

The Mustard Seed Street Church
Financial Statements
Year Ended March 31, 2021

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, 2021, and the statements of operations, 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 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, 2021, 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.

Other Matter

The financial statements for the year ended March 31, 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on December 4, 2020 for the reasons described in the Basis for Qualified Opinion paragraph.

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.

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Independent Auditor's Report to the Members of The Mustard Seed Street Church *(continued)*

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.

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.

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Independent Auditor's Report to the Members of The Mustard Seed Street Church *(continued)*

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with ASNPO have been applied on a basis consistent with that of the preceding year.

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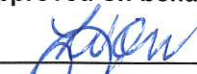
Victoria, British Columbia
September 29, 2021


Chartered Professional Accountants

The Mustard Seed Street Church
Statement of Financial Position
March 31, 2021

	2021 \$	2020 \$
Assets		
Current		
Cash	3,614,360	1,197,435
Marketable securities	9,099	16,758
Accounts receivable	12,145	41,090
Inventory	7,471	12,683
Government remittances receivable	50,478	30,673
Prepaid expenses	10,666	8,866
Gift certificates	269,569	190,325
	<u>3,973,788</u>	<u>1,497,830</u>
Tangible capital assets (Note 3)	7,875,092	7,888,605
Artwork	<u>6,000</u>	<u>6,000</u>
Total assets	<u>11,854,880</u>	<u>9,392,435</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	71,043	107,054
Wages payable	32,439	52,664
Deferred revenue (Note 6)	230,780	425,000
Current portion of long term debt (Note 7)	<u>41,743</u>	<u>-</u>
	376,005	584,718
Long term debt (Note 7)	1,827,222	1,868,965
Deferred capital contributions (Note 8)	<u>2,214,469</u>	<u>2,271,250</u>
Total liabilities	<u>4,417,696</u>	<u>4,724,933</u>
Net Assets		
Unrestricted	1,645,526	919,112
Invested in tangible capital assets	3,791,658	3,748,390
Internally restricted (Note 9)	<u>2,000,000</u>	<u>-</u>
	7,437,184	4,667,502
Total liabilities and net assets	<u>11,854,880</u>	<u>9,392,435</u>

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 Operations
Year Ended March 31, 2021

	2021 \$	2020 \$
Revenue		
Donations	3,656,701	2,513,246
Grants (Note 10)	1,574,992	552,200
Hope Farm	121,521	130,147
Bequests	70,457	53,279
Amortization of deferred capital contributions	56,781	28,750
Other income	46,754	18,655
	<u>5,527,206</u>	<u>3,296,277</u>
Expenses		
Victoria personnel	1,309,352	1,350,464
Property	376,532	369,947
Food and supplies	272,088	274,399
Amortization	192,190	171,212
Hope Farm expenses	146,356	231,507
Ministries	102,691	76,665
Interest and bank charges	84,576	113,605
Professional fees	73,699	72,896
Interest on long term debt	64,013	56,764
Automobile	62,385	81,711
Missions	39,660	37,524
Convention and membership fees	13,258	22,303
Worship and church	10,603	3,658
Denominational	6,000	8,000
Advertising	1,748	2,498
	<u>2,755,151</u>	<u>2,873,153</u>
Excess of revenue over expenses from operations	2,772,055	423,124
Other items		
Loss on disposal of tangible capital assets	(2,373)	-
Excess of revenue over expenses	<u>2,769,682</u>	<u>423,124</u>

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, 2021**

	Unrestricted \$	Invested in Tangible Capital Assets \$	Internally Restricted \$	2021 Total \$	2020 Total \$
Balance, beginning of year	919,112	3,748,390	-	4,667,502	4,244,378
Excess (deficiency) of revenue over expenses for the year	2,941,624	(171,942)	-	2,769,682	423,124
Invested in tangible capital assets - net	(215,210)	215,210	-	-	-
Transfer to internally restricted (Note 8)	(2,000,000)	-	2,000,000	-	-
Balance, end of year	1,645,526	3,791,658	2,000,000	7,437,184	4,667,502

The accompanying notes are an integral part of these financial statements

The Mustard Seed Street Church
Statement of Cash Flows
Year Ended March 31, 2021

	2021 \$	2020 \$
Operating activities		
Excess of revenue over expenses	2,769,682	423,124
Items not affecting cash:		
Amortization of deferred capital contributions	(56,781)	(28,750)
Amortization of tangible capital assets	226,350	230,457
Loss on disposal of tangible capital assets	2,373	-
	<u>2,941,624</u>	<u>624,831</u>
Changes in non-cash working capital:		
Accounts receivable	28,944	(11,590)
Government remittances receivable	(19,805)	(18,076)
Inventory	5,212	(3,721)
Gift certificates	(79,244)	(31,252)
Accounts payable and accrued liabilities	(36,010)	44,180
Wages payable	(20,225)	(22,404)
Deferred revenue	(194,220)	176,475
Prepaid expenses	(1,800)	3,470
	<u>(317,148)</u>	<u>137,082</u>
Cash flow from operating activities	<u>2,624,476</u>	<u>761,913</u>
Investing activities		
Purchase of tangible capital assets	(215,710)	(2,014,968)
Proceeds on disposal of tangible capital assets	500	-
Net reduction (increase) in short-term investments	7,659	(16,708)
Cash flow used by investing activities	<u>(207,551)</u>	<u>(2,031,676)</u>
Financing activities		
Proceeds from new financing	-	1,900,000
Repayments	-	(31,035)
Cash flow from financing activities	<u>-</u>	<u>1,868,965</u>
Increase in cash flow	2,416,925	599,202
Cash - beginning of year	1,197,435	598,233
Cash - end of year	<u>3,614,360</u>	<u>1,197,435</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, 2021

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. The Society is a registered charitable organization and is exempt from the payment of income taxes under 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 9*.

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, 2021

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, marketable securities, accounts receivable, and accounts payable and accrued liabilities.

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, 2021

3. Tangible capital assets

	2021		2020	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated 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	598,047	1,661,393	570,501
Building - Hope Farm	1,735,642	595,607	1,735,642	566,376
Building - Viewfield	3,965,442	184,195	3,931,137	87,680
Computer and software	176,129	129,846	155,225	120,843
Furniture and equipment	829,750	405,253	691,197	364,794
Vehicles	357,916	224,211	364,916	204,743
	<u>10,012,251</u>	<u>2,137,159</u>	<u>9,803,542</u>	<u>1,914,937</u>
Net book value		<u>7,875,092</u>		<u>7,888,605</u>

Included in farming expenses is amortization of \$34,160 (2020 - \$59,245).

4. Operating line of credit

The Society has a \$300,000 revolving line of credit on which there was no balance at March 31, 2021. 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. Lease commitments

The Society leases a vehicle at a monthly rate of \$1,489 plus applicable taxes. The lease expires on November 25, 2021 with an option to purchase the vehicle at that time. The estimated lease payments for fiscal year 2022 total \$13,044.

6. 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:

	2021 \$	2020 \$
British Columbia Community Gaming Grant	225,000	225,000
Victoria Foundation	-	200,000
Other fundraising activities	5,780	-
	<u>230,780</u>	<u>425,000</u>

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2021

7. Long term debt

	2021	2020
	\$	\$
VANCITY CREDIT UNION mortgage, bearing interest at 3.70% per annum, repayable in blended monthly payments of \$9,688, due June 2024.	1,868,965	1,868,965
Amounts payable within one year	(41,743)	-
	<u>1,827,222</u>	<u>1,868,965</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, 2021, the Society was in compliance with this covenant.

As a result of the COVID-19 pandemic, the Society received payment relief. 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:

	\$
2022	41,743
2023	49,988
2024	51,699
2025	1,725,535
	<u>1,868,965</u>

8. 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.

	2021	2020
	\$	\$
<u>Viewfield Warehouse</u>		
Opening balance	2,271,250	-
Contributions received	-	2,300,000
Amortization	(56,781)	(28,750)
	<u>2,214,469</u>	<u>2,271,250</u>

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2021

9. Internally restricted net assets

Internally restricted net assets total \$2,000,000 (2020: nil). 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.

10. 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 \$19,479, which has been recorded in grant revenue.

11. 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, 2021.

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, 2021

12. 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 \$171,292. In 2020, there were no employees who met this criterion. The Board of Directors receive no remuneration for their services other than the reimbursement of expenses.

13. Prior period adjustments

In the prior year, the cost of the Viewfield building was understated by \$2,300,000 as contributions received towards the purchase of the building were presented as a reduction in the value of the building. As a result, on the statement of financial position both tangible capital assets and deferred capital contributions were understated. On the statement of operations, amortization of deferred capital contributions and amortization expense were also understated. The net impact on the Society's statement of financial position, statement of changes in net assets and statement of operations was nil.

The following adjustments have been made to adjust the financial statements in accordance with ASNPO.

	As previously reported \$	Adjustment \$	As adjusted \$
<u>Impact on Statement of Financial Position</u>			
Building - Viewfield			
Cost	1,631,137	2,300,000	3,931,137
Accumulated amortization	(58,930)	(28,750)	(87,680)
	<u>1,572,207</u>	<u>2,271,250</u>	<u>3,843,457</u>
Deferred capital contributions			
Contributions	-	2,300,000	2,300,000
Amortization	-	(28,750)	(28,750)
	<u>-</u>	<u>2,271,250</u>	<u>2,271,250</u>
<u>Impact on Statement of Operations</u>			
Amortization of deferred capital contributions	-	28,750	28,750
Amortization of tangible capital assets	142,462	28,750	171,212

14. Comparative figures

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