

**ONTARIO CONFERENCE OF M.B. CHURCHES
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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**ONTARIO CONFERENCE OF M.B. CHURCHES
INDEX TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenses	5
Statement of Revenues and Expenses - Northend Church Fund (<i>Schedule 1</i>)	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Conference of M.B. Churches

Qualified Opinion

We have audited the financial statements of Ontario Conference of M.B. Churches (the Conference), which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets, revenues and expenses 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 Conference as at December 31, 2021, 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

The Conference derives a portion of revenue from Northend Church cash donations, and in common with many charitable organizations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Conference and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

In common with small charities, the organization expenses tangible capital assets when acquired, with the exception of the Northend Church property. The expenses related to other tangible capital assets are recorded in the statements of revenues and expenses. This accounting policy is further described in note 2.

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 Conference in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 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.

(continues)

Independent Auditor's Report to the Members of Ontario Conference of M.B. Churches *(continued)*

In preparing the financial statements, management is responsible for assessing the Conference's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Conference or to cease operations, or has no realistic alternative but to do so.

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

St. Catharines, Ontario

**CHARTERED PROFESSIONAL ACCOUNTANTS
PROFESSIONAL CORPORATION**

Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

ONTARIO CONFERENCE OF M.B. CHURCHES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	<i>General</i> 2021	<i>Northend Church</i> 2021	<i>Total</i> 2021	<i>Total</i> 2020
ASSETS				
CURRENT				
Cash	\$ 261,182	\$ -	\$ 261,182	\$ 259,543
Accounts receivable	-	-	-	6,869
Harmonized sales tax recoverable	1,172	-	1,172	14,516
Prepaid expenses	475	-	475	5,780
	<hr/> 262,829	<hr/> -	<hr/> 262,829	<hr/> 286,708
INVESTMENTS (Note 4)	72,838	-	72,838	71,829
PROPERTY (Note 7)	<hr/> -	<hr/> 439,267	<hr/> 439,267	<hr/> 439,267
	<hr/> \$ 335,667	<hr/> \$ 439,267	<hr/> \$ 774,934	<hr/> \$ 797,804
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	\$ 3,438	\$ -	\$ 3,438	\$ 8,577
Deferred donations (Note 5)	-	-	-	9,108
Current portion of long term debt (Note 8)	-	41,955	41,955	39,441
	<hr/> 3,438	<hr/> 41,955	<hr/> 45,393	<hr/> 57,126
MORTGAGE PAYABLE (Note 8)	<hr/> -	<hr/> 286,028	<hr/> 286,028	<hr/> 328,891
	<hr/> 3,438	<hr/> 327,983	<hr/> 331,421	<hr/> 386,017
NET ASSETS	<hr/> 332,227	<hr/> 111,286	<hr/> 443,513	<hr/> 411,787
	<hr/> \$ 335,667	<hr/> \$ 439,267	<hr/> \$ 774,934	<hr/> \$ 797,804

Approved on behalf of the Board

_____ Director

_____ Director

See notes to financial statements

ONTARIO CONFERENCE OF M.B. CHURCHES
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

	2020 Balance	Excess of revenues over expenditures	Transfers	2021 Balance
General Funds				
General operating fund - current reserve	\$ 178,994	\$ 78,362	\$ (4,806)	\$ 252,550
General operating fund - fixed minimum	50,000	-	-	50,000
Emergency fund	25,254	(5,060)	4,806	25,000
Special project fund	4,677	-	-	4,677
Total General Funds	258,925	73,302	-	332,227
Northend Church Funds	152,862	(29,784)	(11,792)	111,286
	<u>\$ 411,787</u>	<u>\$ 43,518</u>	<u>\$ (11,792)</u>	<u>\$ 443,513</u>

	2019 Balance	Excess of revenues over expenditures	Transfers	2020 Balance
General Funds				
General operating fund - current reserve	\$ 94,545	\$ 84,449	-	\$ 178,994
General operating fund - fixed minimum	50,000	-	-	50,000
Emergency fund	25,254	-	-	25,254
Special project fund	4,677	-	-	4,677
Total General Funds	174,476	84,449	-	258,925
Northend Church Funds	103,070	49,792	-	152,862
	<u>\$ 277,546</u>	<u>\$ 134,241</u>	<u>\$ -</u>	<u>\$ 411,787</u>

See Note 3 for a description of funds, and Note 6 for Northend Church Fund transfers.

ONTARIO CONFERENCE OF M.B. CHURCHES
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2021

	2021	2020
REVENUES		
Church commitments	\$ 430,374	\$ 395,240
Individual contributions	25,607	15,815
Convention delegate fees	5,300	16,250
Miscellaneous income	4,409	7,292
Interest from operating funds	1,009	1,520
Leader's collective fees	-	3,900
Donation from Northend Church <i>(Note 6)</i>	-	10,000
	466,699	450,017
EXPENDITURES		
Salaries and benefits	172,053	146,223
Support to conference agencies	139,500	128,000
Ministry and program	24,397	23,721
Church planting	21,328	30,000
Fees and professional services	18,105	24,293
Office management	9,629	9,948
Professional development	2,585	1,167
Board and governance	740	2,216
	388,337	365,568
NET SURPLUS FROM OPERATIONS	78,362	84,449
OTHER INCOME (EXPENSES)		
Net surplus (deficiency), Northend Church Fund <i>(Schedule 1)</i>	(29,784)	49,792
Emergency fund disbursements	(5,060)	-
	(34,844)	49,792
COMBINED NET SURPLUS	\$ 43,518	\$ 134,241

See notes to financial statements

ONTARIO CONFERENCE OF M.B. CHURCHES
STATEMENT OF REVENUES AND EXPENSES - NORTHEND CHURCH FUND
(Schedule 1)
YEAR ENDED DECEMBER 31, 2021

	2021	2020
REVENUES		
Donations	\$ 302,114	\$ 570,019
Government grants	46,279	9,647
Rental	9,732	25,137
Youth group	900	1,664
Seniors income	120	1,226
	359,145	607,693
EXPENDITURES		
Charitable contributions <i>(Note 6)</i>	293,282	12,449
Salaries and benefits	74,217	208,254
Interest on long term debt	13,649	15,656
Office management	4,079	78,541
Repairs and maintenance	1,871	39,607
Ministry and program	1,435	83,382
Utilities	347	27,763
Conferences	49	2,836
Fees and professional services	-	69,447
Donation to Ontario Conference of M.B. Churches <i>(Note 6)</i>	-	10,000
Board and governance	-	4,606
Furniture and fixtures	-	3,210
Honorarium	-	2,150
	388,929	557,901
NET SURPLUS (DEFICIENCY) FROM OPERATIONS	\$ (29,784)	\$ 49,792

See notes to financial statements

ONTARIO CONFERENCE OF M.B. CHURCHES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 43,518	\$ 134,241
Changes in non-cash working capital:		
Accounts receivable	6,869	(6,869)
Prepaid expenses	5,307	(366)
Harmonized sales tax recoverable	13,344	(10,454)
Accounts payable and accrued liabilities	(5,139)	5,938
Deferred donations	(9,108)	9,108
Transfers to Northend Church	(11,792)	-
	(519)	(2,643)
Cash flow from operating activities	42,999	131,598
INVESTING ACTIVITY		
Investments	(1,009)	(1,520)
FINANCING ACTIVITY		
Repayment of long term debt	(40,351)	(38,279)
INCREASE IN CASH FLOW	1,639	91,799
CASH - BEGINNING OF YEAR	259,543	167,744
CASH - END OF YEAR	\$ 261,182	\$ 259,543
CASH CONSISTS OF:		
Cash - General Funds	\$ 261,182	\$ 184,908
Cash - Northend Church Fund	-	74,635
	\$ 261,182	\$ 259,543

See notes to financial statements

ONTARIO CONFERENCE OF M.B. CHURCHES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

1. DESCRIPTION OF ORGANIZATION

Ontario Conference of M.B. Churches (the "Conference") serves a constituency of member churches in the Province of Ontario. It provides general denominational oversight and facilitates the operation of joint initiatives and gives guidance to the separately incorporated agencies of the denomination which are operating in the province. The Conference received its Letters Patent as a non-share capital corporation from the Province of Ontario in 1932. As a registered charity under the Income Tax Act, the Conference is exempt from tax on its income.

As part of serving the constituency of churches, the Conference has taken over the operations of the new **Northend Church** (formerly Fairview M.B. Church) during the fiscal year ending December 31, 2018. These operations continued until January 13, 2021, at which time Northend Church received their charity status. See "Fund Accounting" Note 2, and Notes: 3, 6, 7, and 8 for details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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.

Net assets

- a) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- b) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

Designated fund exclusions

The Conference is sometimes the conduit for certain designated funds to flow through its accounts to the designated recipient. These flow through amounts are not disclosed in these financial statements, but are recorded in the ultimate recipients' financial statements.

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ONTARIO CONFERENCE OF M.B. CHURCHES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

Ontario Conference of M.B. Churches follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the General Operating Fund.

Revenues and expenses related to program delivery and administrative activities for **Northend Church** are reported separately in their own related fund.

Restricted contributions for operations are deferred and recognized as income in the related fund once they are disbursed. Restricted contributions for the repayment of debt that was incurred to fund the purchase of a capital asset that will not be amortized is recognized as direct increases in net assets, see note 6.

Cash and cash equivalents

The Conference's policy is to present bank balances net of outstanding cheques and deposits under cash and cash equivalents.

Capital assets

Capital assets are recorded at a nominal charge. The cost of additions are charged to expenses at the time of purchase. Management has decided to not recognize capital assets and remove the expense in the statements of revenues and expenditures in accordance with ASNFPO. Changing the presentation to capitalize expenditures from operations may reduce useful information to the primary readers of these financial statements as they would now appear on the separate statement of financial position, and not against the budget.

The capital asset related to the acquisition of property was recorded and recognized due to its significant value and mortgage thereon. This property is utilized by the operations of the Northend Church, and consists of land, building, and furnishings. As the Northend Church has obtained individual charitable status, the property will be transferred to the new Church. As this process is intended to be complete in the short-term, amortization was not recorded on the property.

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. Certain larger material contributions are recognized at their fair market value.

Budget information

The budget figures presented for comparison purposes have been approved by the Board of Directors. They have not been subject to audit, review or other tests and procedures. Consequently, our opinion on these financial statements does not extend to them.

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ONTARIO CONFERENCE OF M.B. CHURCHES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments policy

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 are expensed when incurred.

3. DESCRIPTION OF FUNDS

The General Operating Fund accounts for the Conference's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants. \$50,000 is allocated to a separate General Operating Fixed Minimum Fund.

An Emergency Fund of \$25,000 was created out of the Operating Fund on December 31, 2005 to support any church's pastor (or family) in the case of sudden financial curtailment.

The Special Project Fund was established to segregate any special projects outside the normal course of operations.

The **Northend Church Fund** is a new church plant fund (formerly Fairview M.B. Church) operated by the Conference. The new Northend Church registered as a charity on January 13, 2021 and began operations independently of this related fund. Remaining Northend Church Fund assets, net assets, and the statement of revenue and expenses have been disclosed separately to recognize any church activities still operated under the Conference. As at December 31, 2021, the only remaining balances within the Northend Church Fund are the property and related mortgage.

4. INVESTMENTS - CANADIAN CONFERENCE

The investment is with the Canadian Conference of Mennonite Brethren Churches earning interest at a base rate of 1.4%. See note 8 for interest rate risk.

5. DEFERRED DONATIONS

Designated donations are deferred and recognized as income in the year they are spent. The 2020 \$9,108 of deferred donations in the Northend Church Fund were included in the disbursements to the new Church, see Note 6.

ONTARIO CONFERENCE OF M.B. CHURCHES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

6. DUE TO RELATED PARTIES

The Conference has transactions with numerous related parties (member churches) or organizations that are funded by the Conference. Other than a 2020 interfund \$10,000 church commitment paid from the Northend Church fund to General funds, these financial statements do not determine, disclose or verify all other external affiliate activities.

2021 charitable contributions of \$293,282 are net payments of received donations to the new Northend Church registered charity.

Net transfers of \$11,792 to the Northend Church Fund Net Assets are to the new Church, and include the transfer of prior year: cash, prepaid expenses, receivables, accounts payable and accrued liabilities, and deferred income; net of: current year expenditures paid by the new Northend Church prior to incorporation, and mortgage payments contributed by the new Northend Church.

7. PROPERTY

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Northend Church	\$ 439,267	\$ -	\$ 439,267	\$ 439,267

All Assets and Liabilities of Fairview Church were transferred to the Conference in 2019 for \$1.00 consideration, and an assumption of debt (see note 8). The listed value of the combined property and assumed mortgage at the time of transfer was \$439,267.

Northend Church has obtained individual charitable status during the year and the property is pending transfer to the new Church. As this process is intended to be complete in the short-term, amortization has not been recorded on the property.

8. MORTGAGE PAYABLE

	<u>2021</u>	<u>2020</u>
CCMBC loan bearing interest at 3.9% per annum, repayable in monthly blended payments of \$4,500. and is secured by Northend Church property.	\$ 327,981	\$ 368,332
Amounts payable within one year	(41,953)	(39,441)
	<u>\$ 286,028</u>	<u>\$ 328,891</u>

Principal repayment terms are approximately:

2022	\$ 41,953
2023	286,028
	<u>\$ 327,981</u>

When the Northend Church property is legally transferred to Northend Church, the mortgage will subsequently also be assumed by the new Church.

ONTARIO CONFERENCE OF M.B. CHURCHES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

9. FINANCIAL INSTRUMENTS

The Conference 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 Conference's risk exposure and concentration as of December 31, 2021.

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 Conference manages exposure through its normal operating and financing activities. The Conference is exposed to interest rate risk through its investment savings account balance.

Constituency dependency risk

As the Conference serves the member churches, it is dependent on these member churches for financial support.

10. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to impact Canada and the world.

The Conference and Northend Church fund are exposed to various risks from the ongoing pandemic, including the potential for additional government mandated shut-downs, the continued limitation on activities and revenue sources, higher costs stemming from current and future government regulations, and potential reduction of parishioners attending in-person services and events.

11. SUBSEQUENT EVENTS

During the year, the Northend Church obtained their charitable status and began operating as a separate entity. The Church Property (see Note 7) and related mortgage (see Note 8) are currently pending legal transfer from the Conference to the Church. This transfer is expected to be completed during fiscal 2022.