



Grant Thornton

Financial Statements

Mission City Bible Church

August 31, 2021 (Note 1)

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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 August 31, 2021 (Note 1), and the statements of revenue and expenditures, changes in net assets, and cash flows for the eight months 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 August 31, 2021 (Note 1), and the results of its operations and its cash flows for the eight months 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 expenditures, and cash flows from operations for the eight months ended August 31, 2021 and the year ended December 31, 2020, current assets at August 31, 2021 and December 31, 2020, and net assets at January 1, 2021 and 2020 and August 31, 2021 and December 31, 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in 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 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.

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
February 1, 2022

Chartered Professional Accountants
Licensed Public Accountants

Mission City Bible Church

Statement of Financial Position

August 31, 2021 December 31, 2020

(Note 1)

Assets

Current

Cash (Note 3)	\$ 427,022	\$ 400,877
Accounts receivable	9,943	26,125
HST receivable	7,262	8,981
Prepaid expenses and deposits	<u>5,398</u>	<u>2,646</u>

449,625 438,629

Capital assets (Note 4) 23,096 25,492

\$ 472,721 **\$ 464,121**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 18,886	\$ 26,886
Deferred benevolence contributions (Note 5)	<u>9,391</u>	<u>11,250</u>

28,277 38,136

Deferred capital contributions (Note 5) 78,223 77,184

106,500 115,320

Net assets

Invested in capital assets	23,096	25,492
Internally restricted	-	27,925
Unrestricted	<u>343,125</u>	<u>295,384</u>

366,221 348,801

\$ 472,721 **\$ 464,121**

Operating lease commitments (Note 6)

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

	Eight months ended August 31, 2021	Year ended December 31, 2020
	(Note 1)	
Revenue		
Offerings	\$ 368,090	\$ 683,810
Canada Emergency Wage Subsidy ("CEWS")	57,058	125,844
Canada Emergency Rent Subsidy ("CERS")	<u>22,019</u>	<u>5,772</u>
	<u>447,167</u>	<u>815,426</u>
Expenditures		
Ministry operations	263,788	439,225
Missions	57,658	36,134
Building and property	50,982	62,019
Administration	38,201	52,183
Family ministries	8,825	8,776
Amortization	4,395	8,236
Worship and production	4,326	6,594
Adult ministries	1,090	3,281
Hospitality	<u>482</u>	<u>332</u>
	<u>429,747</u>	<u>616,780</u>
Excess of revenue over expenditures	<u>\$ 17,420</u>	<u>\$ 198,646</u>

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	Eight months ended August 31, 2021	Year ended December 31, 2020
				(Note 1)	
Balance, beginning of period	\$ 25,492	\$ 27,925	\$ 295,384	\$ 348,801	\$ 150,155
Excess (deficiency) of revenue over expenditures	(4,395)	-	21,815	17,420	198,646
Net transfer from the internally restricted fund	-	(27,925)	27,925	-	-
Purchase of capital assets	<u>1,999</u>	<u>-</u>	<u>(1,999)</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>\$ 23,096</u>	<u>\$ -</u>	<u>\$ 343,125</u>	<u>\$ 366,221</u>	<u>\$ 348,801</u>

See accompanying notes to the financial statements.

Mission City Bible Church

Statement of Cash Flows

	Eight months ended August 31, 2021	Year ended December 31, 2020
	(Note 1)	
Increase (decrease) in cash		
Operating		
Excess of revenue over expenditures	\$ 17,420	\$ 198,646
Items not affecting cash		
Amortization	4,395	8,236
Deferred benevolence contributions recognized	<u>(2,559)</u>	<u>(2,858)</u>
	19,256	204,024
Change in non-cash working capital items		
Accounts receivable	16,182	34,901
HST receivable	1,719	3,794
Prepaid expenses and deposits	(2,752)	15,239
Accounts payable and accrued liabilities	<u>(8,000)</u>	<u>2,738</u>
	<u>26,405</u>	<u>260,696</u>
Financing		
Deferred capital contributions received	1,039	471
Deferred benevolence contributions received	<u>700</u>	<u>14,108</u>
	<u>1,739</u>	<u>14,579</u>
Investing		
Purchase of capital assets	<u>(1,999)</u>	<u>(5,405)</u>
Increase in cash	26,145	269,870
Cash, beginning of period	<u>400,877</u>	<u>131,007</u>
Cash, end of period	<u>\$ 427,022</u>	<u>\$ 400,877</u>

See accompanying notes to the financial statements.

Mission City Bible Church

Notes to the Financial Statements

August 31, 2021 (Note 1)

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.

The Church adopted a fiscal year ended August 31 effective January 1, 2021. Accordingly, these financial statements reflect the results of operations and cash flows for the eight months ended August 31, 2021. The comparative figures in the financial statements reflect the results of operations and cash flows for the year ended December 31, 2020.

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.

Mission City Bible Church

Notes to the Financial Statements

August 31, 2021 (Note 1)

2. Summary of significant accounting policies (continued)

Revenue recognition

The Church follows the deferral method of accounting for contributions. Externally restricted contributions received are recorded as deferred contributions and recognized as revenue in the period in which the related expenditures 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.

CEWS and CERS are government assistance, recognized in the statement of revenue and expenditures when received or receivable in the period to which it relates.

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, accounts receivable, 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
Storage equipment	6% declining balance

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

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to its fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of revenue and expenditures. Any impairment recognized is not reversed.

Contributed materials and services

Contributed materials are not recognized in the financial statements due to the difficulty of determining their fair value. Volunteers contribute a substantial number of hours each period 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.

Mission City Bible Church

Notes to the Financial Statements

August 31, 2021 (Note 1)

2. Summary of significant accounting policies (continued)

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 expenditures as appropriate in the period they become known.

3. Cash

	August 31, 2021	December 31, 2020
	(Note 1)	
Cash	\$ 339,408	\$ 284,518
Cash held for internally restricted net assets	-	27,925
Cash held for deferred benevolence contributions	9,391	11,250
Cash held for deferred capital contributions	<u>78,223</u>	<u>77,184</u>
	<u>\$ 427,022</u>	<u>\$ 400,877</u>

4. Capital assets

			August 31, 2021	December 31, 2020
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	(Note 1)	(Note 1)	(Note 1)	
Computer equipment	\$ 18,975	\$ 13,051	\$ 5,924	\$ 5,157
Furniture and fixtures	18,015	13,612	4,403	5,081
Leasehold improvements	5,138	5,138	-	-
Sound equipment	85,456	76,075	9,381	11,725
Storage equipment	<u>3,638</u>	<u>250</u>	<u>3,388</u>	<u>3,529</u>
	<u>\$ 131,222</u>	<u>\$ 108,126</u>	<u>\$ 23,096</u>	<u>\$ 25,492</u>

Mission City Bible Church

Notes to the Financial Statements

August 31, 2021 (Note 1)

5. Deferred contributions

	August 31, 2021	December 31, 2020
	<u>(Note 1)</u>	
Deferred benevolence contributions		
Balance, beginning of period	\$ 11,250	\$ -
Benevolence contributions received	700	14,108
Benevolence contributions recognized as revenue	<u>(2,559)</u>	<u>(2,858)</u>
Balance, end of period	<u>\$ 9,391</u>	<u>\$ 11,250</u>
Deferred capital contributions		
Balance, beginning of period	\$ 77,184	\$ 76,713
Capital contributions received	<u>1,039</u>	<u>471</u>
Balance, end of period	<u>\$ 78,223</u>	<u>\$ 77,184</u>

The deferred capital contributions balance relates to amounts that have been received restricted for capital purchases but have not yet been spent.

6. 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:

2022	\$ 10,061
2023	<u>2,908</u>
	<u>\$ 12,969</u>

Mission City Bible Church

Notes to the Financial Statements

August 31, 2021 (Note 1)

7. 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.

Other risks

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant credit, interest, market, or currency risks. As at August 31, 2021, the allowance for doubtful accounts receivable is \$Nil (December 31, 2020 - \$Nil).

8. COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long 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 duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods. While offerings have declined, the Church has successfully applied for government assistance available to partially offset the decrease, of which \$5,212 (December 31, 2020 - \$12,400) relates to CEWS and \$1,505 (December 31, 2020 - \$5,772) relates to CERS included in accounts receivable at period end. The Church remains committed to adjusting its expenditures as necessary to ensure its long-term sustainability.