

The Mustard Seed Street Church
Financial Statements
Year Ended March 31, 2022

Independent Auditor's Report

To the Members of The Mustard Seed Street Church

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of The Mustard Seed Street Church (the society), which comprise the statement of financial position as at March 31, 2022, and the statements of changes in net assets, operations 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 society as at March 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 Society derives revenues from unsolicited donations and fundraising, the completeness of which does not meet satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and net assets.

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 society 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 society'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 society or to cease operations, or has no realistic alternative but to do so.

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

Report on Other Legal and Regulatory Requirements

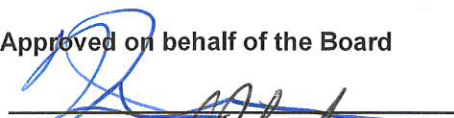
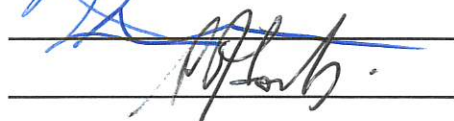
As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

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The Mustard Seed Street Church
Statement of Financial Position
March 31, 2022

	2022 \$	2021 \$
Assets		
Current		
Cash	4,069,624	3,383,580
Restricted cash	175,000	230,780
Marketable securities	10,536	9,099
Accounts receivable	24,209	12,145
Government remittances receivable	70,927	50,478
Inventory	16,003	13,471
Prepaid expenses	12,673	10,666
Gift certificates	216,867	269,569
	4,595,839	3,979,788
Tangible capital assets (Note 3)	7,790,626	7,875,092
Total assets	12,386,465	11,854,880
Liabilities		
Current		
Accounts payable and accrued liabilities	73,604	71,043
Wages payable	51,823	32,439
Deferred revenue (Note 5)	175,000	230,780
Current portion of long term debt (Note 6)	49,703	41,743
	350,130	376,005
Long term debt (Note 6)	1,801,550	1,827,222
Deferred capital contributions (Note 7)	2,159,107	2,214,469
Total liabilities	4,310,787	4,417,696
Net Assets		
Unrestricted	2,294,909	1,645,526
Invested in tangible capital assets	3,780,769	3,791,658
Internally restricted (Note 8)	2,000,000	2,000,000
	8,075,678	7,437,184
Total liabilities and net assets	12,386,465	11,854,880

Approved on behalf of the Board

 Director
 Director

The accompanying notes are an integral part of these financial statements

The Mustard Seed Street Church
Statement of Changes in Net Assets
Year Ended March 31, 2022

	Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	2022	2021
	\$	\$	\$	\$	\$
Net assets - beginning of year	1,645,526	3,791,658	2,000,000	7,437,184	4,667,502
Excess of revenue over expenses	810,837	(172,343)	-	638,494	2,769,682
Invested in tangible capital assets - net	(143,742)	143,742	-	-	-
Repayment of long term debt - net of refinancing	(17,712)	17,712	-	-	-
Net assets - end of year	2,294,909	3,780,769	2,000,000	8,075,678	7,437,184

The accompanying notes are an integral part of these financial statements

The Mustard Seed Street Church
Statement of Operations
Year Ended March 31, 2022

	2022 \$	2021 \$
Revenue		
Donations	2,908,853	3,656,701
Grants (Note 9)	624,524	1,574,992
Hope Farm	194,094	121,521
Bequests	105,944	70,457
Other income	65,748	46,754
Amortization of deferred capital contributions	55,362	56,781
	<u>3,954,525</u>	<u>5,527,206</u>
Expenses		
Victoria personnel	1,578,917	1,309,352
Property	445,765	376,532
Ministries	329,668	102,691
Hope Farm expenses	243,955	146,356
Amortization	195,219	192,190
Food and supplies	191,958	272,088
Professional fees	71,634	73,699
Interest on long term debt	67,564	64,013
Interest and bank charges	63,775	84,576
Automobile	45,573	62,385
Missions	45,301	39,660
Convention and membership fees	20,364	13,258
Worship and church	11,039	10,603
Denominational	6,000	6,000
Advertising	1,799	1,748
	<u>3,318,531</u>	<u>2,755,151</u>
Excess of revenue over expenses from operations	635,994	2,772,055
Other income		
Gain (loss) on disposal of tangible capital assets	<u>2,500</u>	<u>(2,373)</u>
Excess of revenue over expenses	<u>638,494</u>	<u>2,769,682</u>

The accompanying notes are an integral part of these financial statements

The Mustard Seed Street Church
Statement of Cash Flows
Year Ended March 31, 2022

	2022 \$	2021 \$
Operating activities		
Excess of revenue over expenses	638,494	2,769,682
Items not affecting cash:		
Amortization of deferred capital contributions	(55,362)	(56,781)
Amortization of tangible capital assets	228,205	226,350
Loss (gain) on disposal of tangible capital assets	(2,500)	2,373
	<u>808,837</u>	<u>2,941,624</u>
Changes in non-cash working capital:		
Accounts receivable	(12,064)	28,944
Government remittances receivable	(20,449)	(19,805)
Inventory	(2,532)	5,212
Prepaid expenses	(2,007)	(1,800)
Gift certificates	52,702	(79,244)
Accounts payable and accrued liabilities	2,563	(36,010)
Wages payable	19,384	(20,225)
Deferred revenue	(55,780)	(194,220)
	<u>(18,183)</u>	<u>(317,148)</u>
Cash flow from operating activities	<u>790,654</u>	<u>2,624,476</u>
Investing activities		
Purchase of tangible capital assets	(143,742)	(215,710)
Proceeds on disposal of tangible capital assets	2,500	500
Net reduction (increase) in short-term investments	(1,436)	7,659
Restricted cash	55,780	194,220
Cash flow used by investing activities	<u>(86,898)</u>	<u>(13,331)</u>
Financing activities		
Proceeds from long term debt	1,855,715	-
Transfer of pre-existing long term debt	(1,835,715)	-
Repayment of long term debt	(37,712)	-
Cash flow used by financing activities	<u>(17,712)</u>	<u>-</u>
Increase in cash flow	686,044	2,611,145
Cash - beginning of year	<u>3,383,580</u>	<u>772,435</u>
Cash - end of year	<u>4,069,624</u>	<u>3,383,580</u>

The accompanying notes are an integral part of these financial statements

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2022

1. Purpose of the Society

The Mustard Seed Street Church (the "Society") is a not-for-profit organization incorporated on June 30, 1980 under the Societies Act of British Columbia. As a registered charity the society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act. The purposes of the Society are as follows:

- i) to undertake Christian Ministry outreach work in the streets of the Greater Victoria area by responding to all persons, and in particular, to persons who are in circumstances of spiritual, mental or physical need; through acts of service which manifest the teaching of Jesus Christ;
- ii) to operate one or more premises, each of which shall be known as The Mustard Seed Street Church, where people can congregate for information, conversation, Christian worship, teaching, counselling, support and Christian fellowship; and can have recourse to a variety of optional activities and programs to develop their talent and life-style skills;
- iii) to cooperate with other agencies dealing with problems of the family; and
- iv) to raise funds and receive charitable donations for the promotion of the Society's purposes.

The Society's activities include Christian worship services, Sunday school, Christian growth groups, counselling, outreach work, evening drop-in and food bank.

2. Significant accounting policies

Basis of presentation

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

Fund accounting

The Unrestricted Fund reports the Society's revenue and expenses related its regular operations.

The Invested in Tangible Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to the Society's tangible capital assets.

The Internally Restricted Fund reports the Society's internally restricted assets for the purposes described in *Note 8*.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Contributions, bequests and pledges from church members are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions

Deferred contributions related to tangible capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Society's tangible capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

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The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2022

2. 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. Items such as donated food and services cannot be reasonably determined and therefore are not reflected in these financial statements. However, certain items that have a determinable value are recorded at fair market value.

Inventory

Livestock inventory is recognized at net realizable value in accordance with established farming practices and products for resale are recorded at the lesser of estimated cost and net realizable value. Coffee inventory is recognized at cost.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates:

Buildings	2.5%
Computer and software	20%
Furniture and equipment	10%
Vehicles	15%

The Society regularly reviews its tangible capital assets to eliminate obsolete items.

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, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments measured at fair value are expensed when incurred. Conversely, transaction costs and financing fees are added to the carrying amount and amortized for those financial instruments subsequently measured at cost or amortized cost.

The Society's financial instruments consist of cash, restricted cash, marketable securities, accounts receivable, government remittances receivable, accounts payable and accrued liabilities, wages payable and long term debt.

Measurement uncertainty

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 Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2022

3. Tangible capital assets

	2022		2021	
	Cost	Accumulated	Cost	Accumulated
	\$	amortization	\$	amortization
		\$		\$
Land - Viewfield	639,185	-	639,185	-
Land - Queens Avenue	478,534	-	478,534	-
Land - Hope Farm	146,313	-	146,313	-
Building - Queens Avenue	1,683,340	625,180	1,683,340	598,047
Building - Hope Farm	1,739,389	624,155	1,735,642	595,607
Building - Viewfield	4,029,070	279,522	3,965,442	184,195
Computer and software	177,639	139,289	176,129	129,846
Furniture and equipment	878,055	450,963	829,750	405,253
Vehicles	282,588	144,378	357,916	224,211
	<u>10,054,113</u>	<u>2,263,487</u>	<u>10,012,251</u>	<u>2,137,159</u>
Net book value	7,790,626		7,875,092	

Included in Hope Farm expenses is amortization of \$32,986 (2021 - \$34,160).

4. Operating line of credit

The Society has a \$300,000 revolving line of credit on which there was no balance at March 31, 2022. Bank advances on the credit line are payable on demand and bears interest at prime plus 1.5% and is secured by the Hope Farm property.

5. Deferred revenue

Deferred revenue consists of amounts received in the year that are related to the subsequent year. This revenue will be recognized in the period in which it is earned. The balance is comprised of:

	2022	2021
	\$	\$
British Columbia Community Gaming Grant	175,000	225,000
Other fundraising activities	-	5,780
	<u>175,000</u>	<u>230,780</u>

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2022

6. Long term debt

	2022	2021
	\$	\$
VANCITY CREDIT UNION mortgage, bearing interest at 3.70% per annum, repayable in blended monthly payments of \$9,688, due June 2024.	1,851,253	1,868,965
Amounts payable within one year	(49,703)	(41,743)
	<u>1,801,550</u>	<u>1,827,222</u>

The loan is secured by a mortgage over the Society's Viewfield property and a general security agreement. Under the terms of the loan agreement, the Society is required to maintain a debt service coverage ratio of 1.10. As at March 31, 2022, the Society was in compliance with this covenant.

As a result of the COVID-19 pandemic, the Society received payment relief in the 2021 fiscal year. Monthly payments were not required from March 2020 to September 2020. Subsequent monthly payments were interest only, representing both current interest as well as interest for the accrued during the period of payment relief. In April 2021, the Society began making regular blended principal and interest payments.

Principal repayment terms are approximately:

	\$
2023	49,703
2024	51,542
2025	1,750,008
	<u>1,851,253</u>

7. Deferred capital contributions

Deferred capital contributions represent contributions restricted to acquiring a building or equipment. Deferred capital contributions are amortized on the same basis as the related assets.

	2022	2021
	\$	\$
<u>Viewfield Warehouse</u>		
Opening balance	2,214,469	2,271,250
Amortization	(55,362)	(56,781)
	<u>2,159,107</u>	<u>2,214,469</u>

8. Internally restricted net assets

Internally restricted net assets total \$2,000,000 (2021: \$2,000,000). These amounts have been internally restricted to be available should there be an interruption in the operations of the Society. The funds are not available for other purposes without the approval of the Board of Directors.

The internally restricted net assets are comprised of two components. \$1,500,000 is reserved to secure amounts for a portion of potential insurance deductibles as well as three months of non-deferrable operating costs and wages. A further \$500,000 is reserved to secure amounts for the operating line of credit, credit cards and mortgage.

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2022

9. Government assistance

As a result of the COVID-19 pandemic, the Society received federal government assistance in the form of the Temporary Wage Subsidy (TWS) in the amount of nil (2021: \$19,479), which has been recorded in grant revenue.

10. Financial risks and concentrations of risk

The Society is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following provides information about the society's risk exposure and concentration as of March 31, 2022.

There have been no significant changes in the Society's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society does not face significant credit risk exposure.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society retains a sufficient cash position to maintain liquidity. Therefore, the Society is not exposed to significant liquidity risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Society does not face significant currency risk exposure.

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 Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate line of credit; however the use of this facility is limited throughout the year. Therefore, the Society is not exposed to significant interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to significant other price risk.

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2022

11. Remuneration of employees

Under the Societies Act, societies must disclose remuneration paid to directors, and to employees and contractors whose remuneration was at least \$75,000 for the fiscal year.

During the year, there were two employees who met this criterion and the total pooled remuneration was \$159,404. In 2021, there were two employees who met this criterion and the total pooled remuneration was \$171,292. The Board of Directors receive no remuneration for their services other than the reimbursement of expenses.

12. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.