

ROYAL CITY MISSION CHURCH

Financial Statements

Year Ended December 31, 2022

ROYAL CITY MISSION CHURCH

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Year Ended December 31, 2022

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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, 2022, 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, 2022, 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, 2022 and December 31, 2021, current assets as at December 31, 2022 and December 31, 2021 and net assets as at January 1, 2022 and 2021 and December 31, 2022 and 2021.

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.

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.

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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 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 13, 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, 2022**

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 127,922	\$ 246,971
Accounts receivable (Note 7)	14,865	14,247
Government remittances receivable	19,014	6,586
Prepaid expenses	8,375	-
	<u>170,176</u>	267,804
CAPITAL ASSETS (Note 4)	<u>630,719</u>	577,110
	<u>\$ 800,895</u>	<u>\$ 844,914</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 46,430	\$ 34,724
Current portion of long term debt (Note 5)	29,153	73,835
Employee benefits payable	-	808
Deferred Contributions (Note 6)	69,782	147,305
Due to Grace Community Church (current portion) (Note 8)	12,000	12,000
	<u>157,365</u>	268,672
LONG TERM DEBT (Note 5)	167,384	202,494
DUE TO GRACE COMMUNITY CHURCH (Note 8)	<u>4,327</u>	16,327
	<u>329,076</u>	487,493
FUND BALANCES		
General Fund (unrestricted)	126,264	106,517
Life Centre Fund (internally restricted)	(2,983)	(22,016)
Capital Asset Fund (internally restricted)	348,074	272,456
Church Planting Fund (internally restricted)	464	464
	<u>471,819</u>	357,421
	<u>\$ 800,895</u>	<u>\$ 844,914</u>

ON BEHALF OF THE BOARD_____
*Director*_____
Director

ROYAL CITY MISSION CHURCH

Statement of Changes in Net Assets

Year Ended December 31, 2022

	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	\$ 106,517	\$ (22,016)	\$ 272,456	\$ 464	\$ 357,421	\$ 356,255
Excess of revenues over expenditures	136,714	19,033	(41,349)	-	114,398	1,166
Invested in capital assets	(116,967)	-	116,967	-	-	-
NET ASSETS - END OF YEAR	\$ 126,264	\$ (2,983)	\$ 348,074	\$ 464	\$ 471,819	\$ 357,421

ROYAL CITY MISSION CHURCH
Statement of Revenues and Expenditures
Year Ended December 31, 2022

	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>	2022	2021
REVENUES						
Contribution income	\$ 255,836	\$ 213,220	\$ -	\$ -	\$ 469,056	\$ 398,740
Grants	-	196,871	-	-	196,871	94,106
Facility income	29,717	-	-	-	29,717	33,905
Government subsidy	-	-	-	-	-	16,203
	285,553	410,091	-	-	695,644	542,954
EXPENDITURES						
Salaries and benefits	87,372	265,787	-	-	353,159	273,397
Administrative expenses	25,791	44,524	41,349	-	111,664	141,086
Facility expenses	22,106	28,141	-	-	50,247	62,763
Meal Program	-	34,415	-	-	34,415	43,546
Utilities	6,063	18,191	-	-	24,254	13,356
Ministry and spiritual development	4,007	-	-	-	4,007	4,140
Missions	3,500	-	-	-	3,500	3,500
	148,839	391,058	41,349	-	581,246	541,788
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 136,714	\$ 19,033	\$ (41,349)	\$ -	\$ 114,398	\$ 1,166

ROYAL CITY MISSION CHURCH**Statement of Cash Flows****Year Ended December 31, 2022**

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 114,398	\$ 1,166
Item not affecting cash:		
Amortization of capital assets	41,349	41,980
	<u>155,747</u>	<u>43,146</u>
Changes in non-cash working capital:		
Accounts receivable	(618)	20,571
Government remittances receivable	(12,428)	(853)
Prepaid expenses	(8,375)	-
Accounts payable and accrued liabilities	11,706	19,022
Deferred contributions <i>(Note 6)</i>	(77,523)	130,478
Employee benefits payable	(808)	808
	<u>(88,046)</u>	<u>170,026</u>
Cash flow from operating activities	<u>67,701</u>	<u>213,172</u>
INVESTING ACTIVITY		
Additions to capital assets	<u>(94,958)</u>	<u>(26,281)</u>
FINANCING ACTIVITIES		
Payable to Grace Church	(12,000)	28,327
Repayment of long term debt	(79,792)	(68,722)
Cash flow used by financing activities	<u>(91,792)</u>	<u>(40,395)</u>
INCREASE (DECREASE) IN CASH FLOW	(119,049)	146,496
Cash - beginning of year	<u>246,971</u>	<u>100,475</u>
CASH - END OF YEAR	\$ 127,922	\$ 246,971

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2022

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,

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ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2022

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 \$9,895 in goods were donated to the organization (2021 - \$38,836).

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.

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ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2022

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	2022 Net book value	2021 Net book value
Land	\$ 146,856	\$ -	\$ 146,856	\$ 146,856
Buildings	807,848	328,898	478,950	416,306
Equipment	112,921	108,008	4,913	13,948
	<u>\$ 1,067,625</u>	<u>\$ 436,906</u>	<u>\$ 630,719</u>	<u>\$ 577,110</u>

The amortization expense for 2022 was \$41,349 (2021 - \$41,980)

5. LONG TERM DEBT

	2022	2021
Evangelical Missionary Church of Canada loan bearing interest at 3.8% compounded monthly, repayable in monthly blended payments of \$3,000. The loan matures on June 30, 2031 and is secured by general security agreement and land & building which has a carrying value of \$625,806.	\$ 196,537	\$ 248,162
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 \$625,806.	-	28,167
	<u>196,537</u>	<u>276,329</u>
Amounts payable within one year	<u>(29,153)</u>	<u>(73,835)</u>
	<u>\$ 167,384</u>	<u>\$ 202,494</u>

Abundance Canada Mortgage was paid out in full during the fiscal year.

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ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2022

5. LONG TERM DEBT *(continued)*

Principal repayment terms are approximately:

2023	\$	29,044
2024		30,167
2025		31,334
2026		32,545
2027		33,804
Thereafter		<u>39,643</u>
	\$	<u>196,537</u>

6. DEFERRED CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
<u>Deferred Contributions</u>		
Mortgage repayment	\$ -	\$ 50,000
Walk-in fridge	69,782	72,690
Wellington Grant	-	<u>24,615</u>
	\$ 69,782	\$ 147,305

Deferred revenue consists of funds received for construction of walk-in fridge. This contribution is being recognized as revenue on the same basis as depreciation.

7. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022 is net of allowance for impairment in the amount of \$0 (2021 - \$0)

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:

2023 (current portion)	\$	12,000
2024		<u>4,327</u>
	\$	<u>16,327</u>
