

ROYAL CITY MISSION CHURCH

Financial Statements

Year Ended December 31, 2021

ROYAL CITY MISSION CHURCH

Index to Financial Statements

Year Ended December 31, 2021

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenditures	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

INDEPENDENT AUDITOR'S REPORT

To the Members of Royal City Mission Church

Qualified Opinion

We have audited the financial statements of Royal City Mission Church (the organization), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, 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 possible 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 organization as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising activities, 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 contributions, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2021 and December 31, 2020, current assets as at December 31, 2021 and December 31, 2020 and net assets as at January 1, 2021 and 2020 and December 31, 2021 and 2020. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of 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 organization in accordance with 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.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on April 4, 2022 for the reasons described in the *Basis for Qualified Opinion* section.

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 ASNPO, 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 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.

(continues)

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 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.

Oakville, Ontario
June 6, 2023

S+A Partners

S&A Partners Professional Corporation
Chartered Professional Accountants
*Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario*

ROYAL CITY MISSION CHURCH**Statement of Financial Position****As at December 31, 2021**

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 246,971	\$ 100,475
Accounts receivable	14,247	34,818
Government remittances receivable	6,586	5,733
	<u>267,804</u>	141,026
CAPITAL ASSETS (Note 4)	<u>577,110</u>	592,810
	<u>\$ 844,914</u>	<u>\$ 733,836</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 34,724	\$ 15,702
Current portion of long term debt (Note 5)	73,835	96,466
Employee benefits payable	808	-
Deferred Contributions (Note 6)	147,305	16,827
Due to Grace Community Church (current portion) (Note 8)	12,000	-
	<u>268,672</u>	128,995
LONG TERM DEBT (Note 5)	<u>202,494</u>	248,586
DUE TO GRACE COMMUNITY CHURCH (Note 8)	<u>16,327</u>	-
	<u>487,493</u>	377,581
FUND BALANCES		
General Fund (unrestricted)	106,517	123,546
Life Centre Fund (internally restricted)	(22,016)	(15,513)
Capital Asset Fund (internally restricted)	272,456	247,758
Church Planting Fund (internally restricted)	464	464
	<u>357,421</u>	356,255
	<u>\$ 844,914</u>	<u>\$ 733,836</u>

ON BEHALF OF THE BOARD_____
*Director*_____
Director

ROYAL CITY MISSION CHURCH**Statement of Changes in Net Assets****Year Ended December 31, 2021**

	General Fund <i>(unrestricted)</i>	Life Centre Fund <i>(internally restricted)</i>	Invested in Capital Assets <i>(internally restricted)</i>	Church Planting Fund <i>(internally restricted)</i>	Total	Total
NET ASSETS - BEGINNING OF YEAR	\$ 123,546	\$ (15,513)	\$ 247,758	\$ 464	\$ 356,255	\$ 261,803
Excess of revenues over expenditures	49,649	(6,503)	(41,980)	-	1,166	94,452
Invested in capital assets	(66,678)	-	66,678	-	-	-
NET ASSETS - END OF YEAR	\$ 106,517	\$ (22,016)	\$ 272,456	\$ 464	\$ 357,421	\$ 356,255

ROYAL CITY MISSION CHURCH
Statement of Revenues and Expenditures
Year Ended December 31, 2021

	General Fund <i>(unrestricted)</i>	Life Centre Fund <i>(internally restricted)</i>	Invested in Capital Assets <i>(internally restricted)</i>	Church Planting Fund <i>(internally restricted)</i>	2021	2020
REVENUES						
Contribution income	\$ 167,751	\$ 230,989	\$ -	\$ -	\$ 398,740	\$ 395,766
Grants	-	94,106	-	-	94,106	26,898
Facility income	33,905	-	-	-	33,905	27,781
Government subsidy <i>(Note 7)</i>	5,925	10,278	-	-	16,203	48,137
	207,581	335,373	-	-	542,954	498,582
EXPENDITURES						
Salaries and benefits	88,643	184,754	-	-	273,397	211,243
Administrative expenses	29,516	69,590	41,980	-	141,086	89,925
Facility expenses	28,828	33,935	-	-	62,763	41,181
Meal Program	-	43,546	-	-	43,546	41,337
Utilities	3,305	10,051	-	-	13,356	11,533
Ministry and spiritual development	4,140	-	-	-	4,140	5,411
Missions	3,500	-	-	-	3,500	3,500
	157,932	341,876	41,980	-	541,788	404,130
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 49,649	\$ (6,503)	\$ (41,980)	\$ -	\$ 1,166	\$ 94,452

ROYAL CITY MISSION CHURCH**Statement of Cash Flows****Year Ended December 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,166	\$ 94,452
Item not affecting cash:		
Amortization of capital assets	41,980	41,472
	<u>43,146</u>	<u>135,924</u>
Changes in non-cash working capital:		
Accounts receivable	20,571	(29,692)
Government remittances receivable	(853)	14,868
Accounts payable and accrued liabilities	19,022	14,680
Deferred contributions <i>(Note 6)</i>	130,478	16,827
Employee benefits payable	808	-
	<u>170,026</u>	<u>16,683</u>
Cash flow from operating activities	<u>213,172</u>	<u>152,607</u>
INVESTING ACTIVITY		
Additions to capital assets	<u>(26,281)</u>	<u>(22,078)</u>
FINANCING ACTIVITIES		
Payable to Grace Church	28,327	-
Repayment of long term debt	<u>(68,722)</u>	<u>(51,319)</u>
Cash flow used by financing activities	<u>(40,395)</u>	<u>(51,319)</u>
INCREASE IN CASH FLOW	146,496	79,210
Cash - beginning of year	<u>100,475</u>	<u>21,265</u>
CASH - END OF YEAR	<u>\$ 246,971</u>	<u>\$ 100,475</u>

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2021

1. PURPOSE OF THE ORGANIZATION

Royal City Mission Church (the "organization") is a not-for-profit organization of Ontario. The organization is a registered charity and is exempt from the payment of income taxes under the Income Tax Act.

The organization's purpose is to make the invisible, visible, by reaching out to those who are hurting and in poverty and sharing resources with them.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Royal City Mission Church follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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.

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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Buildings	25 years	straight-line method
Equipment	5 years	straight-line method

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies,

(continues)

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year \$38,836 in goods were donated to the organization (2020 - \$0).

Fund accounting

Royal City Mission Church follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's operating or worship related revenue and expenses. This fund reports unrestricted resources.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to Royal City Mission Church's capital assets. This fund is internally restricted.

The Life Centre fund reports resources 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 a part of this fund. This fund is internally restricted.

The Church Planting fund is an old fund and currently not in use. This fund is internally restricted.

Harmonized sales tax

Contributed materials and services are recoverable at 50% for federal and 82% for provincial portion of HST as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures. Government assistance for acquiring fixed assets is recorded as a reduction of the cost of related assets.

Net assets

- a) Net assets invested in capital assets represents the organization's net investment in capital assets which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, not of transfers, and are available for general purposes.

(continues)

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of long lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 146,856	\$ -	\$ 146,856	\$ 146,856
Buildings	712,890	296,584	416,306	418,541
Equipment	112,921	98,973	13,948	27,413
	<u>\$ 972,667</u>	<u>\$ 395,557</u>	<u>\$ 577,110</u>	<u>\$ 592,810</u>

The amortization expense for 2021 was \$41,980 (2020 - \$41,472)

5. LONG TERM DEBT

	2021	2020
Evangelical Missionary Church of Canada loan bearing interest at 4% compounded monthly, repayable in monthly blended payments of \$2,600. The loan matures on December 31, 2031 and is secured by general security agreement and land & building which has a carrying value of \$563,162.	\$ 248,162	\$ 269,107
Abundance Canada Mortgage loan bearing interest at 3.6% compounded monthly, repayable in monthly blended payments of \$368. The loan matures on August 28, 2023 and is secured by general security agreement and land & building which has a carrying value of \$563,162.	28,167	75,945
	<u>276,329</u>	345,052
Amounts payable within one year	<u>(73,835)</u>	(96,466)
	<u>\$ 202,494</u>	<u>\$ 248,586</u>

Principal repayment terms are approximately:

2022	\$ 73,835
2023	22,551
2024	23,469
2025	24,426
2026	25,421
Thereafter	106,627
	<u>\$ 276,329</u>

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2021

6. DEFERRED CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
<u>Deferred Contributions</u>		
Mortgage repayment	\$ 50,000	\$ -
Walk-in fridge	72,690	-
Wellington Grant	24,615	16,827
	<u>\$ 147,305</u>	<u>\$ 16,827</u>

The funds from mortgage repayment contribution were used to repay Abundance Canada in full and repay portion of Evangelical Missionary Church of Canada mortgages in the subsequent period.

7. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation subsequent to year-end as constantly evolving, and the measures were put in place are having multiple impacts on local, provincial, national and global economies. The overall effect of these events on the organization and its operations was too uncertain to be estimated at that time. The impacts will be accounted for when they are known and may be assessed in 2022.

Payment of Abundance Loan

The Abundance Canada Mortgage as noted in Note 5 to the financial statements was paid out in full as of January 6, 2022.

8. AMOUNTS PAYABLE TO GRACE COMMUNITY CHURCH

The organization has an obligation to pay Grace Community Church in lieu of building renovation costs paid on 50 Quebec Street, Guelph, ON. The obligation is interest free, with terms of repayment as listed below.

Contractual obligation repayment schedule:

2022 (current portion)	\$ 12,000
2023	12,000
2024	4,327
	<u>\$ 28,327</u>
