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**BETHEL ASSOCIATED GOSPEL CHURCH**  
**FINANCIAL STATEMENTS**  
(Unaudited)  
**APRIL 30, 2011**

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## WITHEY ADDISON LLP

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### REVIEW ENGAGEMENT REPORT

To the members of Bethel Associated Gospel Church

We have reviewed the statement of financial position of Bethel Associated Gospel Church as at April 30, 2011 and the statements of revenue and expenditures and changes in fund balances and cash flows for the year then ended. Except as explained in a following paragraph, our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by management.

A review does not constitute an audit and consequently, we do not express an audit opinion on these financial statements.

In common with many charitable organizations, the Church derives revenue from donations, the completeness of which is not susceptible of satisfactory review verification. Accordingly, our review of these revenues was limited to the amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenditures, current assets and net assets.

Based on our review, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Kingston, Canada  
August 10, 2011

WITHEY ADDISON LLP

Chartered Accountants  
Licensed Public Accountants

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**STATEMENT OF FINANCIAL POSITION**  
(Unaudited)

APRIL 30,	GENERAL FUND	BUILDING IMPROVEMENT FUND	2011	2010
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 73,965	\$ 5,717	\$ 79,682	\$ 104,334
Accounts receivable	6,663	-	6,663	1,577
	80,628	5,717	86,345	105,911
<b>NOTE RECEIVABLE - note 5</b>	3,000	-	3,000	3,000
<b>PROPERTY, PLANT AND EQUIPMENT - note 6</b>	188,739	620,176	808,915	847,610
	\$ 272,367	\$ 625,893	\$ 898,260	\$ 956,521
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable	\$ 3,600	\$ -	\$ 3,600	\$ 7,955
Demand loans payable - note 7	141,309	194,790	336,099	368,067
Designated funds - note 8	340	-	340	12,420
	145,249	194,790	340,039	388,442
<b>FUNDS EQUITY</b>				
<b>INVESTED IN CAPITAL ASSETS EXTERNALLY</b>	47,430	425,386	472,816	479,543
<b>RESTRICTED - note 9</b>	-	5,717	5,717	4,401
<b>UNRESTRICTED</b>	79,688	-	79,688	84,135
	127,118	431,103	558,221	568,079
	\$ 272,367	\$ 625,893	\$ 898,260	\$ 956,521

See accompanying notes to financial statements

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES**  
(Unaudited)

FOR THE YEAR ENDED APRIL 30,	GENERAL FUND	BUILDING IMPROVEMENT FUND	2011	2010
<b>REVENUE</b>				
Donations				
Building improvement	\$ -	\$ 37,444	\$ 37,444	\$ 34,212
Church programs	27,059	-	27,059	26,724
Offerings	463,972	-	463,972	400,158
Legacies	24,147	-	24,147	-
Interest and other income	3,471	-	3,471	6,166
Rental income	53,055	-	53,055	52,500
Loss on disposal of property, plant and equipment	-	-	-	(1,900)
	571,704	37,444	609,148	517,860
<b>EXPENDITURES</b>				
Christian education	30,483	-	30,483	23,938
Schedule A				
Building improvement	-	38,444	38,444	39,297
Church programs	27,059	-	27,059	26,724
Mission	70,262	-	70,262	69,574
Schedule B				
Operating	152,872	-	152,872	83,423
Rental building	61,901	-	61,901	46,844
Schedule C				
Salaries and benefits	237,985	-	237,985	210,123
	580,562	38,444	619,006	499,923
<b>EXCESS OF REVENUE OVER (EXPENDITURES) BEFORE DISCONTINUED OPERATIONS</b>	(8,858)	(1,000)	(9,858)	17,937
<b>NET (EXPENDITURES) REVENUE FROM DISCONTINUED OPERATIONS - note 4</b>	-	-	-	(4,328)
<b>EXCESS OF REVENUE OVER (EXPENDITURES)</b>	(8,858)	(1,000)	(9,858)	13,609
<b>FUND - BEGINNING</b>	136,017	432,062	568,079	555,127
<b>FUND BALANCE OF DISCONTINUED OPERATIONS - note 4</b>	-	-	-	(657)
<b>INTERFUND TRANSFERS - note 10</b>	(41)	41	-	-
<b>FUND - ENDING</b>	\$ 127,118	\$ 431,103	\$ 558,221	\$ 568,079

See accompanying notes to financial statements

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**STATEMENT OF EXPENDITURES - SCHEDULE A**  
(Unaudited)

FOR THE YEAR ENDED APRIL 30,	2011	2010
<b>BUILDING IMPROVEMENT</b>		
Amortization - church building improvements	\$ 27,386	\$ 27,386
Bank charges and interest	11,058	11,911
	<b>\$ 38,444</b>	<b>\$ 39,297</b>
<b>CHURCH PROGRAM</b>		
Art Bennett Memorial Gifts	\$ 925	\$ -
Apologetics Sunday	-	3,000
B.M.F.	3,467	2,373
BBYBBB	7,493	11,372
Bethel Benevolent Fund	61	-
Constance Lake	9,693	5,833
House Ministry	-	716
Missionary Christmas gifts	-	2,567
Other Missions	1,040	763
University Student Outreach	-	100
Youth 30 Hour Fast	4,380	-
	<b>\$ 27,059</b>	<b>\$ 26,724</b>
<b>MISSION</b>		
Associated Gospel Churches	\$ 2,640	\$ 2,640
Bible Club Movement	5,640	5,640
Camp Iawah	2,400	2,400
Education and training	-	1,000
HCJB World Radio Canada	3,000	3,000
Interserve Canada	400	100
Kingston Crisis Pregnancy Centre	1,500	1,500
Latin America	5,400	5,400
Navigators	14,340	12,240
New Tribes	-	1,000
Other missions	13,292	11,629
Overseas Missionary Fellowship	8,700	9,900
Pioneers	600	1,200
Power to Change Ministries	12,350	10,725
Urban Promise	-	1,200
	<b>\$ 70,262</b>	<b>\$ 69,574</b>

See accompanying notes to financial statements

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**STATEMENT OF EXPENDITURES - SCHEDULE B**  
(Unaudited)

FOR THE YEAR ENDED APRIL 30,	2011	2010
<b>OPERATING</b>		
Advertising and promotion	\$ 327	\$ 590
Associated Gospel Church	11,720	10,760
Amortization - church building, furniture and computer hardware	7,806	8,955
Bank charges and interest	821	911
Dues and fees	1,962	1,589
GST on purchases	4,193	1,850
Housing ministry	15,000	
Insurance	6,087	6,694
Office and general	12,106	12,500
Professional fees	1,050	2,800
Repairs and maintenance	70,796	18,078
Supplies	796	661
Telephone	2,267	2,316
Utilities	17,941	15,719
	<b>\$ 152,872</b>	<b>\$ 83,423</b>
<b>RENTAL BUILDINGS</b>		
Amortization - rental buildings	\$ 6,175	\$ 7,725
Bank charges and interest	121	89
Insurance	1,395	555
Interest on mortgage	8,072	9,242
Property taxes	10,473	10,612
Repairs and maintenance	22,449	6,019
Utilities	13,216	12,602
	<b>\$ 61,901</b>	<b>\$ 46,844</b>

See accompanying notes to financial statements

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**STATEMENT OF EXPENDITURES - SCHEDULE C**  
(Unaudited)

FOR THE YEAR ENDED APRIL 30,	2011	2010
<b>SALARIES AND BENEFITS</b>		
Administration and secretarial	\$ 37,372	\$ 21,503
Building Superintendent	18,604	15,971
Christian education	-	2,240
Employer portion CPP and EI	11,513	10,466
Family Ministries director	42,821	42,624
Intern	520	3,640
Life and health insurance	11,665	9,058
Senior pastor	74,042	71,544
RRSP contributions	5,005	-
Staff development and education	2,163	2,639
Youth director	34,280	30,438
	<b>\$ 237,985</b>	<b>\$ 210,123</b>
<b>CAFE CHURCH</b>		
Advertising and promotion	\$ -	\$ 7
Assets not capitalized	-	1,712
Conference and meeting costs	-	364
GST on purchases	-	411
Insurance	-	28
Professional fees	-	589
Rent	-	12,700
Salaries and benefits	-	3,468
Supplies	-	2,989
Utilities	-	275
Women's retreat	-	2,749
	<b>\$ -</b>	<b>\$ 25,292</b>

See accompanying notes to financial statements

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**STATEMENT OF CASH FLOWS**  
(Unaudited)

FOR THE YEAR ENDED APRIL 30,	GENERAL FUND	BUILDING IMPROVEMENT FUND	2011	2010
<b>CASH PROVIDED FROM (USED FOR):</b>				
<b>OPERATING ACTIVITIES</b>				
Net surplus	\$ (8,858)	\$ (1,000)	\$ (9,858)	\$ 17,937
Items not requiring a cash payment				
Amortization	13,981	27,386	41,367	44,066
Result from discontinued operations	-	-	-	(4,985)
Change in non-cash working capital				
Accounts receivable	(5,086)	-	(5,086)	(3)
Accounts payable	(4,355)	-	(4,355)	1,947
	(4,318)	26,386	22,068	58,962
<b>FINANCING ACTIVITIES</b>				
Demand loan proceeds	-	-	-	84,979
Demand loan repayments	(6,857)	(25,111)	(31,968)	(121,433)
	(6,857)	(25,111)	(31,968)	(36,454)
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	(2,672)	-	(2,672)	(7,216)
Note receivable	-	-	-	(3,000)
	(2,672)	-	(2,672)	(10,216)
<b>DESIGNATED FUNDS</b>	(12,080)	-	(12,080)	12,420
<b>INTERFUND TRANSFERS - note 10</b>	(41)	41	-	-
<b>NET CASH (USED) PROVIDED</b>	(25,968)	1,316	(24,652)	24,712
<b>CASH - beginning</b>	99,933	4,401	104,334	79,622
<b>CASH</b>	\$ 73,965	\$ 5,717	\$ 79,682	\$ 104,334

See accompanying notes to financial statements

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**BETHEL ASSOCIATED GOSPEL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)

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**APRIL 30, 2011**

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**1. PURPOSE OF THE ORGANIZATION**

Bethel Associated Gospel Church ("the Church") serves the Kingston, Ontario community providing spiritual guidance and delivering programs and support to individuals and families. The Church operates as an unincorporated not-for-profit organization and is a registered charity under the Income Tax Act.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Use of estimates**

These financial statements have been prepared by management with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the period in which they have become known. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

**(b) Fund accounting**

The Church follows the restricted method of accounting for contributions.

The General Fund accounts for the Church's program delivery and administrative activities. This fund reports unrestricted resources and includes the administration of the rental properties owned by the Church.

The Building Improvement Fund initiated in 1999 reports the assets, liabilities, revenues and expenses related to the building expansion campaign, as well as donations for ongoing building improvements and renovations.

**(c) Property, plant and equipment**

Purchased property, plant and equipment are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is calculated on a straight-line basis over the assets' estimated useful lives.

Buildings	- 30 years
Computer hardware	- 5 years
Computer software	- 1 year
Furniture/Equipment	- 10 years

In the year of acquisition of an asset, the above rates are reduced by 50%.

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**BETHEL ASSOCIATED GOSPEL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)

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**APRIL 30, 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

**(d) Revenue recognition**

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. Designated funds are recorded as revenue in the year in which they are received, and are deferred until the funds are expended as designated.

Restricted contributions related to the Building Improvement Fund are recognized as revenue in this fund in the year it is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on assets of the General Fund are recognized as revenue when earned. Investment income earned on assets of the Building Improvement Fund are recognized in that fund when earned.

**(e) Contributed services**

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

**(f) Financial instruments**

The Church accounts for financial instruments by designating its temporary investments as held-for-trading. Under this designation, all held-for-trading financial assets and liabilities are brought to their fair market value for presentation in the financial statements.

The Church's accounts receivable and advances receivable have been designated as loans receivable, while the accounts payable and loans payable have been designated as other liabilities. Under these designations, these items are measured at amortized cost using the effective interest method.

**3. CAPITAL DISCLOSURES**

The Church defines capital as its net assets. The Church's overall objective with its capital is to fund capital assets, future projects and ongoing operations. The Church is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended April 30, 2010.

**4. DISCONTINUED OPERATIONS**

On March 4, 2010, the Church decided to separately incorporate Cafe Church. Revenues and expenses relating to the discontinuation of Cafe Church have been removed from the results of continuing operations and are shown as a separate line item on the Statement of Revenues and Expenditures as net revenue (expenditures) from discontinued operations.

**5. NOTE RECEIVABLE**

During fiscal year 2010, the Church loaned funds to Cafe Church. The loan is non-interest bearing and unsecured. There are no repayments due until July 2011. At this time, the principal repayments will be \$100 per month until the loan matures in January 2014.

**BETHEL ASSOCIATED GOSPEL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)

**APRIL 30, 2011**

**6. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	2011	2010
Land	\$ 78,500	\$ -	\$ 78,500	\$ 78,500
Building - Church	168,498	168,498	-	1,733
- Church expansion	821,580	201,404	620,176	647,562
- Rental buildings	231,750	155,438	76,312	82,487
Computer hardware	12,672	8,361	4,311	2,282
Furniture/Equipment	76,770	47,154	29,616	35,046
	\$ 1,389,770	\$ 580,855	\$ 808,915	\$ 847,610

Cost and accumulated amortization for the year ended April 30, 2010 were \$1,388,156 and \$540,546, respectively.

**7. DEMAND LOANS PAYABLE**

	2011	2010
Royal Bank demand instalment loan #1	\$ 127,915	\$ 141,642
Royal Bank demand instalment loan #2	97,083	101,820
Royal Bank demand instalment loan #3	44,226	46,346
Royal Bank demand instalment loan #4	56,945	65,205
Royal Bank demand instalment loan #5	9,930	13,054
	\$ 336,099	\$ 368,067

Although the Royal Bank loans are of a demand nature, management does not expect the loans to be called. Therefore, future principal payments are expected to be as follows -

2012	\$ 89,405
2013	121,888
2014	124,806
	\$ 336,099

**Royal Bank demand instalment loan #1**

The Royal Bank demand instalment loan is repayable on demand and in the absence of demand for payment, the loan is repayable in blended monthly payments of \$1,821 and bears interest at 6% per annum. The loan matures in June 2012 and is secured by specific assets owned by the Church.

**Royal Bank demand instalment loan #2 - 324 Johnson Street**

The Royal Bank demand instalment loan is repayable on demand and in the absence of demand for payment, the loan is repayable in blended monthly payments of \$928 and bears interest at 6% per annum. The loan matures in August 2013 and is secured by the properties at 314, 318 and 324 Johnson Street owned by the Church.

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**BETHEL ASSOCIATED GOSPEL CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Unaudited)

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**APRIL 30, 2011**

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**7. LOANS PAYABLE - (CONTINUED)**

**Royal Bank demand instalment loan #3 - 318 Johnson Street**

The Royal Bank demand instalment loan is repayable on demand and in the absence of demand for payment, the loan is repayable in blended monthly payments of \$429 and bears interest at 6.25% per annum. The loan matures in August 2013 and is secured by the properties at 314, 318 and 324 Johnson Street owned by the Church.

**Royal Bank demand instalment loan #4**

The Royal Bank demand instalment loan is repayable on demand and in the absence of demand for payment, the loan is repayable in blended monthly payments of \$875 and bears interest at 3.82% per annum. The loan matures in September 2011.

**Royal Bank demand instalment loan #5**

The Royal Bank demand instalment loan is repayable on demand and in the absence of demand for payment, the loan is repayable in blended monthly payments of \$285 and bears interest at 3.82% per annum. The loan matures in September 2011.

**8. DESIGNATED FUNDS**

The Church administers certain programs for which donations can be designated. These programs are listed on Schedule A under Church Programs. When donations are designated for use in these programs, the money is deposited in the general fund, but is set up as owing specifically to the designated program. The donations are recognized as revenue when the funds are expended.

**9. EXTERNALLY RESTRICTED NET ASSETS**

In 1999, Bethel Church initiated a building improvement fund to raise funds for the west wing expansion of the Church. Since that time donations made to the fund and investment income earned on fund assets have been invested in GICs. While some expenses for planning and design of the wing were incurred from 1999 to 2002, the actual construction of the expansion did not begin until 2003 when the foundation was poured. The construction of the west wing expansion was completed in 2005. The building improvement fund cash balance and receivables total \$5,717 (2010 - \$4,401) and are restricted for use to improve or renovate the buildings and pay down debts related to improvements or renovations.

From time to time funds are created for minor projects that recur on an annual basis. These funds are maintained as restricted or designated funds within the general fund balances.

**10. INTERFUND TRANSFERS**

Transfers between the general operating fund and the building improvement fund occur because the weekly offerings are deposited to the general fund first and then transferred to the appropriate fund. Other transfers can occur between funds as loans when a fund is lacking in cash flow.

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## BETHEL ASSOCIATED GOSPEL CHURCH

### NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

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APRIL 30, 2011

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#### 11. COMMITMENTS

The Church leases office equipment which is treated as an operating lease. Lease payments total \$1,996 per annum. The lease expires in August 2013.

During the year, the Church entered into an agreement on behalf of Cafe Church for the rental of the premise located at 259 Ontario Street, Kingston. Subsequently Cafe Church was incorporated as a separate entity (see note 4) but the Church is still committed under the terms of the original lease. It is expected that Cafe Church will make the required lease payments. The lease expires in July 2013 and the annual payments are as follows:

2012	\$	14,850
2013		15,450
2014		3,900
	\$	34,200

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#### 12. CASH FLOW SUPPLEMENTARY INFORMATION

	2011	2010
Interest paid on bank loans - note 7	\$ 10,823	\$ 11,487
Bank charges and interest paid	821	911
	\$ 11,644	\$ 12,398

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#### 13. FINANCIAL INSTRUMENTS

##### (a) Fair value

The carrying amounts for cash, accounts receivable, note receivable, accounts payable and designated funds approximate fair values given the short-term maturity of these instruments.

Fair values have not been presented for loans payable as they are not readily determinable.

##### (b) Interest rate risk

Certain borrowings bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate risk resulting from market fluctuations in interest rates.