

Combined Consolidated Financial Statements of

**THE MUSTARD SEED**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Mustard Seed Society and the Mustard Seed Foundation (together herein referred to as "The Mustard Seed")

### *Opinion*

We have audited the combined consolidated financial statements of The Mustard Seed (the "Entity"), which comprise:

- the combined consolidated statement of financial position as at March 31, 2021;
- the combined consolidated statement of operations for the year then ended;
- the combined consolidated statement of changes in net assets for the year then ended;
- the combined consolidated statement of cash flows for the year then ended;
- and notes to the combined consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined consolidated financial position of the Entity as at March 31, 2021, and its combined consolidated results of operations and its combined consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



### ***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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Alberta

July 28, 2021

# THE MUSTARD SEED

## Combined Consolidated Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,510,963	\$ 2,896,980
Accounts receivable (note 4)	1,904,816	831,311
Prepaid expenses	166,183	198,405
Assets held for sale	—	750,000
	<u>16,581,962</u>	<u>4,676,696</u>
Non-current assets:		
Restricted cash (note 5)	—	210,210
Capital assets (note 6)	56,574,118	58,174,574
	<u>56,574,118</u>	<u>58,384,784</u>
	<u>\$ 73,156,080</u>	<u>\$ 63,061,480</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,515,856	\$ 1,745,548
Deferred contributions (note 7)	957,413	811,787
Loans and borrowings (note 8)	198,223	192,962
	<u>3,671,492</u>	<u>2,750,297</u>
Non-current liabilities:		
Loans and borrowings (note 8)	6,080,980	6,278,952
Deferred capital contributions (note 9)	40,847,419	41,907,140
Replacement reserve (note 5)	—	210,210
	<u>46,928,399</u>	<u>48,396,302</u>
Total liabilities	50,599,891	51,146,599
Net assets:		
Internally restricted (note 10)	1,266,424	1,266,424
Invested in capital assets (note 11)	22,556,189	11,914,880
Unrestricted	(1,266,424)	(1,266,423)
	<u>22,556,189</u>	<u>11,914,881</u>
Commitments and contingencies (note 12)		
	<u>\$ 73,156,080</u>	<u>\$ 63,061,480</u>

See accompanying notes to combined consolidated financial statements

Approved on behalf of the boards of directors:

(The Mustard Seed Society)

(The Mustard Seed Foundation)

# THE MUSTARD SEED

## Combined Consolidated Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Donations (note 13)	\$ 23,808,241	\$ 17,735,414
Government funding	22,653,682	8,374,558
Rental	2,954,965	2,934,756
Investment and other income	505,762	197,862
	<u>49,922,650</u>	<u>29,242,590</u>
Expenses:		
Programs:		
Donation funded (note 13)	12,565,342	16,550,778
Government supported	19,255,628	7,118,374
	<u>31,820,970</u>	<u>23,669,152</u>
Other:		
Resource development, marketing and public education	4,713,849	4,527,081
Administration	609,129	519,327
Rental properties	2,138,402	2,061,825
	<u>7,461,380</u>	<u>7,108,233</u>
	<u>39,282,350</u>	<u>30,777,375</u>
Excess (deficiency) of revenues over expenses before net business profit (loss)	10,640,300	(1,534,795)
Business net profit (loss)	1,009	(77,549)
<u>Excess (deficiency) of revenue over expenses</u>	<u>\$ 10,641,309</u>	<u>\$ (1,612,344)</u>

See accompanying notes to combined consolidated financial statements

# THE MUSTARD SEED

## Combined Consolidated Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

2021	Unrestricted	Internally restricted	Invested in capital assets	Total
Balance, beginning of year	\$ (1,266,423)	\$ 1,266,424	\$ 11,914,879	\$ 11,914,880
Excess (deficiency) of revenue over expenses	11,294,053	–	(652,744)	10,641,309
Net investment in capital assets	(11,294,054)	–	11,294,054	–
Balance, end of year	\$ (1,266,424)	\$ 1,266,424	\$ 22,556,189	\$ 22,556,189

2020	Unrestricted	Internally restricted	Invested in capital assets	Total
Balance, beginning of year	\$ (1,266,423)	\$ 1,266,424	\$ 13,513,224	\$ 13,513,225
Excess (deficiency) of revenue over expenses	(987,809)	–	(624,535)	(1,612,344)
Net investment in capital assets	987,809	–	(987,809)	–
Contribution of land	–	–	14,000	14,000
Balance, end of year	\$ (1,266,423)	\$ 1,266,424	\$ 11,914,880	\$ 11,914,881

See accompanying notes to combined consolidated financial statements



# THE MUSTARD SEED

## Combined Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 10,641,309	\$ (1,612,344)
Items not affecting cash flows:		
Depreciation (note 11)	2,952,266	2,919,118
Amortization of deferred capital contribution (note 11)	(2,299,522)	(2,294,583)
Gain on disposal of capital assets	(39,074)	—
	11,254,979	(987,809)
Net change in non-cash working capital balances:		
Accounts receivable	(1,073,505)	(14,993)
Prepaid expenses	32,222	(94,939)
Accounts payable and accrued liabilities	770,309	(121,246)
Deferred contributions	145,626	746,416
	11,129,631	(472,571)
Financing activities:		
Repayment of loan	(192,711)	(5,029,985)
Proceeds from long term debt	—	5,141,325
Capital contribution received (note 9)	1,236,248	455,337
	1,043,537	566,677
Investing activities:		
Purchase of capital assets (note 11)	(1,389,185)	(377,880)
Proceeds from sale of capital assets	830,000	—
	(559,185)	(377,880)
Increase (decrease) in cash and cash equivalents	11,613,983	(283,774)
Cash and cash equivalents, beginning of year	2,896,980	3,180,754
Cash and cash equivalents, end of year	\$ 14,510,963	\$ 2,896,980

See accompanying notes to combined consolidated financial statements

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements

Year ended March 31, 2021, with comparative information for 2020

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## 1. Nature of organization:

These combined consolidated financial statements comprise the combined operations of The Mustard Seed Society (the “Society”) and The Mustard Seed Foundation (the “Foundation”) (together herein referred to as “TMS”). The Foundation is consolidated to include Seed Works Inc. (“Seed Works”), a for-profit corporation wholly-owned by the Foundation. With the exception of Seed Works, TMS is a Christian non-profit organization that has been caring for the needs of those experiencing poverty and homelessness since 1984. Through its ministry centers across Alberta and Kamloops, British Columbia, TMS delivers basic services, housing and employment programs to those in need and partners with the community to address the root causes of poverty.

Services provided by TMS include:

### (a) Basic Services:

- Meals and food hampers;
- Clothing and personal hygiene items;
- Operated 323 regular emergency shelter beds, 295 regular housing units, and 697 COVID-19 emergency shelter beds across Alberta and BC;
- Spiritual support, Bible studies and worship services; and
- Health and wellness programs – dental, chiropractic, and medical.

### (b) Employment:

- Job search assistance;
- Job preparation assistance – résumé help, interview preparation;
- One-on-one job coaching and mentoring; and
- Referrals for skills training and education.

### (c) Housing:

- Permanent, supportive housing;
- Housing advocacy;
- Support through resident assistants and caseworkers; and
- Community building, recreation and leisure opportunities, and social activities.

TMS accomplishes its mission through:

- Mobilizing volunteers from the church and community to care for the needs of those experiencing homelessness and poverty;
- Educating the community on the issues of poverty and homelessness through speaking presentations, information booths, tours, inner-city missions opportunities for students, etc.;
- Fundraising activities that involve individual, corporate, government and other supporters; and
- Receiving and distributing gifts-in-kind of food, clothing, personal hygiene items, gift certificates and other needed items.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 2

Year ended March 31, 2021, with comparative information for 2020

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## 1. Nature of organization (continued):

TMS strives to support change in the lives of those in need, together with the celebrated efforts of volunteers, donors and the community.

The Society and the Foundation are incorporated under the provisions of the *Societies' Act* of the Province of Alberta. With the exception of Seed Works, the Society and the Foundation are also registered as charitable organizations authorized to issue donation receipts for income tax purposes under paragraph 149(1) of the *Income Tax Act*, and are exempt from Federal and Alberta income taxes, provided certain requirements of the *Income Tax Act* are met.

## 2. Basis of presentation:

These combined consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO").

## 3. Significant accounting policies:

The following is a summary of significant accounting policies followed in preparation of the combined consolidated financial statements:

### (a) Basis of combination and consolidation:

The TMS combined consolidated financial statements include the combined operations of the Society and the Foundation, which is consolidated to include Seed Works. The Society and the Foundation are independent entities that exist for a common economic and community purpose. Inter-entity balances and transactions are eliminated in preparing the combined consolidated financial statements.

### (b) Use of estimates and judgment:

The preparation of combined consolidated financial statements in accordance with ASNPO requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenditures. Actual results may differ from those estimates.

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

In preparing these combined consolidated financial statements, the significant judgments made by management in applying TMS's accounting policies and the key sources of estimation were the depreciation rates and useful lives of capital assets, allocation of expenditures and valuation of gift-in-kind donations.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 3

Year ended March 31, 2021, with comparative information for 2020

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### 3. Significant accounting policies (continued):

(c) Revenue recognition:

TMS follows the deferral method of accounting for contributions. Revenue containing conditions as to its use (restricted contributions) is deferred until the conditions are fulfilled. Contributions, including government funding not containing restrictions as to their use, are recognized upon receipt or when receivable if the amount can be reasonably estimated and collection is assured. Rental revenue is recognized in the period during which occupancy took place.

Investment income, which includes interest, dividends, realized and unrealized gains and losses on sale of investments, are recognized on an accrual basis.

Donations and government funding restricted for the acquisition of capital assets are recognized as revenue in amounts that match the amortization expense of the related capital assets purchased with the donations and government funding.

In-kind contributions of goods and services are recognized in the financial statements at fair value as at the date of contribution when fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.

Government assistance toward current expenses or revenues are included in the determination of net income for the period. Government assistance is presented as part of revenue.

(d) Cash and cash equivalents:

Cash and cash equivalents include deposits in banks, certificates of deposit and other short-term investments with original maturities of less than 90 days at year end.

(e) Capital assets:

Capital assets are measured at cost less accumulated amortization. Land is carried at cost and not amortized. Cost includes expenditures that are directly attributable to the acquisition of the asset.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 4

Year ended March 31, 2021, with comparative information for 2020

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### 3. Significant accounting policies (continued):

(e) Capital assets (continued):

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Term
Tangible capital assets:	
Land lease	25 years
Buildings	25 years
Furniture and equipment	5 years
Vehicles	3 1/3 years
Intangible assets:	
Computer software	5 years

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(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. TMS has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, TMS determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount TMS expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 5

Year ended March 31, 2021, with comparative information for 2020

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### 3. Significant accounting policies (continued):

(g) Impairment of long lived assets:

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying amount exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over the asset's fair value.

(h) Volunteer services:

The efforts of volunteer workers are not reflected in the accompanying financial statements, in as much as no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to TMS.

### 4. Accounts receivable:

Accounts receivable comprises the following:

	2021	2020
Government taxes recoverable	\$ 161,616	\$ 128,742
Government funding receivable	1,406,940	230,175
Trade accounts receivable and other	336,260	472,394
	<u>\$ 1,904,816</u>	<u>\$ 831,311</u>

### 5. Restricted cash and replacement reserve:

The operating agreement with the Government of Alberta - Municipal Affairs Housing Division expired on December 1, 2019. On September 2, 2020, the restriction from the Replacement Reserve funds has been lifted, and the funds were transferred to an internal fund reserve. At the end of the current fiscal year, the replacement reserve had a balance of \$Nil (2020 – \$210,210).

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 6

Year ended March 31, 2021, with comparative information for 2020

## 6. Capital assets:

The net carrying amount of capital assets is as follows:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land and land lease	\$ 10,175,649	\$ 86,569	\$ 10,089,080	\$ 10,089,080
Buildings	67,529,838	21,816,643	45,713,195	47,123,961
Furniture and equipment	2,347,839	2,043,308	304,531	347,374
Computer Software	845,874	385,638	460,236	580,238
Vehicles	215,006	207,930	7,076	33,921
	<u>\$81,114,206</u>	<u>\$24,540,088</u>	<u>\$ 56,574,118</u>	<u>\$ 58,174,574</u>

## 7. Deferred contributions:

Deferred contributions relate to externally restricted operating funding received in the current year for subsequent years' expenses. These contributions must be used for specific purposes designated by the funders. As at March 31, 2021, the balance of deferred contributions was \$957,413 (2020 – \$811,787). During the year, \$14,911,946 (2020 – \$7,591,481) in deferred contributions were received and \$14,766,320 (2020 – \$6,845,065) were recognized as revenue upon the satisfaction of all externally imposed restrictions.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 7

Year ended March 31, 2021, with comparative information for 2020

## 8. Loans and borrowings:

Loans and borrowings comprise the following:

	Notes	2021	2020
CBWC loan (Neighbour Center, Edmonton):	(a)	\$ –	\$ 443,165
Less current portion	(a)	–	12,727
Non-current portion		–	430,438
BMO loan (Open Door Manor, Edmonton):	(b)	848,005	887,424
Less current portion	(b)	40,673	39,419
Non-current portion		807,332	848,005
BMO loan (1010 Center, Calgary and Neighbour Center, Edmonton):	(c)	5,431,198	5,141,325
Less current portion	(c)	157,550	140,816
Non-current portion		5,273,648	5,000,509
Total current portion		198,223	192,962
Total non-current portion		\$ 6,080,980	\$ 6,278,952

(a) CBWC loan (Neighbour Center, Edmonton):

CBWC loan was settled in full in April of 2020 and was consolidated into the existing BMO facility (refer note 8(c)).

(b) BMO loan (Open Door Manor, Edmonton):

The loan is repayable in monthly instalments of \$5,560, including interest, at a fixed rate of 3.14%. The loan facility is secured by a registered first-ranking mortgage in the amount of \$990,000 on the financed property, and matures on July 4, 2022. Interest expense of \$27,304 was paid during the year. The principal amount due in the next year is \$40,673, which is included in the current portion of long-term loans and borrowings.



# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 8

Year ended March 31, 2021, with comparative information for 2020

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## 8. Loans and borrowings (continued):

(c) BMO loan (1010 Center, Calgary and Neighbour Center, Edmonton):

This facility is repayable over 25 years in monthly instalments of \$ 26,394, including interest under an interest SWAP arrangement wherein TMS pays a fixed interest rate of 2.97% and receives CAD-BA-CDOR floating interest rate at a spread of 180 basis points. As at year ended March 31, 2021, \$5,431,198 had been drawn. Interest expense of \$149,957 was incurred during the year.

The principal amount due in the next year is \$157,550, which is included in the current portion of long-term loans and borrowings.

The facility is secured by a general security agreement providing BMO with a security interest over all present and after-acquired property of TMS, including the related buildings.

(d) Available borrowing:

At March 31, 2021, TMS had \$1 million (2020 – \$1 million) available on a revolving demand loan facility for general operating purposes. The facility bears interest at the bank's prime rate less 0.15%. At March 31, 2021, TMS had not drawn on this facility (2020 – \$nil).

(e) Scheduled repayments:

Annual scheduled repayment of loans and borrowings are as follows:

	Amount
2022	\$ 198,223
2023	204,263
2024	210,423
2025	216,861
Thereafter	5,449,433
	<hr/> \$ 6,279,203 <hr/>

(f) Bank covenants:

Under TMS previously existing lending agreements, it was required to be in compliance with certain financial covenants. At March 31, 2021, under the terms of lending agreements entered during the year, TMS has no financial covenant requirements to be met.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 9

Year ended March 31, 2021, with comparative information for 2020

## 9. Deferred capital contributions:

Deferred capital contributions represent restricted funds received and designated to be used for capital purposes. Changes during the year comprise the following:

	2021	2020
Balance, beginning of year	\$ 41,907,140	\$ 43,542,669
Contributions received	1,236,248	455,337
Contributed assets (net)	3,553	203,717
Contributions recognized as revenue	(2,299,522)	(2,294,583)
	<u>\$ 40,847,419</u>	<u>\$ 41,907,140</u>

Contributions recognized as revenue are included in donations and government funding revenue on the statement of operations.

## 10. Internally restricted net assets:

The TMS Boards review net assets annually and may increase or decrease the amount designated as internally restricted net assets. These funds are to be set aside as an operating contingency fund that can be drawn upon should funding be insufficient to meet expenditures.

## 11. Investment in capital assets:

Net assets invested in capital assets comprises the following:

	2021	2020
Capital assets (note 6)	\$ 56,574,118	\$ 58,174,574
Assets held for sale	–	750,000
Amounts financed by:		
Net working capital, including cash	13,108,693	1,369,361
Loans and borrowing	(6,279,203)	(6,471,914)
Deferred capital contributions	(40,847,419)	(41,907,140)
	<u>\$ 22,556,189</u>	<u>\$ 11,914,881</u>

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 10

Year ended March 31, 2021, with comparative information for 2020

## 11. Investment in capital assets (continued):

Deficiency of revenue over expenses within net assets invested in capital assets for the year comprises:

	2021	2020
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions (note a)	\$ 2,299,522	\$ 2,294,583
Depreciation of capital assets	(2,952,266)	(2,919,118)
	<u>\$ (652,744)</u>	<u>\$ (624,535)</u>

(a) Amortization of deferred capital contributions primarily relates to two properties located in Kamloops, Champion's Centre building in Medicine Hat, 1010 Center, 102 and 106 properties on 11<sup>th</sup> Avenue, and 14<sup>th</sup> Street building located in Calgary.

	2021	2020
Net change in investment in capital assets:		
Capital expenditures	\$(1,392,735)	\$ 377,880
Contributed assets	3,550	203,717
Amounts financed by:		
Deferred capital contributions	24,615,280	(645,052)
Change in loans and borrowings	(192,711)	(111,340)
Change in restricted cash	—	—
Deficiency of revenue over expenses	(652,744)	(624,535)
Net change in working capital, including cash	(11,739,332)	(799,012)
	<u>\$10,641,308</u>	<u>\$(1,598,342)</u>

## 12. Commitments and contingencies:

(a) Operating leases:

TMS leases buildings, vehicles and equipment under operating leases over terms that typically run for a period of 2 to 5 years, with options to renew the leases prior to the end of the terms.

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 11

Year ended March 31, 2021, with comparative information for 2020

## 12. Commitments and contingencies:

### (a) Operating leases (continued):

Non-cancellable annual operating lease commitments are payable as follows:

	Amount
2022	\$ 760,387
2023	648,256
2024	316,621
2025	210,412
2026	162,804

### (a) Contingencies:

TMS is engaged in certain claims and legal actions in the ordinary course of operations. Management believes that the ultimate outcome of these actions will not have a material adverse effect on the results of operations or financial position of TMS.

### (b) Commitments:

The Society has entered into a joint venture agreement with Ogden United Church to build 24 two and three-bedroom units for low-income Calgarians. The commitment towards the completion of this project is up to \$6 million to be incurred in fiscal 2022.

## 13. Contributed goods and services:

TMS receives contributions of goods and services. Contributions of goods that have an independently determinable fair value, and would have otherwise been purchased, are recorded as revenue. Consumption or use of these goods is reflected as program expenses.

Amounts recognized in the statement of operations for the year are as follows:

	2021	2020
Donation revenue	\$ 1,427,966	\$ 624,299
Program expense	1,427,966	624,299

# THE MUSTARD SEED

Notes to Combined Consolidated Financial Statements, page 12

Year ended March 31, 2021, with comparative information for 2020

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## 14. Financial risks and concentration of credit risk:

### (a) Currency risk:

Currency risk is the risk associated with transacting in and holding balances that are denominated in foreign currencies. On occasion, TMS receives donations denominated in foreign currencies. These are converted to Canadian currency as soon as practicable. Aside from these transactions, TMS is not exposed to currency risk. There has been no change to currency risk exposure during the year.

### (b) Liquidity risk:

Liquidity risk is the risk that TMS will be unable to fulfill its obligations on a timely basis or at a reasonable cost. TMS manages its liquidity risk by monitoring its operating cash flow requirements, and by preparing budgets and cash flow forecasts to ensure it has sufficient funds to meet its obligations. There has been no change to liquidity risk exposure during the year.

### (c) Credit risk:

Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a financial loss. TMS is exposed to credit risk on its accounts receivable and cash. Management assesses on a continuous basis its accounts receivable and makes a provision for any amounts that are not collectible through an allowance for doubtful accounts.

There has been no change to credit risk exposure during the year. Cash is deposited at major commercial banks.

### (d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. TMS is exposed to interest rate risk on interest-bearing cash deposits and loans and borrowings, including certain loans and borrowings that bear interest at rates that fluctuate with market interest rates (note 8). There has been no change to interest rate risk exposure during the year, other than a new borrowing facility entered replacing an existing borrowing facility.

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Year ended March 31, 2021, with comparative information for 2020

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## 15. Financial information return for purposes of the charitable fund-raising act:

Under Section 7(2) of the *Charitable Fund-raising Act*, the following amounts are disclosed in addition to those disclosures reflected elsewhere in these financial statements, which together comprise the Financial Information Return of TMS:

	2021	2020
Gross contributions received, exclusive of government contributions	\$ 23,571,362	\$ 17,448,349
Total direct expenses incurred for soliciting contributions	2,679,683	2,729,789
Remuneration to employees whose principal duties involved fundraising	1,127,570	1,095,961

## 16. Government assistance:

The Government of Canada created a program called the Canada Emergency Wage Subsidy, (“CEWS”) to provide wage assistance to companies who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the Company met the eligibility requirements and recorded \$2,260,949 (2020 – \$ Nil). The entire amount has been recognized as revenue in the statement of operations for the year ended March 31, 2021.