



Grant Thornton

Financial Statements

Mission City Bible Church

December 31, 2019

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Independent Auditor's Report

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To the Members of
Mission City Bible Church

Qualified opinion

We have audited the financial statements of Mission City Bible Church (the "Church"), which comprise the statement of financial position as at December 31, 2019, and the statements of revenue and expenditures, changes in net assets, 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 of Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at December 31, 2019, and the results of its operations and its 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 Church derives revenue from offerings, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue 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 revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets at December 31, 2019 and 2018, and net assets at January 1, 2019 and 2018 and December 31, 2019 and 2018.

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 opinion.

Other matter

The financial statements of the Church were audited by another auditor for the year ended December 31, 2018, who expressed a qualified opinion on those statements on June 12, 2019. The qualification in that audit opinion related to the completeness of offerings not being susceptible to satisfactory audit verification.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Church'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 Church or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Church'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 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.

Grant Thornton LLP

Mississauga, Canada
May 14, 2020

Chartered Professional Accountants
Licensed Public Accountants

Mission City Bible Church

Statement of Financial Position

December 31

2019

2018

Assets

Current

Cash (Note 3)	\$ 131,007	\$ 152,609
Accounts receivable	61,026	-
HST receivable	12,775	8,908
Prepaid expenses and deposits	17,885	11,039
Due from related party	<u>-</u>	<u>33,947</u>
	222,693	206,503
Capital assets (Note 5)	<u>28,323</u>	<u>37,660</u>
	\$ 251,016	\$ 244,163

Liabilities

Current

Accounts payable and accrued liabilities	\$ 24,148	\$ 21,358
Deferred capital contributions (Note 6)	<u>76,713</u>	<u>73,391</u>
	100,861	94,749

Net assets

Invested in capital assets	28,323	37,660
Internally restricted	31,370	52,798
Unrestricted	<u>90,462</u>	<u>58,956</u>
	150,155	149,414
	\$ 251,016	\$ 244,163

Operating lease commitments (Note 7)

On behalf of the Board of Elders


 _____ Elder


 _____ Elder

See accompanying notes to the financial statements.

Mission City Bible Church

Statement of Revenue and Expenditures

Year ended December 31

2019

2018

Revenue	\$ 723,649	\$ 716,631
Expenditures		
Ministry operations	475,874	472,169
Building and property	75,005	72,086
Administration	69,799	71,760
Missions	52,506	31,496
Family ministries (Note 4)	19,468	15,906
Amortization	10,710	12,544
Worship and production	8,925	6,089
Adult ministries (Note 4)	6,956	3,603
Hospitality	3,665	1,126
	<u>722,908</u>	<u>686,779</u>
Excess of revenue over expenditures	\$ 741	\$ 29,852

See accompanying notes to the financial statements.

Mission City Bible Church Statement of Changes in Net Assets

Year ended December 31

	Invested in capital assets	Internally restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	\$ 37,660	\$ 52,798	\$ 58,956	\$ 149,414	\$ 119,562
Excess (deficiency) of revenue over expenditures	(10,710)	-	11,451	741	29,852
Net transfer from the internally restricted fund	-	(21,428)	21,428	-	-
Purchase of capital assets	<u>1,373</u>	<u>-</u>	<u>(1,373)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 28,323</u>	<u>\$ 31,370</u>	<u>\$ 90,462</u>	<u>\$ 150,155</u>	<u>\$ 149,414</u>

See accompanying notes to the financial statements.

Mission City Bible Church

Statement of Cash Flows

Year ended December 31

2019

2018

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 741	\$ 29,852
Items not affecting cash		
Amortization	<u>10,710</u>	<u>12,544</u>
	11,451	42,396
Change in non-cash working capital items		
HST receivable	(3,867)	16,094
Accounts receivable	(61,026)	-
Prepaid expenses and deposits	(6,846)	(3,163)
Due from related party	33,947	(32,697)
Bank indebtedness	-	(414)
Accounts payable and accrued liabilities	2,790	(1,001)
Due to related party	<u>-</u>	<u>(4,620)</u>
	<u>(23,551)</u>	<u>16,595</u>

Financing

Deferred capital contributions received	<u>3,322</u>	<u>3,180</u>
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Investing

Purchase of capital assets	<u>(1,373)</u>	<u>(11,126)</u>
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Increase (decrease) in cash (21,602) 8,649

Cash, beginning of year 152,609 143,960

Cash, end of year \$ 131,007 \$ 152,609

See accompanying notes to the financial statements.

Mission City Bible Church

Notes to the Financial Statements

December 31, 2019

1. Purpose of the organization

The focus of the ministry at Mission City Bible Church (the “Church”) is to glorify God through the fulfillment of the Great Commission (Matthew 28:19-20) in the spirit of the Great Commandment (Matthew 22:37-39). This is fulfilled as disciples of Jesus Christ are made. God is glorified as we manifest His presence in doing so (2 Timothy 2:2; 1 Corinthians 10:31).

The Church is incorporated under the laws of Ontario and is registered as a charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Church must meet certain requirements of the Act. During fiscal 2019, the Church changed its name from Harvest Bible Chapel Brantford to Mission City Bible Church.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the Church and applied in these financial statements are as follows.

Fund accounting

The accounts are maintained in accordance with the principles of fund accounting, whereby fund balances of the Church are classified for accounting and reporting purposes into funds to be used according to the directions as determined by the Church.

Unrestricted net assets

Unrestricted net assets reflect all general programs and activities, other than those activities listed below.

Invested in capital assets

Net assets invested in capital assets reflect the assets, liabilities, revenue and expenditures related to the Church’s capital assets.

Internally restricted net assets

Internally restricted net assets reflect the assets, liabilities, revenue and expenditures the Church has designated to be reserved for future expenditures, consistent with the objectives of its ministry.

Revenue recognition

The Church follows the deferral method of accounting for contributions. Externally restricted contributions received are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Contributions externally restricted for capital purposes are recorded as deferred capital contributions until the related capital purchase occurs, at which point they are amortized at a rate corresponding to the amortization of the related capital assets.

Mission City Bible Church

Notes to the Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

Financial instruments

The Church considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Church's financial instruments are comprised of cash, HST receivable, and accounts payable. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided as follows:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	Over the term of the lease
Sound equipment	30% declining balance

One-half the normal rate of amortization is provided for in the year of acquisition.

Contributed services

Volunteers contribute a substantial number of hours each year to assist the Church in carrying out its mission. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the excess of revenue over expenses as appropriate in the year they become known.

3. Cash

	<u>2019</u>	<u>2018</u>
Cash	\$ 22,924	\$ 26,420
Cash held for internally restricted net assets	31,370	52,798
Cash held for deferred capital contributions	<u>76,713</u>	<u>73,391</u>
	<u>\$ 131,007</u>	<u>\$ 152,609</u>

Mission City Bible Church

Notes to the Financial Statements

December 31, 2019

4. Related party transactions

Until September 2019, the Church was related to Hope Bible Church Oakville (“HBCO”) as it had the ability to exercise significant influence due to the existence of common members on HBCO’s Elder Boards. However, as of September 2019, there are no common members with HBCO’s Elder Boards.

During the year, the Church entered into transactions with related parties in the normal course of operations. The Church incurred \$7,460 (2018 - \$11,250) in relation to professional services rendered by HBCO. These transactions are accounted for at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Computer equipment	\$ 15,210	\$ 9,990	\$ 5,220	\$ 7,460
Furniture and fixtures	18,015	11,665	6,350	7,939
Leasehold improvements	5,140	5,140	-	-
Sound equipment	<u>85,458</u>	<u>68,705</u>	<u>16,753</u>	<u>22,261</u>
	<u>\$ 123,823</u>	<u>\$ 95,500</u>	<u>\$ 28,323</u>	<u>\$ 37,660</u>

6. Deferred capital contributions

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 73,391	\$ 70,211
Contributions received	<u>3,322</u>	<u>3,180</u>
Balance, end of year	<u>\$ 76,713</u>	<u>\$ 73,391</u>

7. Operating lease commitments

The Church is committed under operating leases for rental of premises and equipment for various periods extending to fiscal 2023. The minimum annual payments are as follows:

2020	\$ 57,286
2021	40,619
2022	3,286
2023	<u>3,286</u>
	<u>\$ 104,477</u>

Mission City Bible Church

Notes to the Financial Statements

December 31, 2019

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Liquidity risk

Liquidity risk is the risk that the Church will encounter difficulty in raising funds to meet commitments associated to its financial liabilities. The Church is exposed to liquidity risk mainly in respect to its accounts payable.

The Church manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations. It is management's opinion that the Church is not exposed to significant liquidity risk arising from its financial instruments.

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant credit, interest, market, or currency risks.

9. Comparative information

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2019 financial statements.

10. Subsequent event

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Church has determined that this event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. As at the audit report date, the Church has limited its activities, taking measures to reduce costs while donations continue to be received, albeit at a lower pace than expectations as a result of the pandemic.