

ROYAL CITY MISSION CHURCH

Financial Statements

Year Ended December 31, 2023

ROYAL CITY MISSION CHURCH

Index to Financial Statements

Year Ended December 31, 2023

	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 - 11

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, 2023, 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, 2023, 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, 2023 and December 31, 2022, current assets as at December 31, 2023 and December 31, 2022 and net assets as at January 1, 2023 and 2022 and December 31, 2023 and 2022.

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.

S+A Partners

Oakville, Ontario
June 27, 2024

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, 2023**

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 262,405	\$ 127,922
Accounts receivable <i>(Note 4)</i>	94,436	14,865
Government remittances receivable	5,882	19,014
Prepaid expenses	9,866	8,375
	<u>372,589</u>	170,176
CAPITAL ASSETS <i>(Note 5)</i>	<u>610,535</u>	630,719
	<u>\$ 983,124</u>	<u>\$ 800,895</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 39,408	\$ 46,430
Deferred contributions <i>(Note 7)</i>	278,564	69,782
Current portion of long term debt <i>(Note 8)</i>	30,167	29,153
Current portion of due to Grace Church <i>(Note 9)</i>	4,327	12,000
	<u>352,466</u>	157,365
LONG TERM DEBT <i>(Note 8)</i>	137,217	167,384
DUE TO GRACE COMMUNITY CHURCH <i>(Note 9)</i>	<u>-</u>	4,327
	<u>489,683</u>	329,076
FUND BALANCES		
General Fund (unrestricted)	155,045	126,263
Life Centre Fund (internally restricted)	11,595	(2,984)
Capital Asset Fund (internally restricted)	326,337	348,076
Church Planting Fund (internally restricted)	464	464
	<u>493,441</u>	471,819
	<u>\$ 983,124</u>	<u>\$ 800,895</u>

See notes to financial statements

ROYAL CITY MISSION CHURCH**Statement of Changes in Net Assets****Year Ended December 31, 2023**

	General Fund	Life Centre Fund	Invested in Capital Assets	Church Planting Fund	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 126,263	\$ (2,984)	\$ 348,076	\$ 464	\$ 471,819	\$ 357,421
Excess of revenues over expenditures	126,068	(70,707)	(33,739)	-	21,622	114,398
Interfund transfers <i>(Note 10)</i>	(97,286)	85,286	12,000	-	-	-
NET ASSETS - END OF YEAR	\$ 155,045	\$ 11,595	\$ 326,337	\$ 464	\$ 493,441	\$ 471,819

See notes to financial statements

ROYAL CITY MISSION CHURCH
Statement of Revenues and Expenditures
Year Ended December 31, 2023

	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>	2023	2022
REVENUES						
Contribution income	\$ 259,746	\$ 331,788	\$ 3,479	\$ -	\$ 595,013	\$ 469,056
Grants	-	333,110	-	-	333,110	196,871
Facility income	25,186	-	-	-	25,186	29,717
	284,932	664,898	3,479	-	953,309	695,644
EXPENDITURES						
Salaries and benefits	98,244	562,489	-	-	660,733	352,460
Administrative expenses	28,381	80,669	37,218	-	146,268	111,665
Facility expenses	22,836	41,614	-	-	64,450	50,247
Meal Program	691	31,206	-	-	31,897	35,113
Utilities	6,542	19,627	-	-	26,169	24,254
Ministry and spiritual development	2,170	-	-	-	2,170	4,007
Missions	-	-	-	-	-	3,500
	158,864	735,605	37,218	-	931,687	581,246
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 126,068	\$ (70,707)	\$ (33,739)	\$ -	\$ 21,622	\$ 114,398

See notes to financial statements

ROYAL CITY MISSION CHURCH**Statement of Cash Flows****Year Ended December 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 21,622	\$ 114,398
Items not affecting cash:		
Amortization of capital assets	37,217	41,349
	<u>-</u>	<u>-</u>
	58,839	155,747
Changes in non-cash working capital:		
Accounts receivable	(79,571)	(618)
Government remittances receivable	13,132	(12,428)
Prepaid expenses	(1,491)	(8,375)
Accounts payable and accrued liabilities	(7,022)	11,706
Deferred contributions	208,782	(77,523)
Employee benefits payable	-	(808)
	<u>133,830</u>	<u>(88,046)</u>
Cash flow from operating activities	<u>192,669</u>	67,701
INVESTING ACTIVITY		
Purchase of capital assets	<u>(17,033)</u>	(94,958)
FINANCING ACTIVITIES		
Repayment of loan due to Grace Community Church	(12,000)	(12,000)
Repayment of long term debt	<u>(29,153)</u>	<u>(79,792)</u>
Cash flow used by financing activities	<u>(41,153)</u>	(91,792)
INCREASE (DECREASE) IN CASH FLOW	134,483	(119,049)
Cash - beginning of year	<u>127,922</u>	246,971
CASH - END OF YEAR	<u>\$ 262,405</u>	<u>\$ 127,922</u>

See notes to financial statements

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2023

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

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value. Changes in fair value are recognized in net income. All other financial instruments are reported at amortized cost. Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, and loan payable. Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 income.

For financial instruments subsequently measured at fair value, the Organization recognizes transaction costs directly attributable to their origination, issuance, or assumption in net income in the period incurred. When a financial instrument is measured at amortized cost, transaction costs are included in the initial measurement of the instrument.

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.

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.

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ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2023

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

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The assets and liabilities which requires management to make significant estimates and assumptions in determining carrying values include useful life of capital assets, accounts payable and accrued liabilities.

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 \$22,057 in goods were donated to the organization (2022 - \$9,895).

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.

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ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2023

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

- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

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. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2023 is net of allowance for impairment in the amount of \$0 (2022 - \$0)

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 146,856	\$ -	\$ 146,856	\$ 146,856
Buildings	816,928	361,575	455,353	478,950
Equipment	120,874	112,548	8,326	4,913
	<u>\$ 1,084,658</u>	<u>\$ 474,123</u>	<u>\$ 610,535</u>	<u>\$ 630,719</u>

The amortization expense for 2023 was \$37,217 (2022 - \$41,349)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
<u>Accounts payable and accrued liabilities consists of the following:</u>		
Accounts payable	\$ 12,081	\$ 22,856
Accrued liabilities	27,131	23,574
Deposit	196	-
	<u>\$ 39,408</u>	<u>\$ 46,430</u>

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2023

7. DEFERRED REVENUE

	<u>2023</u>	<u>2022</u>
<u>Deferred Contributions</u>		
Ontario Trillium Foundation -Boiler room project	\$ 139,300	\$ -
Walk-in fridge contribution	66,875	69,782
Employment and Social Development Canada - Bathroom project	49,456	-
Guelph Community Foundation - Grant for CRM software	20,650	-
Fence replacement contribution	2,283	-
	<u>\$ 278,564</u>	<u>\$ 69,782</u>

Deferred revenue in the Restricted Fund consists of a funds received for construction of walk-in fridge and in kind contribution for fence replacement. These contributions are being recognized as revenue on the same basis as depreciation.

8. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
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 \$602,209.	\$ 167,384	\$ 196,537
Amounts payable within one year	<u>(30,167)</u>	<u>(29,153)</u>
	<u>\$ 137,217</u>	<u>\$ 167,384</u>

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

Principal repayment terms are approximately:

2024	\$ 30,167
2025	31,334
2026	32,545
2027	33,804
2028	35,111
Thereafter	<u>4,423</u>
	<u>\$ 167,384</u>

9. DUE 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, Ontario. The obligation is interest free, with terms of repayment as listed below.

Contractual obligation repayment schedule:

2024	<u>\$ 4,327</u>
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10. INTERFUND TRANSFERS

During the year, the General Fund transferred \$85,286 to the Life Centre Fund and \$12,000 to the the Invested in the Capital asset Fund.

ROYAL CITY MISSION CHURCH

Notes to Financial Statements

Year Ended December 31, 2023

11. IN-KIND DONATIONS

The Organization recognizes in-kind donations to the extent that fair value is determinable. Doantion revenue includes food & grocery items valued at \$22,058 (2022 - \$9,895).

12. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2023. It is management's opinion that there has not been a significant change in risk exposures form the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk mainly in respect of its accounts receivable.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable.

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 rate risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk..

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate loan due to Evangelical Missionary Church of Canada.
