
METROPOLITAN COMMUNITY CHURCH OF TORONTO

FINANCIAL STATEMENTS

DECEMBER 31, 2016

METROPOLITAN COMMUNITY CHURCH OF TORONTO

DECEMBER 31, 2016

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Independent Auditor's Report

To the Members of
Metropolitan Community Church of Toronto

We have audited the accompanying financial statements of Metropolitan Community Church of Toronto, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities and donations, 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 organization and we are not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue from fundraising and donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2016, 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.



Toronto, Ontario
June 7, 2017

Chartered Professional Accountants
Licensed Public Accountants

METROPOLITAN COMMUNITY CHURCH OF TORONTO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31

	Operating		Mission Teams		Restricted Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Current assets								
Cash (note 3)	119,712	81,594	72,301	21,349	131,187	183,768	323,200	286,711
Investments (note 4)	-	-	-	-	543,786	526,277	543,786	526,277
Accounts receivable	61,516	47,637	-	-	-	-	61,516	47,637
Inter-fund transfers	-	-	-	36,207	84,108	32,244	84,108	68,451
Prepaid expenses and deposits	3,713	6,357	-	-	-	-	3,713	6,357
	184,941	135,588	72,301	57,556	759,081	742,289	1,016,323	935,433
Capital assets (note 5)	2,262,243	2,350,224	-	-	-	-	2,262,243	2,350,224
	2,447,184	2,485,812	72,301	57,556	759,081	742,289	3,278,566	3,285,657
LIABILITIES								
Current liabilities								
Account payable and accrued liabilities	59,593	70,828	-	-	1,800	1,825	61,393	72,653
Inter-fund transfers	77,778	68,451	6,330	-	-	-	84,108	68,451
	137,371	139,279	6,330	-	1,800	1,825	145,501	141,104
NET ASSETS (note 6)	2,309,813	2,346,533	65,971	57,556	757,281	740,464	3,133,065	3,144,553

APPROVED ON BEHALF OF THE BOARD:

[Signature]

Moderator

[Signature]

Vice-Moderator

The accompanying notes are an integral part of these financial statements.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31

	Operating		Mission Teams		Restricted Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Regular offerings	596,044	596,781	-	-	-	-	596,044	596,781
Outreach events & activities	297,045	325,961	9,788	5,077	86,912	70,611	393,745	401,649
Bequests	24,187	13,200	-	-	-	78,850	24,187	92,050
Regular programs & services	53,636	55,449	36,542	29,599	80,004	17,719	170,182	102,767
Special offerings	215,525	188,238	374	369	-	-	215,899	188,607
Government grants	58,424	63,729	-	-	-	-	58,424	63,729
Investment income	-	-	-	-	17,512	48,249	17,512	48,249
Total revenues	1,244,861	1,243,358	46,704	35,045	184,428	215,429	1,475,993	1,493,832
EXPENSES								
Worship & congregational life	304,636	451,817	-	-	-	-	304,636	451,817
Fundraising, general & administration	520,864	578,781	1,129	66	79	41	522,072	578,888
Other programs & services	-	-	6,585	10,482	17,955	63,251	24,540	73,733
Amortization of capital assets	97,263	92,923	-	-	-	-	97,263	92,923
Outreach events & activities	215,920	140,148	7,285	2,664	133,417	71,394	356,622	214,206
Facilities	122,634	129,797	-	-	-	-	122,634	129,797
Tithes To UFMCC (note 9)	59,714	62,307	-	-	-	-	59,714	62,307
Total expenses	1,321,031	1,455,773	14,999	13,212	151,451	134,686	1,487,481	1,603,671
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(76,170)	(212,415)	31,705	21,833	32,977	80,743	(11,488)	(109,839)

The accompanying notes are an integral part of these financial statements.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31

	Operating (note 6)		Mission Teams (note 6)		Restricted Fund (note 6)		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Balance, beginning of year	\$ 2,346,533	\$ 2,337,740	\$ 57,556	\$ 53,809	\$ 740,464	\$ 862,843	\$ 3,144,553	\$ 3,254,392
Excess (deficiency) of revenues over expenses	(76,170)	(212,415)	31,705	21,833	32,977	80,743	(11,488)	(109,839)
Inter-fund transfers (note 7)	39,450	221,208	(23,290)	(18,086)	(16,160)	(203,122)	-	-
Balance, end of year	2,309,813	2,346,533	65,971	57,556	757,281	740,464	3,133,065	3,144,553

The accompanying notes are an integral part of these financial statements.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	2016	2015
	\$	\$
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses for year	(11,488)	(109,839)
Items not affecting cash		
Amortization of capital assets	97,263	92,923
	85,775	(16,916)
Changes in non-cash working capital		
Increase (decrease) in accounts receivable	(13,879)	3,110
Decrease in prepaid expenses and deposits	2,644	59,065
Increase (decrease) in accounts payable and accrued liabilities	(11,260)	3,717
	63,280	48,976
Cash flows from investing activities		
Purchase of capital assets	(9,282)	(101,715)
Net increase in investments	(17,509)	(41,483)
	(26,791)	(143,198)
Net change in cash during year	36,489	(94,222)
Cash, beginning of year	286,711	380,933
Cash, year ended	323,200	286,711

The accompanying notes are an integral part of these financial statements.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

Purpose of the organization

Metropolitan Community Church of Toronto (the "Organization") is incorporated provincially as a not-for-profit corporation without share capital. The objects of the Organization are to bind together persons to share in the worship of God in the Congregational Christian tradition in an inclusive, affirmative and caring environment. The Organization is a member of the Universal Fellowship of Metropolitan Community Churches.

The Organization is a registered charity under the Income Tax Act, and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Part III of the CPA Canada Handbook - Accounting, and in accordance with Canadian generally accepted accounting principles. The financial statements have been prepared within the framework of the significant accounting policies summarized below.

a) Fund accounting

The Organization uses the restricted fund method of accounting to separate its various project and program activities.

Operating Fund

General unrestricted programs and program activities are reflected in the operating fund. The operating fund is comprised of net assets invested in capital assets and unrestricted net assets (see note 6).

Missions Teams

Mission Teams comprise various self-directed groups at the Organization for which monies have been raised or donated in order to allow the Mission Teams to fulfil their mandates.

Restricted Fund

The restricted fund includes contributions from external donors for which monies were provided to the Organization for specified purposes as well as reserves which have been internally restricted by the Board of Directors.

b) Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Contributions made for restricted purposes are recognized as revenue of the restricted fund at the time they are made. Unrestricted contributions are recognized as revenue when received or, if the amount to be received can be reasonably estimated and collection is reasonably assured, when pledged.

Investment income is comprised of interest, dividends, realized gains/(losses) and the net change in unrealized gains/(losses) for the year, less administrative and management fees. Revenue is recognized on an accrual basis.

c) Financial instruments

i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are carried at fair value.

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

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

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a writedown is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

d) Investments

Portfolio investments are initially recorded at cost on the date of acquisition and subsequently re-measured at fair value at each reporting date. Unrealized gains and losses arising from the change in fair value of these investments are recognized in the statement of operations.

e) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Contributed capital assets are recorded at their fair value at the donation date.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statements of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided annually on a straight line basis to amortize the cost of the asset over their estimated useful lives as follows:

Building Improvements	21 - 24 years
Building	40 years
Equipment	5 years
Furniture and fixtures	10 years

f) Contributed materials and services

Volunteers contribute numerous hours each year to assist the Organization in carrying out its activities. The fair value of the contributed services cannot be reasonably estimated and is not recognized in the financial statements. Contributed materials are recognized at fair value when materials would normally be purchased by the Organization.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. Significant accounting policies (continued)

g) Allocation of expenses

Certain salary and benefit costs are allocated to functional areas based on an estimate of staff time related to each activity.

h) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results may differ from these estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Financial instrument risk management

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at December 31, 2016.

The financial instruments of the Organization and the nature of the risks to which it may be subject are as follows:

Financial instrument	Risks				
	Market risk				
	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X				
Investments	X		X	X	X
Accounts receivable	X				
Accounts payable and accrued liabilities		X			

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss. The Organization does not hold directly any collateral as security for financial obligations of counterparties.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2. Financial instrument risk management (continued)

The maximum exposure of the Organization to credit risk is as follows:

	2016	2015
	\$	\$
Cash	323,200	286,711
Investments	543,786	526,277
Accounts receivable	61,516	47,637
	<u>928,502</u>	<u>860,625</u>

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Organization not being able to liquidate assets in a timely manner at a reasonable price.

The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and holds assets that can be readily converted into cash. The investments are held in pooled funds that are liquid. The maximum exposure to liquidity risk is represented by accounts payable and accrued liabilities amounting to \$61,393 (2015 - \$72,653).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Organization holds cash and investments in foreign currencies and is therefore exposed to currency risk. The investments are held in pooled funds managed by a third party organization who monitors investment performance. The Organization does not use any derivative financial instruments to manage foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Organization to interest rate risk arises from its interest bearing investments which are held in pooled funds managed by a third party organization.

Price risk

Price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Organization is exposed to price risk in its investments and those risks are monitored by the third party managing the invested pooled funds and by Board oversight.

Changes in risk

There have been no changes in the Organization's risk exposures from the prior year.

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

3. Cash

Included in cash is foreign currency of \$2,667 U.S. (\$3,070 Cdn) (2015 - \$332 U.S. - \$564 Cdn).

4. Investments

	2016 \$	2015 \$
Investments - pooling arrangement	543,786	526,277

The Organization has arranged to invest its investments under a pooling of investments arrangement. Under this agreement, the Organization's funds are commingled with other investors' funds and invested as a whole. The Organization has ownership of a prorated percentage of total investment portfolio. The investment under the pooling arrangement holds the following mix of asset class:

	2016 %	2015 %
Cash and fixed income	20	25
Canadian equities	47	15
Global equities	33	44
Other strategies	100	100

5. Capital assets

	2016		
	Cost \$	Accumulated Amortization \$	Net \$
Land	802,900	-	802,900
Building Improvements	1,397,279	255,965	1,141,314
Building	530,214	303,646	226,568
Equipment	285,493	266,593	18,900
Furniture and fixtures	152,154	79,593	72,561
	3,168,040	905,797	2,262,243

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

5. Capital assets (continued)

	2015		
	Cost \$	Accumulated Amortization \$	Net \$
Land	802,900	-	802,900
Building Improvements	1,387,997	191,294	1,196,703
Building	530,214	290,390	239,824
Equipment	285,493	252,582	32,911
Furniture and fixtures	152,153	74,267	77,886
	<u>3,158,757</u>	<u>808,533</u>	<u>2,350,224</u>

6. Net Assets

Net assets of the operating fund are comprised of the following:

	2016 \$	2015 \$
Net assets invested in capital assets	2,262,243	2,350,224
Unrestricted net assets (deficiency)	47,570	(3,691)
	<u>2,309,813</u>	<u>2,346,533</u>

The components of the Mission Teams are as follows:

	2016 \$	2015 \$
Children's Ministry	27,187	24,175
Drag N' Angels	11,090	8,587
Pride & Joy	6,760	6,716
Men's Retreat	5,018	3,794
Other	4,998	5,546
New and Emerging Ministries	4,919	4,354
Social Justice Network	4,215	-
Women's Retreat	1,784	4,384
	<u>65,971</u>	<u>57,556</u>

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

6. Net Assets (continued)

The components of the restricted fund are as follows:

	2016	2015
	\$	\$
General Endowment Fund	236,399	226,559
Internally Restricted Funds	134,961	134,772
Brent Hawkes Legacy Fund	92,766	26,465
Depression Initiative Fund	73,362	119,146
Refugee Sponsorship Funds	62,147	81,769
Others	40,833	54,845
MCC Toronto Hope Fund	30,249	29,275
Community Care	24,038	-
McCain Donation Fund	19,858	19,858
Triangle Scholarship Fund	15,647	4,839
Music Fund	14,570	11,069
2% Fund	7,556	3,766
Community Outreach Partners	4,895	14,565
Elevation Evening Service Fund	-	13,536
	757,281	740,464

7. Inter-fund transfers

The following is a summary of inter-fund transfers during the year:

	2016	2015
	\$	\$
Mission Teams to Operating Fund		
Children's programming	23,290	18,086
Restricted Fund to Operating Fund		
Raise the Roof campaign	-	21,832
Triangle program	13,460	-
Investment income	-	83,988
Infrastructure, webcasting, music and general and administrative	13,346	7,193
Facility repair and maintenance	8,973	22,193
Purchase of organ	-	79,883
	35,779	215,089
Operating Fund to Restricted Fund		
2% Fund	12,017	11,967
Music Fund	3,000	-
General Endowment Fund	2,301	-
Internally Restricted Funds	2,301	-
	19,619	11,967
Net transfer Restricted Fund to Operating Fund	16,160	203,122
	39,450	221,208

METROPOLITAN COMMUNITY CHURCH OF TORONTO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

8. Allocation of expenses

The Organization records direct expenses for worship, fundraising and administration to their respective activities; including salary and benefit costs for individuals dedicated to that function. In addition, salary and benefit costs for individuals involved in more than one functional area are allocated based on the estimated time related to each area of activity.

Salaries and benefit costs allocated:

	Operating Fund	
	2016	2015
	\$	\$
Worship	130,031	122,016
Fundraising	32,748	46,484
Administration	110,830	96,083
	<u>273,609</u>	<u>264,583</u>

9. Commitments

The Organization leases photocopying equipment. The annual payments for the lease obligation including applicable sales taxes are as follows:

	<u>\$</u>
2017	<u>20,432</u>

As a member of the denomination of the Universal Fellowship of Metropolitan Community Churches, the Organization has committed to pay 10% of its regular offerings to Metropolitan Community Churches In Canada. In addition, 2% of regular offerings are set aside to support projects within the denomination.