

**NORTH BURLINGTON BAPTIST CHURCH**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



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## INDEPENDENT AUDITORS' REPORT

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To the Directors of  
North Burlington Baptist Church:

*Qualified Opinion*

We have audited the financial statements of North Burlington Baptist Church, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in fund balances and 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 effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at December 31, 2019, and its results of 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 charitable organizations, the Church derives revenue from donations 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 Church. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenues, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018 and fund balances as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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 Church in accordance with the 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 the 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 Church'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 Church or to cease operations, or has no realistic alternative but to do so.

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

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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### *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 Church'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 Church'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 Church 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.

*Taylor Leibow LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**  
**Licensed Public Accountants**

Hamilton, Ontario  
March 26, 2020

**NORTH BURLINGTON BAPTIST CHURCH**  
**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	16,389	20,086
Restricted cash (Note 3)	81,323	71,370
Accounts receivable	21,727	3,736
	<b>119,439</b>	<b>95,192</b>
<b>CAPITAL ASSETS (Note 4)</b>	<b>669,391</b>	<b>698,925</b>
	<b>788,830</b>	<b>794,117</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Current portion of long-term debt (Note 5)	8,555	299,102
<b>LONG-TERM DEBT (Note 5)</b>	<b>282,179</b>	<b>-</b>
	<b>290,734</b>	<b>299,102</b>
<b>FUND BALANCES</b>	<b>498,096</b>	<b>495,015</b>
	<b>788,830</b>	<b>794,117</b>

*(See accompanying Notes to Financial Statements)*

**APPROVED ON BEHALF OF THE BOARD:**

 Director

\_\_\_\_\_  
 Director

**NORTH BURLINGTON BAPTIST CHURCH**  
**STATEMENT OF CHANGES IN FUND BALANCES**

*Year ended December 31*

	<b>General Fund \$</b>	<b>Programs Fund \$</b>	<b>Capital Fund \$</b>	<b>Bright Corner Ministry Fund \$</b>	<b>Missions Fund \$</b>	<b>Berry Bursary Fund \$</b>	<b>2019 \$</b>	<b>2018 \$</b>
BALANCE, BEGINNING OF YEAR	421,974	9,387	18,947	3,183	39,259	2,265	495,015	524,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(26,286)	15,655	25,686	-	(11,972)	-	3,081	(29,934)
INTERFUND TRANSFERS <i>(Note 6)</i>	1,070	80	-	-	(1,150)	-	-	-
BALANCE, END OF YEAR	396,758	25,122	44,633	3,183	26,137	2,265	498,096	495,015

*(See accompanying Notes to Financial Statements)*

**NORTH BURLINGTON BAPTIST CHURCH**  
**STATEMENT OF OPERATIONS**

Year ended December 31

	General Fund	Programs Fund	Capital Fund	Bright Corner Ministry Fund	Missions Fund	Berry Bursary Fund	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Contributions	300,116	21,725	27,400	-	16,627	-	365,868	347,680
Other income	51,860	-	-	-	-	-	51,860	32,924
Rental revenues	28,824	-	-	-	-	-	28,824	20,212
Interest	-	-	20	-	-	-	20	156
	<b>380,800</b>	<b>21,725</b>	<b>27,420</b>	<b>-</b>	<b>16,627</b>	<b>-</b>	<b>446,572</b>	<b>400,972</b>
<b>EXPENSES</b>								
Worship	6,381	-	-	-	-	-	6,381	3,830
Neighbourhood connection	4,701	-	-	-	-	-	4,701	6,291
Family ministries	8,564	-	-	-	-	-	8,564	10,140
Discipleship resources	4,528	-	-	-	-	-	4,528	2,902
Office administration	22,350	-	-	-	-	-	22,352	23,121
Property	44,969	-	-	-	-	-	44,969	50,272
Outreach and missions	16,090	-	-	-	-	-	16,090	16,222
Pastoral	235,655	-	-	-	-	-	235,655	233,065
Finance	30,090	-	-	-	-	-	30,090	30,934
Elders	4,224	-	-	-	-	-	4,224	4,262
Amortization	29,534	-	-	-	-	-	29,534	30,120
Fund expenses	-	6,070	1,734	-	28,599	-	36,403	19,747
	<b>407,086</b>	<b>6,070</b>	<b>1,734</b>	<b>-</b>	<b>28,599</b>	<b>-</b>	<b>443,491</b>	<b>430,906</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(26,286)</b>	<b>15,655</b>	<b>25,686</b>	<b>-</b>	<b>(11,972)</b>	<b>-</b>	<b>3,081</b>	<b>(29,934)</b>

(See accompanying Notes to Financial Statements)

**North Burlington Baptist Church  
GENERAL FUND 01, December 2019**

**Income and Expense Statement**

		<u>Actual</u>	<u>Annual Budget</u>	<u>Difference</u>	<u>Auditors</u>
<b>REVENUE</b>					
TITHES & OFFERINGS	4010	300,116	310,897	-10,781	300,116
OTHER INCOME	4100	80,684	71,425	9,259	80,684
<b>TOTAL REVENUE</b>		<u>380,800</u>	<u>382,322</u>	<u>-1,522</u>	<u>380,800</u>
<b>EXPENSES</b>					
WORSHIP ARTS MINISTRY	5001	6,381	4,950	1,431	6,381
NEIGHBOURHOOD CONN MINISTRY	5100	4,701	2,450	2,251	4,701
FAMILY MINISTRIES	5200	8,564	10,795	-2,231	8,564
DISCIPLESHIP RESOURCES	5280	4,528	3,385	1,143	4,528
OFFICE ADMIN. MINISTRY	5300	22,350	22,010	340	22,350
PROPERTY MINISTRY	5400	44,969	45,925	-956	44,969
GLOBAL MISSIONS MINISTRY	5500	16,090	16,260	-170	16,090
PASTORAL MINISTRY	5600	235,655	234,114	1,541	235,655
FINANCE MINISTRY	5660	30,090	29,576	514	30,090
ELDERS MINISTRY	5700	4,224	3,950	274	4,224
NEIGHBOURHOOD CARE MINISTRY	5750	0	200	-200	0
<b>TOTAL EXPENSES before MORTGAGE</b>		<u>377,553</u>	<u>373,615</u>	<u>3,938</u>	<u>377,553</u>
MORTGAGE PRINCIPLE		8,707	8,707	0	
<b>NET INCOME BEFORE TRANSFERS</b>		<u>-5,460</u>	<u>0</u>	<u>-5,460</u>	
TRANSFER FROM OTHER FUNDS		1,070	0	5,460	
<b>EXCESS INCOME/EXPENSES</b>		<u>-4,390</u>	<u>0</u>	<u>0</u>	
 AMORTIZATION					 <u>29,534</u>
<b>EXPENSES INCL. AMORTIZATION</b>					<b>407,086</b>

**Notes**

NBBC does not budget for Amortization as it is a non cash expense and only used for audit purposes.  
Auditors do not recognize Mortgage Principle Payments as an expense.  
Auditors do not recognize Transfers as income.

**NORTH BURLINGTON BAPTIST CHURCH**  
**STATEMENT OF CASH FLOWS**

*Year ended December 31*

	2019	2018
	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	3,081	(29,934)
Item not involving cash:		
Amortization	29,534	30,120
	<b>32,615</b>	186
Changes in non-cash working capital (Note 7)	(17,991)	5,682
	<b>14,624</b>	5,868
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt	(8,368)	(8,288)
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	-	(11,771)
<b>INCREASE (DECREASE) IN CASH</b>	<b>6,256</b>	<b>(14,191)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>91,456</b>	<b>105,647</b>
<b>CASH, END OF YEAR</b>	<b>97,712</b>	<b>91,456</b>
<b>REPRESENTED BY:</b>		
Cash	16,389	20,086
Restricted cash	81,323	71,370
	<b>97,712</b>	<b>91,456</b>

*(See accompanying Notes to Financial Statements)*



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# NORTH BURLINGTON BAPTIST CHURCH

## NOTES TO FINANCIAL STATEMENTS

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Year ended December 31, 2019

### 1. PURPOSE OF ORGANIZATION

North Burlington Baptist Church (the "Church") is a Baptist Church in Burlington, Ontario whose mission is to help those in our church, community and beyond make a life-changing commitment to the Lord Jesus Christ and together become more like Him.

The Church was incorporated under the Canada Corporations Act as a not-for-profit organization, exempt from income tax, and is a registered charity under the Income Tax Act. On November 4, 2014, the Church was granted a Certificate of Continuance under the Canada Not-for-profit Corporations Act.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

#### FINANCIAL INSTRUMENTS

##### *Measurement of financial instruments*

The Church initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Church subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, restricted cash and accounts receivable.

Financial liabilities measured at amortized cost include long-term debt.

The Church does not have any equity securities quoted in an active market and has not designated any financial asset or financial liability to be measured at fair value.

##### *Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in excess of revenue over expenses. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess of revenue over expenses up to the amount of the previously recognized impairment.

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# NORTH BURLINGTON BAPTIST CHURCH

## NOTES TO FINANCIAL STATEMENTS

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*Year ended December 31, 2019*

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### FUND ACCOUNTING

The General Fund accounts for the unrestricted contributions and other unrestricted revenues and expenses for most of the ministries of the Church.

#### Program Fund

The Program Fund accounts for contributions designated by donors for church-run programs.

#### Capital Fund

The Capital Fund accounts for contributions designated by donors for future capital expenditures.

#### Bright Corner Ministry Fund

The Bright Corner Ministry Fund is a restricted fund, established to support a community food support outreach.

#### Missions Fund

The Missions Fund is a restricted fund, established to support missions outreach.

#### Berry Bursary Fund

The Berry Bursary Fund is a restricted fund, established to support students pursuing ministry studies.

#### REVENUE RECOGNITION

The Church follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which there is no fund are recorded in accordance with the deferral method. Unrestricted contributions are recognized as revenues in the General Fund.

Rental revenue is recognized as revenue in the general fund when services are provided and collection is reasonably assured.

Investment income, including interest earned on any restricted investments held in support of a restricted fund is recognized as revenue in the appropriate fund when earned. Investment income earned on unrestricted investments is recognized as revenue in the General Fund.

#### GIFTS-IN-KIND

Contributions-in-kind are recognized as revenue in the fund corresponding to the purpose for which they were contributed when received with the value of the contributed goods and property based on appraisals as provided by independent professional appraisers or other independent means.

#### CONTRIBUTED SERVICES

The Church would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty in compiling these hours, contributed services are not recognized in the financial statements.

# NORTH BURLINGTON BAPTIST CHURCH

## NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### CAPITAL ASSETS AND AMORTIZATION

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. An impairment loss is recognized when a capital asset no longer has any long-term service potential to the Church or its carrying amount may not be recoverable. The Church provides for amortization using the straight line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building	40 years
Furniture and fixtures	10 years

### 3. RESTRICTED CASH

The restricted cash represents designated unspent funds associated with the funds, excluding the general fund, set up by North Burlington Baptist Church. These funds are required to be spent on the specific fund as designated by the donor.

### 4. CAPITAL ASSETS

			2019	2018
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	2	-	2	2
Building	1,052,818	396,990	655,828	682,148
Furniture and fixtures	48,408	34,847	13,561	16,775
	1,101,228	431,837	669,391	698,925

### 5. LONG-TERM DEBT

	2019	2018
	\$	\$
Mortgage payable in blended monthly instalments of \$1,940 bearing interest at a rate of 4.99%, maturing July 1, 2024 secured by land and building with a net book value of \$655,830.	290,734	299,102
Less: Current portion	8,555	299,102
	282,179	-

Approximate principal repayments required in the next five years are as follows:

2020	8,555
2021	9,005
2022	9,478
2023	9,977
2024	10,501

Included in finance expense is interest on long-term debt of \$14,915 (2018 - 14,995).

**NORTH BURLINGTON BAPTIST CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**

*Year ended December 31, 2019*

**6. INTERFUND TRANSFERS**

In 2019, the Church made the following transfers between Funds:

Missions Fund to General Fund	\$1,070
Missions Fund to Program Fund	\$80

**7. CHANGES IN NON-CASH WORKING CAPITAL**

	2019 \$	2018 \$
Accounts receivable	(17,991)	5,682

**8. COMMITMENTS**

At December 31, 2019, future payments for equipment under operating lease for each of the next three years are as follows:

	\$
2020	3,621
2021	3,621
2022	906
	8,148

**9. FINANCIAL INSTRUMENTS**

**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 long-term debt. The Church manages this risk by managing its working capital and by generating sufficient cash flow from operations.



**TAYLOR LEIBOW<sup>LLP</sup>**  
**ACCOUNTANTS AND ADVISORS**

**AN INDEPENDENT MEMBER OF DFK INTERNATIONAL**

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**Hamilton, March 26, 2020**

**PRIVATE AND CONFIDENTIAL**

North Burlington Baptist Church  
1241 ON-3  
Dunnville, ON  
N1A 2X1

**Attention: Board of Directors**

Dear Members of the Board:

**RE: 2019 Audit Communications with Management**

We have been engaged to audit the financial statements of North Burlington Baptist Church for the year ending December 31, 2019. Canadian generally accepted standards for audit engagements require that we communicate the following information with you in relation to our audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

**Our Responsibility as Auditors**

As stated in the engagement letter, our responsibility as auditors of your organization is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian accounting standards for not-for-profit organizations.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit included assessing the risk that the financial statements may contain material misstatements, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and their application, and assessing the significant estimates made by management.

### **Audit Approach and Materiality**

We have used a substantive approach to conduct our audit and we have not placed a reliance on the Organization's internal controls as we believe a more effective and efficient audit can be completed in this manner.

Materiality in an audit is used to guide planning decisions on the nature and extent of our audit procedures, assess the sufficiency of the audit evidence gathered, and evaluate any misstatements found during our audit. Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances. A materiality level of \$14,000 was used for the December 31, 2019 audit.

### **Audit Report**

We have expressed a qualified opinion dated March 26, 2020 on the financial statements of North Burlington Baptist Church for the year ended December 31, 2019.

In common with many charitable organizations, the Organization derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenues, deficiency of revenue over expenses, and cash flows from operations for the year ended December 31, 2019, current assets as at December 31, 2019 and net assets as at January 1 and December 31, 2019.

Subject to the review and approval of the financial statements by the Board of Directors, we will sign the Auditors' Report for inclusion with the year end financial statements.

### **Evaluation of Internal Controls**

We have conducted a review of the Organization's internal controls through discussions with management in order to obtain a sufficient understanding of these controls to plan the audit. Our review of controls did not include any detailed assessment or testing of the controls. Accordingly, we can only comment on any weaknesses in internal controls that came to our attention during our review.

During the course of our audit, we did not encounter any specific internal control matters that we wish to bring to your attention.

#### **Significant Accounting Principles**

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application of the same as part of our audit. The accounting policies used by North Burlington Baptist Church are described in Note 2, Significant Accounting Policies, in the financial statements.

#### **Significant Transactions**

We are not aware of any significant or unusual transactions entered into by the Organization that you should be informed about.

#### **Accounting Estimates**

Management is responsible for the accounting estimates included in the financial statements. Estimates and related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. The significant area requiring the use of management estimates is impairment assessments. In our opinion, the significant estimates appear reasonable within the context of the financial statements as a whole.

#### **Fraud and Illegal Acts**

During the course of our audit, we did not detect any fraudulent or illegal acts. In the annual representation letter, management has represented that they are not aware of any fraudulent or illegal acts.

#### **Misstatements**

During our audit, we identify adjustments that may be made by management. However, we maintain a list of unadjusted differences that either management has chosen not to make or that we have determined not to be readily quantifiable and would not have a significant meaningful impact on the financial statements. There were no unadjusted material misstatements that we found during our audit that should be brought to the attention of the board of directors.

**Disagreements with Management**

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Organization's financial statements or auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

**Consultation with Other Accountants**

We are not aware of any consultation by management with other accountants regarding accounting and auditing matters.

**Major Issues Discussed With Management That Influence our Audit Appointment**

We did not engage in discussion with management about any major issues in connection with our appointment as auditors.

**Difficulties Encountered During the Audit**

We did not encounter any difficulties while performing our audit. The Organization's management and staff cooperated fully, responded to requests for information in a timely manner and the year end information prepared by management was generally in good order.

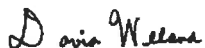
**Auditor's Independence**

We can confirm that we are not aware of any relationships that may reasonably be thought to bear on our independence.

This communication is prepared solely for the information of the board of directors and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Should any member of the board of directors wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us.

Yours very truly,



DAVID WELAND, CPA, CA  
PARTNER  
phone: (905) 645-5554  
e-mail: [dweland@taylorleibow.com](mailto:dweland@taylorleibow.com)