HEART LAKE BAPTIST CHURCH

FINANCIAL STATEMENTS

JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Members
Heart Lake Baptist Church

Qualified Opinion
We have audited the financial statements of Heart Lake Baptist Church which comprise the statement of financial position as at June 30, 2026, and the statement of changes in net assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2026, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion
In common with many not-for-profit organizations, Heart Lake Baptist Church derives revenue from contributions, 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 the entity. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, deficiency of revenues over expenses, and cash flows from operations for the years ended June 30, 2026 and 2025, current assets as at June 30, 2026 and 2025, and net assets as at July 1 and June 30 for both the 2026 and 2025 years.

Our audit opinion on the financial statements for the year ended June 30, 2025 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the other ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 omissions, misrepresentations, or the 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 the entity's 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 conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity 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.

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

Norton McMullen LLP

NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
October 20, 2026

HEART LAKE BAPTIST CHURCH

STATEMENT OF FINANCIAL POSITION

As at June 30,	2026	2025
ASSETS		
Current		
Cash		
Unrestricted operating	$ 716	$ 7,848
Internally restricted - Capital reserve	40,417	80,926
Externally restricted - Benevolent	17,477	14,419
HST recoverable	16,004	8,888
Prepaid expenses	7,962	7,962
	$ 82,576	$ 120,043
Capital Assets (Note 2)	665,335	657,804
	$ 747,911	$ 777,847
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 14,961	$ 13,876
Deferred revenue	5,000	-
Current portion of long-term debt (Note 3)	424,541	31,472
	$ 444,502	$ 45,348
Long-Term Debt, Net of Current Portion (Note 3)	30,653	455,193
	$ 475,155	$ 500,541
NET ASSETS		
Unrestricted operating	$ 4,721	$ 10,822
Invested in capital assets	210,141	171,139
Internally restricted - Capital reserve	40,417	80,926
Externally restricted - Benevolent	17,477	14,419
	$ 272,756	$ 277,306
	$ 747,911	$ 777,847

Approved by the Board:

Director

Director

See accompanying notes

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HEART LAKE BAPTIST CHURCH

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30,

	2026				
	Balance - Beginning	**Revenues**	**Expenses**	**Transfers (Note 4)**	**Balance - Ending**
Unrestricted					
Unrestricted operating	$ 10,822	$ 562,925	$ 499,770	$ (69,256)	$ 4,721
Invested in capital assets	171,139	-	82,104	121,106	210,141
	$ 181,961	$ 562,925	$ 581,874	$ 51,850	$ 214,862
Restricted					
Internally restricted - Capital reserve	$ 80,926	$ 10,882	$ -	$ (51,391)	$ 40,417
Externally restricted - Benevolent	14,419	41,812	38,295	(459)	17,477
	$ 95,345	$ 52,694	$ 38,295	$ (51,850)	$ 57,894
TOTAL	$ 277,306	$ 615,619	$ 620,169	$ -	$ 272,756

	2025				
	Balance - Beginning	Revenues	Expenses	Transfers (Note 4)	Balance - Ending
Unrestricted					
Unrestricted operating	$ 5,482	$ 535,943	$ 472,714	$ (57,889)	$ 10,822
Invested in capital assets	202,571	-	84,179	52,747	171,139
	$ 208,053	$ 535,943	$ 556,893	$ (5,142)	$ 181,961
Restricted					
Internally restricted - Capital reserve	$ 67,831	$ 7,555	$ -	$ 5,540	$ 80,926
Externally restricted - Benevolent	5,186	36,369	26,738	(398)	14,419
	$ 73,017	$ 43,924	$ 26,738	$ 5,142	$ 95,345
TOTAL	$ 281,070	$ 579,867	$ 583,631	$ -	$ 277,306

See accompanying notes

HEART LAKE BAPTIST CHURCH

STATEMENT OF OPERATIONS

For the year ended June 30,

	Unrestricted	Restricted	Total	2026 Total	2025 Total
REVENUES					
Contributions and offerings					
General	$ 499,869	$ -	$ 499,869		$ 486,589
Benevolent	-	31,184	31,184		26,784
Capital	-	10,065	10,065		6,516
Government grants (Note 5)	34,848	10,628	45,476		33,263
Rental	23,708	-	23,708		25,676
Bequests	4,500	-	4,500		-
Interest	-	817	817		1,039
	$ 562,925	$ 52,694	$ 615,619		$ 579,867
EXPENSES					
Salaries and employee costs	$ 334,575	$ -	$ 334,575		$ 312,590
Premises (Note 3)	71,828	-	71,828		68,224
Benevolent	-	38,295	38,295		26,738
Administration	25,435	-	25,435		29,711
Programs	24,271	-	24,271		22,630
Missions	22,526	-	22,526		23,952
Insurance	13,453	-	13,453		5,460
Professional fees	7,682	-	7,682		10,147
	$ 499,770	$ 38,295	$ 538,065		$ 499,452
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	$ 63,155	$ 14,399	$ 77,554		$ 80,415
Amortization	(82,104)	-	(82,104)		(84,179)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (18,949)	$ 14,399	$ (4,550)		$ (3,764)

See accompanying notes

HEART LAKE BAPTIST CHURCH

STATEMENT OF CASH FLOWS

For the year ended June 30,	2026	2025
CASH WAS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	$ (4,550)	$ (3,764)
Items not affecting cash:		
Amortization	82,104	84,179
	$ 77,554	$ 80,415
Net change in non-cash working capital balances:		
HST recoverable	(7,116)	10,602
Prepaid expenses	-	(7,962)
Accounts payable and accrued liabilities	1,085	(132)
Deferred revenues	5,000	-
	$ 76,523	$ 82,923
INVESTING ACTIVITIES		
Net capital asset purchases	(89,635)	(22,862)
FINANCING ACTIVITIES		
Repayment of long-term debt	(31,471)	(29,885)
INCREASE (DECREASE) IN CASH	$ (44,583)	$ 30,176
CASH - Beginning	103,193	73,017
CASH - Ending	$ 58,610	$ 103,193
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash is allocated as follows:		
Unrestricted operating	$ 716	$ 7,848
Internally restricted - Capital Reserve	40,417	80,926
Externally restricted - Benevolent	17,477	14,419
	$ 58,610	$ 103,193

See accompanying notes

NATURE OF OPERATIONS

Heart Lake Baptist Church (the "Church") has a Vision and Mission that reflects 'A Passion for God and A Heart for People'. The Church is affiliated as a member Church with the Canadian Baptists of Ontario and Quebec (the CBOQ). The Church was incorporated by letters patent under the Canada Corporations Act on November 18, 2005 and is a registered charitable organization, and as such, is exempt from income taxes. A Certificate of Continuance was granted to Heart Lake Baptist Church on July 8, 2014 under the Canada Not-For-Profit Corporations Act.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Fund Accounting

Resources are classified into funds according to the activities or objectives specified as follows:

The **Unrestricted Operating Fund** accounts for current operations and programs of the Church.

The **Invested in Capital Assets Fund** reports the activity of the amount invested in capital assets including purchases and amortization less debt incurred.

The **Capital Reserve Fund** has been established by the Church Council for the purpose of setting funds aside for emergencies and future capital replacement requirements.

The **Benevolent Fund** has been established by the Church Council to meet those needs as they arise.

b) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

Significant estimates include the estimated useful life of capital assets.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

c) **Cash**

Cash consists solely of bank deposit balances.

d) **Capital Assets**

Capital assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rates and methods:

	Rate	Method
Building and land improvements	4%	straight-line
Furniture and equipment	20%	straight-line
Computer equipment	30%	straight-line

e) **Impairment of Capital Assets**

When a tangible capital asset no longer contributes to the Church's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its net carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

f) **Revenue Recognition**

The Church follows the restricted fund method of accounting for contributions, which includes offerings, Canada Summer Jobs Grant, and other grants. Externally restricted contributions are recognized as revenue in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Restricted contributions for which there is no fund are accounted for using the deferral method. Rental and interest revenues are recognized when earned. Government assistance is recognized when receivable and the eligibility criteria are met.

g) **Contributed Services**

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

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

h) **Financial Instruments**

Measurement of Financial Instruments

The Church initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. The Church subsequently measures all of its financial assets and liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include cash. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities, and long-term debt.

The Church has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the deficiency of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **CAPITAL ASSETS**

Capital assets consist of the following:

	2026			2025
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Building and land improvements	**$ 2,563,071**	**$ 1,909,299**	**$ 653,772**	$ 639,610
Furniture and equipment	**97,723**	**88,098**	**9,625**	16,190
Computer equipment	**27,078**	**25,140**	**1,938**	2,004
	$ 2,687,872	**$ 2,022,537**	**$ 665,335**	$ 657,804

3. LONG-TERM DEBT

Long-term debt consists of the following:

	2026	2025
Mortgage payable to the CBOQ bearing interest at 5.08% per annum, repayable in monthly blended payments of $4,173. The mortgage matures June 1, 2027 and is secured by the building with a net book value of $653,772.	$ 420,989	$ 449,133
Mortgage payable to the CBOQ bearing interest at 6.64% per annum, repayable in monthly blended payments of $474. The mortgage matures on February 1, 2029.	34,205	37,532
	$ 455,194	$ 486,665
Less: Current portion	424,541	31,472
	$ 30,653	$ 455,193

Principal repayment requirements for the next three years are as follows:

2027	$ 424,541
2028	3,792
2029	26,861
	$ 455,194

Interest expense incurred on the above long-term debt amounted to $24,292 for the fiscal year (2025 - $25,880), and is included in premises expense.

4. INTER-FUND TRANSFERS

During the year, the following inter-fund transfers were made to fulfill the activities and objectives of each fund as follows:

a) Transfer $31,471 (2025 - $29,885) from the Unrestricted Operating Fund to the Invested in Capital Assets Fund to cover principal payments.

b) Transfer of $55,789 from the Capital Reserve Fund and $33,846 from the Unrestricted Operating Fund to the Invested in Capital Assets Fund to cover capital additions (2025 - $22,862 from the Capital Reserve Fund to the Invested in Capital Assets Fund).

c) Transfer of $2,602 (2025 - $Nil) from the Capital Reserve Fund to the Unrestricted Operating Fund.

d) Transfer of $459 (2025 - $398) from the Benevolent Fund to the Unrestricted Operating Fund as a reversal of a prior transfer.

e) Transfer of $7,000 (2025 - $28,402) from the Unrestricted Operating Fund to the Capital Reserve Fund in order to reserve funds to cover future capital additions.

5. GOVERNMENT GRANTS

During the year, the Church received the following government grants:

	2026	2025
Canada Summer Jobs Grant	$ **34,848**	$ 23,678
City of Brampton Food Grant	**10,628**	9,585
	$ **45,476**	$ 33,263

6. CREDIT FACILITY

The Church's credit facilities include a $40,000 operating line that is available from June 17, 2025 to July 31, 2028. The credit facility bears interest at 6.24% annually. As at the year end, $Nil (2025 - $Nil) of the operating line was being used.

7. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church's exposure to and concentrations of risk at June 30, 2026:

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Church is not exposed to significant credit risk and there has been no change in the assessment of credit risk from the prior year.

b) **Liquidity Risk**

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly with respect to its accounts payable and accrued liabilities and long-term debt. The Church manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

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. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Church is mainly exposed to interest rate risk as follows:

i) **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Note 3, the Church is exposed to interest rate risk with respect to its long-term debt. The Church does not currently hold any financial instruments to mitigate this risk. The exposure to this risk fluctuates as the debt and related interest rates change from year to year.