u>162,174</u>	<u>(56,403)</u>	<u>(31,409)</u>
	<u>\$ 14,107</u>	<u>\$ 1,513,664</u>	<u>\$ Nil</u>	<u>\$ 162,174</u>	<u>\$ 1,689,945</u>	<u>\$ 1,772,917</u>

See accompanying notes to the financial statements.

The Anglican Church of the Incarnation Statement of Changes in Net Assets

	Restricted Funds					Total 2010	Total 2009
	General Fund 2010	Building 2010	Discretionary 2010	Property Renewal 2010	Rectory Reserve 2010		
Year ended December 31,							
Net assets, beginning of year	\$ (31,409)	\$ 1,350,020	\$ 7,317	\$ (1,280)	\$ 157,074	\$ 1,481,722	\$ 1,489,220
Excess of (expenditures over revenues) revenues over expenditures	<u>(60,002)</u>	<u>(55,439)</u>	<u>(7,317)</u>	<u>(1,089)</u>	<u>14,100</u>	<u>(109,747)</u>	<u>(7,498)</u>
	<u>(91,411)</u>	<u>1,294,581</u>	<u>Nil</u>	<u>(2,369)</u>	<u>171,174</u>	<u>1,371,975</u>	<u>1,481,722</u>
Transfer from Rectory Reserve Fund	9,000					9,000	9,000
Transfer from General Fund							12,765
Transfer to Building Fund							(12,765)
Transfer to General Fund	25,523				(9,000)	(9,000)	(9,000)
Transfer from Building Fund		(25,523)				25,523	
Transfer to General Fund						(25,523)	
Transfer to General Fund				(485)		(485)	
Transfer from Property Renewal Fund	485					485	
	<u>35,008</u>	<u>(25,523)</u>		<u>(485)</u>	<u>(9,000)</u>	<u>Nil</u>	<u>Nil</u>
Net assets, end of year	\$ <u>(56,403)</u>	\$ <u>1,269,058</u>	\$ <u>Nil</u>	\$ <u>(2,854)</u>	\$ <u>162,174</u>	\$ <u>1,371,975</u>	\$ <u>1,481,722</u>

Approval on behalf of the Corporation: _____
Warden

_____ Warden

See accompanying notes to the financial statements.

The Anglican Church of the Incarnation Statement of Operations

	Restricted Funds					Total 2010	Total 2009
	General Fund 2010	Building 2010	Discretionary 2010	Property Renewal 2010	Rectory Reserve 2010		
Year ended December 31,							
Revenues							
Regular support	\$ 112,639	\$ 1,565	\$ 25	\$ 1,380		\$ 115,609	\$ 139,343
Specific/non-identifiable gifts	2,128					2,128	50,969
Memorial gifts	4,780					4,780	
Investment income		41	16		\$ 14,100	14,157	26,317
Licensing income	60,641					60,641	63,872
Other	5,461					5,461	4,876
	<u>185,649</u>	<u>1,606</u>	<u>41</u>	<u>1,380</u>	<u>14,100</u>	<u>202,776</u>	<u>285,377</u>
Expenditures							
Outreach	300					300	1,325
Program	4,393					4,393	4,363
Music	201					201	222
Office and administration	14,439			15		14,454	16,330
Diocesan support	41,516					41,516	20,652
Personnel	135,992					135,992	121,913
Worship	2,583					2,583	2,174
Youth	56					56	124
Occupancy	46,171					46,171	61,424
Mortgage interest		6,637				6,637	5,457
Discretionary Fund	<u>245,651</u>	<u>6,637</u>	<u>7,358</u>	<u>2,469</u>		<u>262,115</u>	<u>285</u>
Excess of (expenditures over revenues) revenues over expenditures before other item	(60,002)	(5,031)	(7,317)	(1,089)	14,100	(59,339)	51,108
Other item: Depreciation		(50,408)				(50,408)	(58,606)
Excess of (expenditures over revenues) revenues over expenditures - 2010	<u>\$ (60,002)</u>	<u>\$ (55,439)</u>	<u>\$ (7,317)</u>	<u>\$ (1,089)</u>	<u>\$ 14,100</u>	<u>\$ (109,747)</u>	
- 2009	<u>\$ 19,184</u>	<u>\$ (42,209)</u>	<u>\$ 391</u>	<u>\$ (11,026)</u>	<u>\$ 26,162</u>	<u>\$ (7,498)</u>	

See accompanying notes to the financial statements.

The Anglican Church of the Incarnation

Statement of Cash Flows

Year ended December 31,	2010	2009
Cash derived from (applied to)		
Operating		
Excess of (expenditures over revenues)	\$ (109,747)	\$ (7,498)
Depreciation	50,408	58,606
Changes in non-cash operating working capital (below)	<u>(23,249)</u>	<u>(37,339)</u>
	<u>(82,588)</u>	<u>13,769</u>
Investing		
Long-term investments	<u>(5,100)</u>	<u>(17,161)</u>
Financing		
Due to Diocese of Niagara	58,944	(13,249)
Long-term debt	<u>(16,200)</u>	<u>(17,550)</u>
	<u>42,744</u>	<u>(30,799)</u>
Net (decrease) in cash	(44,944)	(34,191)
Cash and cash equivalents, beginning of year	<u>75,854</u>	<u>110,045</u>
Cash and cash equivalents, end of year	<u>\$ 30,910</u>	<u>\$ 75,854</u>
Changes in non-cash operating working capital		
Receivables	\$ (2,557)	
Prepays	1,733	\$ (621)
Payables and accruals	(22,617)	(37,392)
Deferred revenue	<u>192</u>	<u>674</u>
	<u>\$ (23,249)</u>	<u>\$ (37,339)</u>
Supplemental cash flow information:		
Cash during the year for Interest paid	<u>\$ 6,637</u>	<u>\$ 5,457</u>

See accompanying notes to the financial statements.

The Anglican Church of the Incarnation

Notes to the Financial Statements

December 31, 2010

1. Form of organization

The Anglican Church of the Incarnation has been formed by the Diocese of Niagara, a part of the Anglican Church of Canada to fulfill the functions of an Anglican parish in Oakville, Ontario. The Church is a registered charity under the Income Tax Act and therefore is exempt from income taxes.

2. Significant accounting policies

Fund accounting

The financial statements are prepared on a restricted fund accounting basis.

The General Fund accounts for the Church's program delivery and administrative activities. This Fund reports unrestricted resources.

The Building Fund reports resources which are utilized in acquiring and developing capital assets.

The Discretionary Fund reports resources which are utilized at the rector's discretion.

The Property Renewal Fund reports resources which are utilized for major maintenance projects on the church building and property and to support and enhance the functionality of the church building and property.

The Rectory Reserve Fund reports the investments held by the Diocese of Niagara.

Financial instruments

The following policies and assumptions were used to determine the fair market value of financial assets and financial liabilities:

Cash, prepaids, receivables, accounts payable and deferred revenue

These financial assets and liabilities are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity dates of these financial instruments.

Long-term investments

Long-term investments are classified as held for trading financial assets. They are measured at fair value based on market prices. Investment income includes interest, dividends, realized gains (losses) and changes in unrealized gains (losses).

The Anglican Church of the Incarnation

Notes to the Financial Statements

December 31, 2010

2. Significant accounting policies (continued)

Capital assets

Capital assets consisting of building, equipment and furniture are stated at cost. Depreciation has been provided on the straight-line basis over the estimated useful life of the assets as follows:

Building	2.5% per annum
Equipment	10% per annum
Furniture	10% per annum

Revenue recognition

All donations except for deferred revenue, are recorded as revenue in their respective funds in the year received.

Rental income is recognized as earned.

Measurement uncertainty

The preparation of the 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, revenues and expenditures and disclosure of contingent assets and liabilities. Significant areas requiring the use of judgement include the amounts in prepaids, accounts payable and deferred revenue. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Future accounting pronouncements

In September 2010, the Accounting Standards Board of Canada (AcSB) substantially approved the Exposure Draft with regards to Accounting Standards for not-for-profit organizations (NFPO) which will replace the existing standards for NFPO. Mandatory adoption of these new standards are required for fiscal years beginning on or after January 1, 2012 with early adoption permitted. The Church will have the right to elect to apply NFPO accounting standards under International Financial Reporting Standards or Canadian reporting standards in conjunction with Accounting Standards for Private Enterprises where applicable. The impact on the Church's future financial reporting is not reasonably determinable or estimable at this time as no election has been made as to which accounting standards for NFPO will be applied.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and balances in investment accounts with maturities of three months or less. All balances are held with Canadian financial institutions.

The Anglican Church of the Incarnation

Notes to the Financial Statements

December 31, 2010

4. Long-term investments

At year end, the long-term investments are comprised of investments which are held in pooled funds with the Diocese of Niagara. These investments are classified as held for trading assets and are measured at fair value in accordance with the recommendations of Section 3855, "Financial Instruments – Recognition and Measurement", of the Canadian Institute of Chartered Accountants Handbook.

5. Capital assets

	Cost 2010	Accumulated Depreciation 2010	Net Book Value 2010	Net Book Value 2009
Building	<u>\$2,016,300</u>	<u>\$ 551,273</u>	<u>\$1,465,027</u>	<u>\$1,515,434</u>

The land on which the building is situated is owned by the Diocese of Niagara.

6. Due to Diocese of Niagara

The amount due to the Diocese of Niagara is due on demand, unsecured and bears interest at a rate of prime plus 0.25%. Commencing January 1, 2012, the Church will begin repayment of the amount in monthly instalments of \$2,685 plus interest.

7. Long-term debt

Long-term debt consists of the following:	<u>2010</u>	<u>2009</u>
Mortgage payable, unsecured, bearing interest at prime plus 0.25%, repayable in monthly payments of \$1,350 plus interest, due December 31, 2020	\$ 114,657	\$ 130,857
Less: current portion	<u>16,200</u>	<u>16,200</u>
	<u>\$ 98,457</u>	<u>\$ 114,657</u>

Long term debt principal repayments over the next five years are as follows:

2011	\$ 16,200
2012	\$ 16,200
2013	\$ 16,200
2014	\$ 16,200
2015	\$ 16,200

The Anglican Church of the Incarnation

Notes to the Financial Statements

December 31, 2010

8. Diocese of Niagara

In the previous fiscal year, the Church recorded a credit receivable from the Diocese of Niagara in the amount of \$20,000. The receipt of this credit is currently under negotiation with the Diocese regarding whether the amount will be paid to the Church and has been netted against the amount due to the Diocese of Niagara. Subsequent to the year end, the Diocese has agreed to honour the credit which will be applied against outstanding amounts owing to the Diocese.

9. Capital disclosures

The Church manages its capital to maintain its ability to continue as a going concern. The capital structure of the Church consists of net assets allocated to the General, Building, Discretionary, Property Renewal and Rectory Reserve Funds. The Church's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2009. The Church is subject to externally imposed capital requirements in the Rectory Reserve Fund as per the agreement with the Diocese of Niagara. For the remaining capital, there are no externally restricted capital requirements.

10. Financial instruments

Interest rate risk

The interest rate risk is the risk to the Church's operations that arises from fluctuations in interest rates and the degree of volatility of these rates. The Church does not use derivative instruments to reduce its exposure to interest rate risk.
