

WATERLOO MENNONITE BRETHERN  
CHURCH >

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# financial statements

>YEAR ENDED JULY 31, 2023

DRAFT

# financial statements

>YEAR ENDED JULY 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Waterloo Mennonite Brethren Church:

### **Qualified Opinion**

We have audited the financial statements of Waterloo Mennonite Brethren Church, the "Church", which comprise the statement of financial position as at July 31, 2023, 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 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 Church as at July 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Church derives revenue from donations from interested persons, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Church. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenues, excess of revenues over expenses, and cash flows for the years ended July 31, 2023 and July 30, 2022 and current assets and net assets as at July 31, 2023 and July 30, 2022. Our conclusion on the financial statements as at and for the year ended July 31, 2023 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 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 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 Canadian accounting standards for not-for-profit organizations 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 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 but 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.

Waterloo, Ontario  
Date of Approval

LICENSED PUBLIC ACCOUNTANTS  
CHARTERED PROFESSIONAL ACCOUNTANTS

WATERLOO MENNONITE BRETHERN CHURCH>

# statement of financial position

>JULY 31, 2023

	2023	2022
<b>assets</b>		
<b>current</b>		
Cash	\$ 588,735	\$ 1,146,092
Accounts receivable	12,797	28,789
Government remittances recoverable	23,256	18,071
Inventory	12,075	7,875
Prepaid expenses	<u>12,416</u>	<u>57,928</u>
	649,279	1,258,755
<b>non-current</b>		
Capital assets (Note 3)	<u>10,717,521</u>	<u>11,028,296</u>
	<u>\$ 11,366,800</u>	<u>\$ 12,287,051</u>
<b>liabilities</b>		
<b>current</b>		
Accounts payable and accrued liabilities	\$ 93,094	\$ 167,928
Deferred revenue (Note 5)	<u>22,030</u>	<u>-</u>
	<u>115,124</u>	<u>167,928</u>
<b>fund balances</b>		
General	274,361	789,400
Nehemiah	56,174	20,144
Barnabas	131,710	211,414
Missions	66,256	63,215
Seminary	5,654	6,654
Capital	<u>10,717,521</u>	<u>11,028,296</u>
	<u>11,251,676</u>	<u>12,119,123</u>
	<u>\$ 11,366,800</u>	<u>\$ 12,287,051</u>

Approved on behalf of the board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

WATERLOO MENNONITE BRETHERN CHURCH>

# statement of operations and changes in fund balances

>YEAR ENDED JULY 31, 2023

	general	restricted				capital	2023	2022
		nehemiah	barnabas	missions	seminary		total	total
<b>revenue</b>								
Donations	\$ 1,519,775	\$ 52,597	\$ 339,393	\$ 11,643	\$ -	\$ -	\$ 1,923,408	\$ 2,003,633
Government subsidies	-	-	-	-	-	-	-	21,986
Grants	21,663	-	7,853	-	-	-	29,516	30,691
Other revenue	<u>167,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,635</u>	<u>112,887</u>
	<u>1,709,073</u>	<u>52,597</u>	<u>347,246</u>	<u>11,643</u>	<u>-</u>	<u>-</u>	<u>2,120,559</u>	<u>2,169,197</u>
<b>expenses</b>								
Administration and operations	68,017	-	-	-	-	-	68,017	60,536
Benevolence	11,246	-	107,138	-	-	-	118,384	131,267
Care and connections	14,438	-	-	-	-	-	14,438	13,978
Depreciation	-	-	-	-	-	431,114	431,114	439,681
Discipleship	79,481	-	-	-	1,000	-	80,481	41,665
Denominations and partnership	152,550	-	7,500	-	-	-	160,050	139,125
Facilities	194,625	6,174	-	-	-	-	200,799	163,823
Ministry supports and technology	104,800	-	-	-	-	-	104,800	43,541
Missions and outreach	155,046	-	583	1,750	-	-	157,379	134,944
Salaries and benefits	1,297,740	-	311,729	6,852	-	-	1,616,321	1,329,352
Sunday services	<u>25,830</u>	<u>10,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,223</u>	<u>19,978</u>
	<u>2,103,773</u>	<u>16,567</u>	<u>426,950</u>	<u>8,602</u>	<u>1,000</u>	<u>431,114</u>	<u>2,988,006</u>	<u>2,517,890</u>
<b>deficiency of revenue over expenses for the year</b>	(394,700)	36,030	(79,704)	3,041	(1,000)	(431,114)	(867,447)	(348,693)
<b>fund balances, beginning of year</b>	789,400	20,144	211,414	63,215	6,654	11,028,296	12,119,123	12,467,816
Investment in capital assets	<u>(120,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,339</u>	<u>-</u>	<u>-</u>
<b>fund balances, end of year</b>	<u>\$ 274,361</u>	<u>\$ 56,174</u>	<u>\$ 131,710</u>	<u>\$ 66,256</u>	<u>\$ 5,654</u>	<u>\$10,717,521</u>	<u>\$11,251,676</u>	<u>\$ 12,119,123</u>

WATERLOO MENNONITE BRETHERN CHURCH>

# statement of cash flows

>YEAR ENDED JULY 31, 2023

	2023	2022
<b>operating activities</b>		
Deficiency of revenue over expenses for year	\$ (867,447)	\$ (348,693)
Adjustments for:		
Amortization	<u>431,114</u>	<u>439,681</u>
	<u>(436,333)</u>	<u>90,988</u>
Changes in non-cash working capital:		
Accounts receivable	15,992	6,593
Subsidies receivable	-	128,323
Government remittances recoverable	(5,185)	4,727
Inventory	(4,200)	(425)
Prepays	45,512	(39,927)
Accounts payable and accrued liabilities	(74,834)	81,137
Deferred revenue	<u>22,030</u>	<u>(5,874)</u>
	<u>(685)</u>	<u>174,554</u>
	<u>(437,018)</u>	<u>265,542</u>
<b>investing activities</b>		
Purchase of capital assets	(120,339)	(110,435)
Guaranteed investment certificates	<u>-</u>	<u>949,415</u>
	<u>(120,339)</u>	<u>838,980</u>
Net change in cash for the year	(557,357)	1,104,522
Cash balance, beginning of year	<u>1,146,092</u>	<u>41,570</u>
<b>cash balance, end of year</b>	<u>\$ 588,735</u>	<u>\$ 1,146,092</u>

# WATERLOO MENNONITE BRETHERN CHURCH>

# notes to financial statements

>JULY 31, 2023

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## 1. organization

Waterloo Mennonite Brethren Church, the "Church", is incorporated under the laws of the Province of Ontario and has registered charitable status for Canadian income tax purposes. The Church operates in the Waterloo region.

## 2. significant accounting policies

**Basis of Accounting** - These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Fund Accounting** - The Church maintains accounts in accordance with the principles of fund accounting. Fund balances of the Church are classified for accounting and reporting purposes into following funds to be used according to the directions of the donor or as determined by the Church:

The General Fund reports contributions that have not been designated to a separate fund and expenses for the operation of the Church.

The Nehemiah Fund reports contributions received to be used for the purchase of land, buildings and major facility expenditures.

The Barnabas Fund reports contributions and expenses for benevolence.

The Missions Fund reports contributions and expenses for mission activities.

The Seminary Fund reports contributions and expenses for theological learning.

The Capital Fund reports revenues and expenses related to the Church's property, buildings and equipment.

**Revenue Recognition** - The Church follows the restricted fund method of accounting for contributions. Externally restricted contributions are recognized as revenue in the appropriate fund 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.

Grants are recognized over the period to which they relate to.

Other revenue includes rental revenue, day camp fees, retreat revenue, Cafe revenue and other miscellaneous revenue. Rental revenue is recognized when the space is occupied by the renter. Day camp revenue is recognized proportionately over the duration of the camp. Retreat revenue is recognized when the retreat takes place. Cafe revenue is recognized when the sales transaction is complete. Other miscellaneous revenue is recognized as earned.

Government subsidies are recognized as revenue in the year in which the underlying expenses are incurred.



# WATERLOO MENNONITE BRETHERN CHURCH>

## notes to financial statements

>JULY 31, 2023

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### **Financial Instruments**

*Initial measurement* - The Church initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Church in the transaction.

*Subsequent measurement* - The Church subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost. Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable and interfund balances.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and interfund balances.

The Church has not designated any financial asset or liability to be measured at fair value.

*Impairment* - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as operating cost. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized as income from operations.

*Transaction costs* - The Church recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Inventory** - Inventory is valued at net realizable value.

**Capital assets** - Capital assets are recorded at cost. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Building	Reducing balance	5%
Parking lot	Reducing balance	8%
Portable building	Reducing balance	10%
Audio video equipment	Reducing balance	20%
Office furniture and equipment	Reducing balance	20%
Computer equipment	Reducing balance	30%

Capital assets acquired during the year are amortized at one half the above annual rates.

# notes to financial statements

&gt;JULY 31, 2023

**Contributed Materials and Services** - The Church is dependent upon many hours of service contributed by volunteers. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Disclosure and Use of Estimates** - The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Estimates are used when accounting for certain items such as useful lives of capital assets and asset impairments.

### 3. capital assets

	cost	accumulated amortization	net 2023	net 2022
Land	\$ 3,266,256	\$ -	\$ 3,266,256	\$ 3,266,256
Building	11,296,879	4,110,380	7,186,499	7,533,327
Parking lot	85,828	71,723	14,105	15,331
Portable building	67,428	61,746	5,682	6,313
Audio video equipment	303,207	138,094	165,113	158,724
Office furniture and equipment	664,871	597,230	67,641	38,516
Computer equipment	<u>101,381</u>	<u>89,156</u>	<u>12,225</u>	<u>9,829</u>
	<u>\$ 15,785,850</u>	<u>\$ 5,068,329</u>	<u>\$ 10,717,521</u>	<u>\$ 11,028,296</u>

### 4. bank indebtedness

The Church has a \$200,000 operating line of credit bearing interest at the rate of prime plus one. The Church also has a \$300,000 line of credit re-purposed for capital expenses bearing interest at the rate of prime plus one. The lines of credit are secured by 1st position all purpose collateral mortgage over the land and building owned by the Church with a carrying value of \$1,745,906. As at year end, the balance on the lines of credit was \$Nil (2022 - \$Nil).

## notes to financial statements

&gt;JULY 31, 2023

## 5. deferred revenue

Deferred revenue represents unspent resources restricted for ministry purposes, camp fees and grants received in the current period that relate to subsequent period. Changes in the deferred revenue are as follows:

	2023	2022
Balance, beginning of year	\$ -	\$ 5,874
Amounts received during the year	22,030	-
Amounts recognized as revenue in the year	<u>-</u>	<u>(5,874)</u>
Balance, end of year	<u>\$ 22,030</u>	<u>\$ -</u>

## 6. financial instruments

**Risk Management** - The significant risks to which the Church is exposed are liquidity risk and interest rate risk. There has been no change to the risk exposure from prior year.

**Liquidity Risk** - Liquidity risk is the risk that the Church will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Church's cash requirements. Additional cash requirements are met with the use of the available operating line of credit. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing when needed.

**Interest Rate Risk** - The Church's interest-bearing liabilities include an operating line of credit. The Church's operating line of credit has a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and future cash flows associated with the principal portion of the credit.