

The Mustard Seed Street Church
Financial Statements
Year Ended March 31, 2024

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, 2024, 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 Society as at March 31, 2024, 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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Independent Auditor's Report to the Members of The Mustard Seed Street Church (*continued*)

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, 2024

	2024 \$	2023 \$
Assets		
Current		
Cash and cash equivalents	2,031,828	2,851,857
Restricted cash	131,200	151,975
Term deposits	1,500,000	-
Marketable securities	13,631	17,505
Accounts receivable (Note 4)	256,413	43,319
Government remittances receivable	36,860	97,044
Inventory	8,044	11,337
Prepaid expenses	25,215	21,727
Gift certificates	199,770	219,381
	<u>4,202,961</u>	<u>3,414,145</u>
Tangible capital assets (Note 5)	<u>8,156,348</u>	<u>7,781,755</u>
Total assets	<u>12,359,309</u>	<u>11,195,900</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	368,456	107,963
Wages payable	70,813	63,570
Deferred revenue (Note 7)	131,200	151,975
	<u>570,469</u>	<u>323,508</u>
Deferred capital contributions (Note 8)	<u>2,259,876</u>	<u>2,105,129</u>
Total liabilities	<u>2,830,345</u>	<u>2,428,637</u>
Net Assets		
Unrestricted	1,632,492	1,090,637
Invested in tangible capital assets	5,896,472	5,676,626
Internally restricted (Note 9)	2,000,000	2,000,000
	<u>9,528,964</u>	<u>8,767,263</u>
Total liabilities and net assets	<u>12,359,309</u>	<u>11,195,900</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 Changes in Net Assets
Year Ended March 31, 2024

	Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	2024	2023
	\$	\$	\$	\$	\$
Net assets - beginning of year	1,090,637	5,676,626	2,000,000	8,767,263	8,075,678
Excess (deficiency) of revenue over expenses	932,413	(170,712)	-	761,701	691,585
Invested in tangible capital assets - net	(390,558)	390,558	-	-	-
Net assets - end of year	1,632,492	5,896,472	2,000,000	9,528,964	8,767,263

The accompanying notes are an integral part of these financial statements

The Mustard Seed Street Church
Statement of Revenues and Expenditures
Year Ended March 31, 2024

	2024	2023
	\$	\$
Revenue		
Donations	3,254,278	3,320,863
Bequests	556,592	232,462
Grants	543,206	479,531
Hope Farm	181,939	199,052
Facility rentals	177,034	85,656
Other income	103,647	24,367
Amortization of deferred capital contributions	55,253	53,978
	<u>4,871,949</u>	<u>4,395,909</u>
Expenses		
Victoria personnel	2,031,180	1,858,567
Property	469,538	461,975
Hope Farm expenses (Note 5)	431,867	319,708
Food and supplies	370,563	300,093
Ministries	195,198	171,866
Amortization	192,445	192,133
Professional fees	173,608	97,697
Financing and fundraising	74,666	82,776
Missions	61,245	43,940
Automobile	60,535	50,990
Convention and membership fees	20,449	20,548
Advertising	13,406	5,992
Denominational	6,000	6,000
Interest on long term debt	5,503	88,820
Worship and church	4,045	3,219
	<u>4,110,248</u>	<u>3,704,324</u>
Excess of revenue over expenses	<u>761,701</u>	<u>691,585</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, 2024

	2024	2023
	\$	\$
Operating activities		
Excess of revenue over expenses	761,701	691,585
Items not affecting cash:		
Amortization of deferred capital contributions	(55,253)	(53,978)
Amortization of tangible capital assets	225,965	224,937
	<u>932,413</u>	<u>862,544</u>
Changes in non-cash working capital:		
Accounts receivable	(213,094)	(19,110)
Government remittances receivable	60,184	(26,117)
Inventory	3,293	4,666
Prepaid expenses	(3,488)	(9,054)
Gift certificates	19,611	(2,514)
Accounts payable and accrued liabilities	260,493	34,355
Wages payable	7,243	11,747
Deferred revenue	(20,775)	(23,025)
	<u>113,467</u>	<u>(29,052)</u>
Cash flow from operating activities	<u>1,045,880</u>	<u>833,492</u>
Investing activities		
Purchase of tangible capital assets	(600,558)	(216,062)
Net (increase) decrease in marketable securities	3,874	(6,969)
Purchase of term deposits	(1,500,000)	-
Cash flow used by investing activities	<u>(2,096,684)</u>	<u>(223,031)</u>
Financing activities		
Repayment of long term debt	-	(1,851,253)
Proceeds from deferred capital contributions	210,000	-
Cash flow from (used by) financing activities	<u>210,000</u>	<u>(1,851,253)</u>
Decrease in cash flow	<u>(840,804)</u>	<u>(1,240,792)</u>
Cash and cash equivalents - beginning of year	<u>3,003,832</u>	<u>4,244,624</u>
Cash and cash equivalents - end of year	<u>2,163,028</u>	<u>3,003,832</u>
Cash consists of:		
Cash and cash equivalents	2,031,828	2,851,857
Restricted cash	131,200	151,975
	<u>2,163,028</u>	<u>3,003,832</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, 2024

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 Subsection 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 9.

Revenue recognition

The Mustard Seed Street Church 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 to be 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, 2024

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. The fair value of donated materials and services cannot be reasonably determined and are therefore 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.

Cloud computing arrangements

The Society applies the simplification approach for cloud computing arrangements. Under this approach, costs associated with cloud computing arrangements are expensed in the statement of revenues and expenditures as incurred. During the year, a total of \$56,581 (2023 - \$nil) was expensed in the statement of revenues and expenditures related to these arrangements and the amount is included under professional fees.

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 unrealized 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, 2024

3. Change in accounting policy

During the year, the Society adopted the provisions in the Accounting Standards Board Accounting Guideline 20 Customer's Accounting for Cloud Computing Arrangements. In accordance with this Guideline, the Society has elected to follow the simplification approach where the expenditures in a computing arrangement are treated as the supply of services and are expensed as incurred. This policy has been applied retrospectively and had no impact on income and retained earnings or cashflows for the year ended March 31, 2023 as previously reported.

4. Accounts receivable

Accounts receivable consists of the following:

	2024	2023
	\$	\$
Accounts receivable	147,221	43,319
Interest Receivable	53,146	-
Insurance Receivable	56,046	-
	<u>256,413</u>	<u>43,319</u>

5. Tangible capital assets

	2024		2023	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land - Queens Avenue	478,534	-	478,534	-
Land - Hope Farm	146,313	-	146,313	-
Land - Viewfield	639,185	-	639,185	-
Building - Queens Avenue	1,775,399	679,720	1,719,536	652,086
Building - Hope Farm	1,817,625	681,288	1,783,574	652,588
Building - Viewfield	4,595,151	473,054	4,113,428	374,059
Computer and software	192,226	156,154	186,177	147,848
Furniture and equipment	943,714	541,440	920,842	496,732
Vehicles	282,588	182,731	282,588	165,109
	<u>10,870,735</u>	<u>2,714,387</u>	<u>10,270,177</u>	<u>2,488,422</u>
Net book value	<u>8,156,348</u>		<u>7,781,755</u>	

Included in Hope Farm expenses is amortization of \$33,521 (2023 - \$32,805).

6. Operating line of credit

The Society has a \$300,000 revolving line of credit on which no balance was drawn as at March 31, 2024 (2023 - \$nil). 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.

The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2024

7. 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:

	2024 \$	2023 \$
British Columbia Community Gaming Grant	131,200	151,975

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.

	2024 \$	2023 \$
<u>Viewfield Warehouse</u>		
Opening balance	2,105,129	2,159,107
Addition during the year	210,000	-
Amortization	(55,253)	(53,978)
	<u>2,259,876</u>	<u>2,105,129</u>

9. Internally restricted net assets

Internally restricted net assets total \$2,000,000 (2023 - \$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, and credit cards.

10. Financial risks and concentrations of risk

The Society 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 Society's risk exposure and concentration as of March 31, 2024.

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.

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The Mustard Seed Street Church
Notes to Financial Statements
Year Ended March 31, 2024

10. Financial risks and concentrations of risk (continued)

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.

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 four employees who met this criterion and the total pooled remuneration was \$359,720. In 2023, there were three employees who met this criterion and the total pooled remuneration was \$245,765. The Board of Directors receive no remuneration for their services other than the reimbursement of expenses.