

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
Financial Statements
Year Ended December 31, 2022

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
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Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Smythe Street Cathedral Inc. operating as Smythe Street Church

Opinion

We have audited the financial statements of Smythe Street Cathedral Inc., operating as Smythe Street Church, (the church), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the church as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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 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 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 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:

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Independent Auditor's Report to the Members of Smythe Street Cathedral Inc. *(continued)*

- 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.

A handwritten signature in black ink that reads "Spacco Armstrong & Nostrand". The signature is written in a cursive, flowing style.

Fredericton, New Brunswick
March 1, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 112,480	\$ 469,836
Accounts receivable	3,151	1,501
Harmonized sales tax receivable	50,385	10,051
Prepaid expenses	12,966	11,523
	178,982	492,911
CAPITAL ASSETS (Note 4)	987,997	457,657
INTANGIBLE ASSETS (Note 5)	2,983	4,065
RESTRICTED CASH & INVESTMENTS (Note 6)	171,376	213,548
	\$ 1,341,338	\$ 1,168,181
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 49,766	\$ 38,852
Deferred contributions (Note 9)	7,100	223,969
Employee deductions payable	11,756	11,025
	68,622	273,846
LONG TERM DEBT (Note 8)	155,238	-
	223,860	273,846
NET ASSETS	1,117,478	894,335
	\$ 1,341,338	\$ 1,168,181

ON BEHALF OF THE BOARD

_____ *President*

_____ *Trustee*

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
Statement of Revenues and Expenditures
Year Ended December 31, 2022

	2022	2021
REVENUES		
General revenue (Schedule 1)	\$ 943,258	\$ 998,960
EXPENSES		
Expenses (Schedule 2)	1,011,946	993,734
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS (Schedule 3)	(68,688)	5,226
RESTRICTED REVENUES (EXPENSES)		
Unrealized loss on investments	(1,751)	(331)
BABINEAU MEMORIAL FUND	(1,751)	(331)
Unrealized loss on investments	(11,797)	(1,868)
Restricted contributions	5,617	5,399
CAPITAL RESERVE FUND	(6,180)	3,531
Debt forgiveness	4,762	-
Restricted contributions	295,000	-
FREDERICTON HOUSING FIRST MICRO HOME FUND	299,762	-
	291,831	3,200
EXCESS OF REVENUES OVER EXPENSES	\$ 223,143	\$ 8,426

See notes to financial statements

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
Statement of Changes in Net Assets
Year Ended December 31, 2022

	General Fund	Babineau Memorial Fund	Capital Reserve Fund	Fredericton Housing First Micro Home Fund	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 680,787	\$ 13,548	\$ 200,000	\$ -	\$ 894,335	\$ 885,909
Excess of revenues over expenses	(68,688)	(1,751)	(6,180)	299,762	223,143	8,426
NET ASSETS - END OF YEAR	\$ 612,099	\$ 11,797	\$ 193,820	\$ 299,762	\$ 1,117,478	\$ 894,335

See notes to financial statements

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)

Statement of Cash Flows

Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Cash receipts	\$ 976,236	\$ 1,198,090
Cash paid to suppliers and employees	(914,609)	(938,833)
Bank and payment fees	(11,418)	(10,500)
Cash flow from operating activities	50,209	248,757
INVESTING ACTIVITIES		
Purchase of capital assets	(604,975)	(43,177)
Purchase of intangible assets	-	(2,150)
Change in investments	6,548	(49,180)
Change in restricted cash	35,624	(13,833)
Cash flow used by investing activities	(562,803)	(108,340)
FINANCING ACTIVITY		
Long term debt	155,238	-
INCREASE (DECREASE) IN CASH FLOW	(357,356)	140,417
Cash - beginning of year	469,836	329,419
CASH - END OF YEAR	\$ 112,480	\$ 469,836

See notes to financial statements

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)

Notes to Financial Statements
Year Ended December 31, 2022

1. PURPOSE OF THE ORGANIZATION

Smythe Street Cathedral Inc. (the "church") is a registered charity and as such is exempt from the payment of income tax under Section 149(1) of the Income Tax Act. It operates a church in Fredericton, New Brunswick providing religious services and religious instruction in the Christian faith to its parishioners. The church offers community outreach programs and provides support to missionaries in several countries. In 2021, relief of poverty was officially added to the purposes of the organization.

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).

Cash equivalents

Highly liquid investments with maturities of 90 days or less at date of purchase are classified as cash equivalents.

Fund accounting

Smythe Street Cathedral Inc. follows the restricted fund method of accounting for contributions.

The General Fund accounts for the church's program delivery, administrative activities and general operations, excluding the operation of a low-income housing unit.

The Babineau Memorial Fund is an internally restricted fund created to support approved ministry activities. The fund is restricted to investments inside the church and approved investments outside the church.

The Capital Reserve Fund is an internally restricted fund created to facilitate the receipt and expenditure of funds for purposes of significant capital maintenance, repair or replacement of the church building and fixed equipment. The fund has a target of \$200,000. The fund balance is expected to fluctuate as investment income and specific donations are received and expenditures, approved by the Board of Trustees, are withdrawn.

The Fredericton Housing First Micro Home Fund is a restricted fund created in 2022 that accounts for the church's construction and operation of a low-income housing unit.

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. If there is no corresponding restricted fund, restricted contributions are recognized as revenue of the general fund using the deferral method.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue of the restricted fund as it is earned.

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SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
Notes to Financial Statements
Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government assistance

Government assistance provided in the form of grants and wage subsidies for current expenses is recorded as revenue in the year the related expense is incurred.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land		non-amortizable
Buildings and renovations - Church	5%	straight-line method
Building - Micro Home Project	5%	straight-line method
Equipment	20 - 33%	straight-line method
Computer software	20%	straight-line method

The church regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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.

Contributed services

The operations of the church 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.

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.

3. FINANCIAL INSTRUMENTS

The church's financial instruments comprise normal working capital items. Unless otherwise noted, management believes that the fair value of all these items approximates their carrying value.

Unless otherwise noted, it is management's opinion that the church is not exposed to significant other price risks arising from these financial instruments.

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)
Notes to Financial Statements
Year Ended December 31, 2022

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 93,000	\$ -	\$ 93,000	\$ 93,000
Buildings and renovations - Church	1,930,902	1,664,887	266,015	304,647
Building - Micro Home Project	427,054	-	427,054	3,144
Equipment	409,914	361,901	48,013	56,866
Computer software	3,998	3,998	-	-
Paving	155,644	1,729	153,915	-
	\$ 3,020,512	\$ 2,032,515	\$ 987,997	\$ 457,657

At year-end, the Micro Home Project building was not completed, therefore no amortization was taken during the year.

5. INTANGIBLE ASSETS

	2022	2021
Website development	\$ 5,402	\$ 5,402
Accumulated amortization	(2,419)	(1,337)
	\$ 2,983	\$ 4,065

6. RESTRICTED CASH & INVESTMENTS

	2022	2021
Capital Reserve Fund investment	\$ 157,359	\$ 162,156
Babineau Memorial Fund investment	11,797	13,548
Capital Reserve Funds not invested	36,461	37,844
Capital Reserve Funds used for capital project	(34,241)	-
	\$ 171,376	\$ 213,548

7. CREDIT FACILITY

The church has a credit facility with Omista Credit Union, which includes an approved operating line that can be drawn upon to a maximum of \$15,000, which bears interest at prime plus 1.50%, secured by a registered general security agreement giving a first charge on all personal property, and an assignment of all perils insurance with the Credit Union named as payee.

At the statement of financial position date none of the available credit was utilized.

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)

Notes to Financial Statements
Year Ended December 31, 2022

8. LONG TERM DEBT

	2022	2021
The New Brunswick Housing Corporation forgivable mortgage bearing interest at 0%. Loan is forgiven over a term of 14 years, conditional on the church meeting certain conditions. Should the conditions be breached, the remainder of the mortgage will become repayable, with interest of 1.9%.	\$ 155,238	\$ -

Anticipated debt forgiveness is approximately:

2023	\$ 11,429
2024	11,429
2025	11,429
2026	11,429
2027	11,429
Thereafter	98,093
	<u>\$ 155,238</u>

9. DEFERRED CONTRIBUTIONS

	2022	2021
Fredericton Housing First Fund	\$ -	\$ 219,869
Other deferred revenue	7,100	4,100
	\$ 7,100	\$ 223,969

Deferred revenue from the Fredericton Housing First Fund was recognized as revenue in the current year within the Fredericton Housing First Micro Home Fund.

10. REVENUE

	2022	2021
General revenue (Schedule 1)	\$ 943,258	\$ 998,960
Restricted revenues	291,831	3,531
	\$ 1,235,089	\$ 1,002,491

11. COMPARATIVE FIGURES

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

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)

Revenues

(Schedule 1)

Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
Tithes Offerings & Miscellaneous Receipts	\$ 827,000	\$ 791,539	\$ 788,680
Government Assistance	7,000	13,218	40,423
General Ministry	750	694	-
Total General Receipts	834,750	805,451	829,103
Missions & Evangelism	15,500	21,140	21,992
NEXTGEN Family Ministries	6,000	10,341	8,179
Summer Camps & Programs	37,000	37,717	39,212
Hospitality	-	50	-
Care Ministry	58,100	61,444	95,317
Community	7,900	6,890	3,532
Music & Creative Arts, Sound & Lighting	-	225	1,625
	\$ 959,250	\$ 943,258	\$ 998,960

Expenses

(Schedule 2)

Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
Payroll	\$ 513,250	\$ 514,729	\$ 509,902
General Ministry	28,850	30,700	22,365
Occupancy & Depreciation	178,230	179,724	164,398
Bank & Payment Fees	10,500	11,418	10,500
Office Expenses	37,700	32,829	40,659
Total General Expenses	768,530	769,400	747,824
Missions & Evangelism	40,100	43,858	46,758
NEXTGEN Family Ministries	32,000	25,012	24,256
Summer Camps & Programs	44,000	44,443	37,897
Hospitality	3,550	5,759	3,053
Care Ministry	77,300	78,853	106,844
Community	21,750	23,994	6,067
Music & Creative Arts, Sound & Lighting	31,174	20,627	21,035
	\$ 1,018,404	\$ 1,011,946	\$ 993,734

SMYTHE STREET CATHEDRAL INC.
(Operating as Smythe Street Church)

Net Surplus (Deficit)

(Schedule 3)

Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
General Receipts & Expenses	\$ 66,220	\$ 36,051	\$ 81,279
Missions & Evangelism	(24,600)	(22,718)	(24,766)
NEXTGEN Family Ministries	(26,000)	(14,671)	(16,077)
Summer Camps & Programs	(7,000)	(6,726)	1,315
Hospitality	(3,550)	(5,709)	(3,053)
Care Ministry	(19,200)	(17,409)	(11,527)
Community	(13,850)	(17,104)	(2,535)
Music & Creative Arts, Sound & Lighting	(31,174)	(20,402)	(19,410)
	\$ (59,154)	\$ (68,688)	\$ 5,226