

ROYAL CITY MISSION CHURCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

ROYAL CITY MISSION CHURCH
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YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of: Royal City Mission Church

Qualified Opinion

We have audited the accompanying financial statements of Royal City Mission Church, which comprise the statement of financial position as at December 31, 2020 and the statements of changes in fund balances, revenues and expenditures 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 paragraph, these financial statements present fairly, in all material respects, the financial position of Royal City Mission Church as at December 31, 2020 and the results of its operations and its cash flows for the then ended in accordance with Canadian accounting standards for not for profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives some of the revenues from donations and fundraising activities, the completeness of which is not susceptible to 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 revenues, excess of revenues over expenditures and cash flows from operations for the year ended December 31, 2020, current assets as at December 31, 2020, and net assets as at January 1, 2020 and December 31, 2020.

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 Royal City Mission 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 audit opinion.

Comparative Information

The financial statements of Royal City Mission Church for the year ended December 31, 2019 and the statement of financial position as of January 1, 2020 have not been audited or reviewed.

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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 judgement 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 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 organization'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 organization'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 organization 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.



Guelph, Ontario
April 4, 2022

Chartered Professional Accountants
Licensed Public Accountants

ROYAL CITY MISSION CHURCH
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 100,475	\$ 21,265
Accounts receivable	34,818	5,126
Government remittances receivable	<u>5,733</u>	<u>20,601</u>
	141,026	46,992
CAPITAL ASSETS (note 4)	<u>592,810</u>	<u>612,204</u>
	<u>\$ 733,836</u>	<u>\$ 659,196</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 15,702	\$ 1,022
Deferred contributions	16,827	0
Current portion of long term debt (note 5)	<u>96,466</u>	<u>21,518</u>
	128,995	22,540
LONG TERM DEBT (note 5)	<u>248,586</u>	<u>374,853</u>
	<u>377,581</u>	<u>397,393</u>
FUND BALANCES		
General fund (unrestricted)	123,546	116,838
Life centre fund (internally restricted)	(15,513)	(71,332)
Invested in capital assets (internally restricted)	247,758	215,833
Church planting fund (internally restricted)	<u>464</u>	<u>464</u>
	356,255	261,803
	<u>\$ 733,836</u>	<u>\$ 659,196</u>

ROYAL CITY MISSION CHURCH
 STATEMENT OF CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund (unrestricted)	Life Centre Fund (internally restricted)	Invested in Capital Assets (internally restricted)	Church Planting Fund (internally restricted)	2020	2019
FUND BALANCES, beginning of year	\$ 116,838	\$ (71,332)	\$ 215,833	\$ 464	\$ 261,803	\$ 193,988
Net revenues over expenditures for the year	27,485	108,439	(41,472)	0	94,452	67,815
Transfers (note 6)	15,175	(15,175)	0	0	0	0
Invested in capital assets	<u>(35,952)</u>	<u>(37,445)</u>	<u>73,397</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, end of year	<u>\$ 123,546</u>	<u>\$ (15,513)</u>	<u>\$ 247,758</u>	<u>\$ 464</u>	<u>\$ 356,255</u>	<u>\$ 261,803</u>

ROYAL CITY MISSION CHURCH
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund (unrestricted)	Life Centre Fund (internally restricted)	Invested in Capital Assets (internally restricted)	2020	2019
REVENUES					
Contribution income	\$ 186,913	\$ 208,853	\$ 0	\$ 395,766	\$ 380,141
Government subsidy (note 7)	24,512	23,625	0	48,137	0
Grants	0	26,898	0	26,898	7,840
Facility income	<u>27,781</u>	<u>0</u>	<u>0</u>	<u>27,781</u>	<u>17,424</u>
	<u>239,206</u>	<u>259,376</u>	<u>0</u>	<u>498,582</u>	<u>405,405</u>
EXPENDITURES					
Salaries and benefits	116,445	94,798	0	211,243	212,032
Administrative expenses	34,453	14,000	41,472	89,925	70,489
Meal program	371	40,966	0	41,337	5,544
Facility expenses	40,008	1,173	0	41,181	26,799
Utilities	11,533	0	0	11,533	11,386
Ministry and spiritual development	5,411	0	0	5,411	6,654
Missions	3,500	0	0	3,500	3,500
Other expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,186</u>
	<u>211,721</u>	<u>150,937</u>	<u>41,472</u>	<u>404,130</u>	<u>337,590</u>
NET REVENUES OVER EXPENDITURES for the year	<u>\$ 27,485</u>	<u>\$ 108,439</u>	<u>\$ (41,472)</u>	<u>\$ 94,452</u>	<u>\$ 67,815</u>

ROYAL CITY MISSION CHURCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 94,452	\$ 67,815
Items not requiring an outlay of cash		
Amortization	<u>41,472</u>	<u>34,087</u>
	135,924	101,902
Changes in non-cash working capital		
Accounts receivable	(29,692)	(5,126)
Government remittances receivable	14,868	(19,328)
Accounts payable and accrued liabilities	14,680	1,022
Deferred contributions	<u>16,827</u>	<u>0</u>
	<u>152,607</u>	<u>78,470</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long term debt	<u>(51,319)</u>	<u>90,154</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	<u>(22,078)</u>	<u>(215,055)</u>
NET INCREASE (DECREASE) IN CASH	79,210	(46,431)
NET CASH, BEGINNING OF YEAR	<u>21,265</u>	<u>67,696</u>
NET CASH, END OF YEAR	<u>\$ 100,475</u>	<u>\$ 21,265</u>

ROYAL CITY MISSION CHURCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. NATURE OF OPERATIONS

Royal City Mission Church is a not for profit organization incorporated under the laws of Ontario without share capital and is a registered charity under the Income Tax Act. Royal City Mission Church is exempt from income tax. Its purpose is making the invisible visible, by reaching out to those who are hurting and in poverty, and sharing resources with them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) REVENUE RECOGNITION

The organization follows the restricted fund method of accounting for contributions in which externally restricted contributions are recognized upon receipt in the appropriate fund corresponding to the purpose for which they were contributed. Externally restricted contributions are recognized as revenue when the related expenditure occurs. Unrestricted contributions are recognized when received or receivable and collection is reasonably assured.

Grants are recognized at the date when the granting conditions are fulfilled and funding has been received.

Government subsidy and facility income are recognized when earned.

(b) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Building	- 25	years straight line basis
Equipment	- 5	years straight line basis

(c) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include estimated useful life of capital assets. Actual results could differ from those estimates.

ROYAL CITY MISSION CHURCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net surplus.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(f) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of organizations and individuals donate materials to the organization and a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed materials and services are not recorded in the financial statements.

(g) FUND ACCOUNTING

General Fund

The general fund is used to record revenue and expenses that relate to the church in general, or relate to worship. This fund is unrestricted.

Life Centre Fund

The life centre fund is used to record revenue and expenses that relate to the meal program held at the church, or the warming and cooling centre. Everything that is related to serving those in need in the community is part of this fund. This fund is internally restricted.

Invested in Capital Assets

The invested in capital assets is used to record capital assets and associated mortgages and loans. This fund is internally restricted.

Church Planting Fund

The church planting fund is an old fund which is currently not in use. This fund is internally restricted.

ROYAL CITY MISSION CHURCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from the financial instruments.

The extent of the organization's exposure to these risks did not change in 2020 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2020	Net 2019
Land	\$ 146,856	\$ 0	\$ 146,856	\$ 146,856
Building	686,609	268,068	418,541	433,747
Equipment	<u>112,921</u>	<u>85,508</u>	<u>27,413</u>	<u>31,601</u>
	<u>\$ 946,386</u>	<u>\$ 353,576</u>	<u>\$ 592,810</u>	<u>\$ 612,204</u>

5. LONG TERM DEBT

	2020	2019
Evangelical Missionary Church of Canada mortgage, due December 31, 2031, interest charged at 4.25% per annum, repayable in blended monthly instalments of \$2,621, secured by a general security agreement and land and building with a combined carrying value of \$565,397	\$ 269,107	\$ 288,776
Abundance Canada mortgage, matures August 28, 2021, interest charged at 4.15% per annum, repayable in blended monthly instalments of \$527, secured by general security agreement and land and building with a combined carrying value of \$565,397	<u>75,945</u>	<u>107,595</u>
	345,052	396,371
Less current portion: Cash repayments required within 12 months	<u>96,466</u>	<u>21,518</u>
	<u>\$ 248,586</u>	<u>\$ 374,853</u>

Future minimum payments on long term obligations are as follows:

2021	\$ 96,466
2022	21,411
2023	22,339
2024	23,282
2025	24,316
Thereafter	<u>157,238</u>
	<u>\$ 345,052</u>

ROYAL CITY MISSION CHURCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. TRANSFERS

During the year, \$15,175 (2019 - \$13,910) was transferred to the general fund from the life centre fund for use of the facility.

7. MATERIAL UNCERTAINTY DUE TO THE NOVEL CORONAVIRUS

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) continued to impact the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's assets and its future ability to deliver all services.

As a result of the pandemic, the organization received the Canada Emergency Wage Subsidy (CEWS) and Temporary Wage Subsidy (TWS) for a total of \$48,137 which were recognized as government subsidy revenue.