

Hope Church Mississauga

Financial Statements

For the eight months ended August 31, 2020

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To the Members of
Hope Church Mississauga

Independent Auditors' Report

Qualified Opinion

We have audited the accompanying financial statements of Hope Church Mississauga (the Church), which comprise the statement of financial position as at August 31, 2020, and the statements of receipts and expenditures, changes in net assets, and cash flows for the eight months then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Hope Church Mississauga as at August 31, 2020 and the results of its operations and its cash flows for the eight months then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Church derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary to those revenues, and excess of receipts over expenditures for the eight months ended August 31, 2020 and the year ended December 31, 2019, and assets and net assets at August 31, 2020 and at December 31, 2019

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 report. We are independent of the Church 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 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 Auditing Standards (CASs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Church's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Church to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



CHARTERED
PROFESSIONAL
ACCOUNTANTS

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.

February 16, 2021
Burlington, Ontario

SB Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

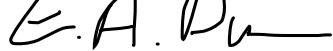
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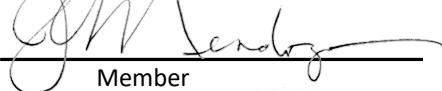
Hope Church Mississauga
Statement of Financial Position
August 31, 2020

Assets		
	August 31, 2020	December 31, 2019
Current assets		
Cash and cash equivalents	\$ 530,978	\$ 144,886
H.S.T. receivable	19,483	54,602
	550,461	199,488
Capital assets (Note 3)	14,630,427	14,928,632
	\$ 15,180,888	\$ 15,128,120
 Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 48,464	\$ 63,777
Related party loan	-	6,506
Current portion of long-term debt (Note 7)	309,176	302,076
	357,640	372,359
Long-term debt (Note 7)	8,692,278	8,870,967
	\$ 9,049,918	\$ 9,243,326
 Net Assets		
Net assets invested in capital assets (Note 8)	\$ 5,658,973	\$ 5,755,589
Unrestricted net assets	471,997	129,205
	6,130,970	5,884,794
	\$ 15,180,888	\$ 15,128,120

Approved on Behalf of the Board



Member



Member

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



Hope Church Mississauga

Statement of Changes in Net Assets

Eight Months Ended August 31, 2020

	Invested in		Total	Total
	Capital Assets	Unrestricted	2020	2019
Balance, beginning of period	\$ 5,755,589	\$ 129,205	\$ 5,884,794	\$ 5,464,800
Excess of receipts over expenditures for the period	(311,791)	557,967	246,176	419,994
Repayment of mortgage	201,588	(201,588)	-	-
Purchase of capital assets	13,587	(13,587)	-	-
Balance, end of period	\$ 5,658,973	\$ 471,997	\$ 6,130,970	\$ 5,884,794

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



Hope Church Mississauga
Statement of Receipts and Expenditures
Eight Months Ended August 31, 2020

	Eight Months Ended August 31, 2020	Year Ended December 31, 2019
Receipts		
Offerings	\$ 1,187,782	\$ 2,044,172
Government assistance (Note 11)	104,127	-
Rental income	35,748	50,740
Gain on sale of capital assets	-	4,092
Interest income	404	2,479
Service income	3,900	1,450
Other income	-	3,374
	1,331,961	2,106,307
Expenditures		
Administration	94,571	118,205
Adult ministries	7,103	13,229
Amortization	311,791	481,523
Building and property	150,759	248,180
Family ministries	1,934	27,503
Hospitality	4,922	5,264
Interest on long-term debt	234,718	422,395
Ministry operations	495,480	798,965
Missions	160,601	323,041
Worship and production	8,347	26,970
	1,470,226	2,465,275
Deficiency of receipts over expenditures before other items	(138,265)	(358,968)
Trusting God for More campaign (Note 9)	384,441	778,962
Excess of receipts over expenditures for the year	\$ 246,176	\$ 419,994

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



Hope Church Mississauga

Statement of Cash Flows

Eight Months Ended August 31, 2020

	Eight Months Ended August 31, 2020	Year Ended December 31, 2019
Cash flows from operating activities		
Excess of receipts over expenditures for the period	\$ 246,176	\$ 419,994
Charges not involving cash		
Amortization	311,791	481,523
Gain on sale of capital assets	-	(4,092)
	557,967	897,425
Net change in H.S.T. receivable	35,119	(26,543)
Net change in accounts payable and accrued liabilities	(15,313)	(57,010)
Net change in other operating working capital balances	-	11,907
	577,773	825,779
Cash flows from financing activities		
Net change in related party loan	(6,506)	(60,775)
Increase in long-term debt	30,000	-
Repayments of long-term debt	(201,588)	(1,159,150)
	(178,094)	(1,219,925)
Cash flows from investing activities		
Purchase of capital assets	(13,587)	(60,900)
Proceeds on disposal of capital assets	-	13,024
	(13,587)	(47,876)
Net increase (decrease) in cash and cash equivalents	386,092	(442,022)
Cash and cash equivalents, beginning of period	144,886	586,908
Cash and cash equivalents, end of period	\$ 530,978	\$ 144,886

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



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

1. Form of Organization

Hope Church Mississauga (the "Church") is registered as a charitable organization under the Canadian Income Tax Act.

The focus of the ministry at the Church is to glorify God through the fulfillment of the Great Commission (Matthew 28:19-20) in the spirit of the Great Commandment (Matthew 22:37-39). This is fulfilled as disciples of Jesus Christ are made. God is glorified as we manifest His presence in doing so (2 Timothy 2:2; 1 Corinthians 10:31).

Reporting period change

Effective in the current period, the Church has changed its fiscal period end to August 31. This decision was made to align the Church's financial reporting period with its ministry year, which runs from September to August. As such, the current reporting period is for the eight months ending August 31, 2020.

2. Significant accounting policies

Basis of presentation

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Financial instruments

The Church's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and long-term debt. Financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

Capital assets

Capital assets are recorded at cost. Amortization is provided as follows:

Building	4% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Sound equipment	30% declining balance
Website	3 year straight-line

One-half the normal rate of amortization is provided for in the year of acquisition.

Revenue recognition

The Church follows the deferral method of accounting for contributions. Restricted donations received are recognized as revenue in the period in which the related expenses are incurred. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

2. Significant accounting policies (cont'd.)

Contributed services

Volunteers contribute many hours each year to assist the Church in carrying out its activities. Because of the difficulty of determining fair value, contributed services are not recognized in the financial statements.

Government assistance

The Church recognizes government assistance when amounts are determinable and collection is reasonably assured. Government assistance received towards current expenses or revenues are included in the determination of net income for the period.

Income taxes

The Church is a not-for-profit organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Church must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the period. Actual results could differ from those estimates.

3. Capital assets

	Cost	Accumulated Amortization	August 31, 2020	December 31, 2019
Land	\$ 3,875,000	\$ -	\$ 3,875,000	\$ 3,875,000
Building	11,651,355	982,178	10,669,177	10,961,483
Computer equipment	13,049	9,562	3,487	4,359
Furniture and fixtures	22,599	12,388	10,211	12,544
Sound equipment	150,243	80,867	69,376	71,435
Website	5,717	2,541	3,176	3,811
	\$ 15,717,963	\$ 1,087,536	\$ 14,630,427	\$ 14,928,632



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

4. Operating loan

The Church has a credit facility agreement with the Bank of Nova Scotia. Under this agreement, the Church has available the following borrowing facilities:

(a) A non-revolving term loan (maximum \$7,000,000), the terms of the loan are described in Note 7.

(b) An overdraft facility (maximum of \$50,000), due on demand, bearing interest at bank rate plus 0.50% per annum. As at August 31, 2020, there have been no funds drawn on this facility.

This facility is secured by a General Security Agreement; a continuing collateral mortgage representing a first charge on property located at 7755 Tenth Line West, Mississauga in the principal amount of \$7,800,000; assignment of fire and liability insurance; and subordination agreement between the Bank of Nova Scotia and Hope Bible Church Oakville stating that their loan of \$3,500,000 will be subordinated in payment and security to the Bank of Nova Scotia.

There is a Corporate Guarantee from Hope Bible Church Oakville for \$4,000,000. Guarantee to be reduced to 50% of the outstanding loan amount following the completion of any 12 month period in which the Debt Service Coverage ("DSC") for such 12 month period is greater than 1.60x, and further eliminated should the DSC for the subsequent 12 month period continue to exceed 1.60x at the completion of the subsequent 12 month period.

The Church is required to meet a DSC ratio under this agreement. The Church is in compliance with this covenant as at August 31, 2020.

5. Accounts payable and accrued liabilities	August 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 47,789	\$ 63,087
Payroll deductions payable	675	690
	\$ 48,464	\$ 63,777

6. Related party loan	August 31, 2020	December 31, 2019
Due to Hope Bible Church Oakville	\$ -	\$ 6,506

Hope Bible Church Oakville is related to the Church as it has the ability to exercise significant influence due to its economic interest in the Church.

Related party loans are unsecured, non-interest bearing, and have no set terms of repayment. Management anticipates that the related party loans will be repaid during the next fiscal year.



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

7. Long-term debt	Current Requirements	August 31, 2020	December 31, 2019
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 1.5% per annum, due June 2023.	\$ 178,373	\$ 6,638,802	\$ 6,753,188
Hope Bible Church Oakville promissory note, repayable in varying principal plus interest monthly payments; bearing interest at a rate 3.45% per annum, secured by both a general security agreement and a second mortgage against 7755 Tenth Line West, Mississauga, due March 2025.	130,803	2,332,652	2,419,855
Canada Emergency Business Account ("CEBA"), no set terms of repayment, non-interest bearing, due on or before December 31, 2022.	-	30,000	-
	\$ 309,176	9,001,454	9,173,043
Less: Current portion		(309,176)	(302,076)
		\$ 8,692,278	\$ 8,870,967

The Church has in place an interest rate swap agreement for five years which expires in 2023 with a notional value of \$6,638,802. Under the terms of the agreement, the Church agrees to receive a floating interest rate on the loan while paying a fixed rate of 4.15%. The use of the agreement effectively enables the Church to convert the floating rate interest obligation of the loan into a fixed rate obligation and thus manage its exposure to interest rate risk. The fair value of the interest rate swap agreement is based on amounts quoted by the Church's bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at August 31, 2020. The interest rate swap agreement is in a net unfavourable position of \$369,454. The Church has applied hedge accounting and the associated gains/losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item which is not currently reflected in the Church's financial statements.

During the period, the Church received an advance of \$40,000 for the Canada Emergency Business Account. This loan is 25% forgivable if the balance owing is repaid on or before December 31, 2022. In accordance with the Church's accounting policy for government assistance, the forgivable portion of \$10,000 has been recorded in income in the current period.



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

7. Long-term debt (cont'd.)

Minimum required principal repayments are as follows:

2021	\$ 309,176
2022	345,286
2023	6,406,749
2024	130,803
2025	1,809,440
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	\$ 9,001,454

8. Invested in capital assets

**August 31,
2020 December 31,
2019**

Capital assets, net	\$ 14,630,427	\$ 14,928,632
Less: amounts funded by long-term debt	(8,971,454)	(9,173,043)
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	\$ 5,658,973	\$ 5,755,589

9. Trusting God for More campaign

During the period, the Church continued the Trusting God for More campaign. Donations to this campaign are to be utilized for Kingdom advancing efforts at the discretion of the Board.

10. Operating lease commitments

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

2021	\$ 22,992
2022	14,594
2023	8,036
	<hr/>
	\$ 45,622

11. Government assistance

Included in income in the period is government assistance in the form of Canadian Emergency Wage Subsidy (CEWS) totalling \$94,127.

Also included in income, is government assistance of \$10,000 which is the forgivable portion of the Canada Emergency Business Account as described in Note 7.



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

12. Related party transactions

During the period, the Church entered into transactions with related parties in the normal course of operations. These transactions, accounted for at their exchange amount, which is the amount of consideration established and agreed to by the related parties, are as follows:

	Eight Months Ended August 31, 2020	Year Ended December 31, 2019
Professional fees paid to Hope Bible Church Oakville (related Church)	\$ 1,250	\$ 15,000
Interest paid to Hope Bible Church Oakville (related Church)	\$ 57,965	\$ 140,994

13. Financial instruments

The Church's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and long-term debt.

Liquidity risk

The Church's exposure to liquidity risk is dependent on purchasing commitments and obligations for raising of funds to meet commitments and sustain operations. The Church controls liquidity risk by management of working capital, and cash flows.

Interest rate risk

The Church has a banker's acceptance that bears interest at a floating rate subject to fluctuations in the monthly banker's acceptance rate. Changes in the banker's acceptance rate can cause fluctuation in interest payments and cash flows. To mitigate this risk, the Church entered into a swap agreement fixing the interest rate of the banker's acceptance. As of August 31, 2020, the balance of the banker's acceptance was \$6,638,802 (2019 - \$6,753,188).

Unless otherwise noted, it is management's opinion that the Church is not exposed to significant credit, market, or currency risks.



Hope Church Mississauga

Notes to Financial Statements

Eight Months Ended August 31, 2020

14. Impact of COVID-19 pandemic

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian federal and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, investments and future operations, which may also have a direct impact on the Church's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Church is not known at this time. Management is carefully monitoring the situation as developments occur.

15. Subsequent event

On January 11, 2021, the Church refinanced the promissory note previously financed by Hope Bible Church Oakville into a new credit facility with the Bank of Nova Scotia. At the time of refinancing, the outstanding balance on this promissory note was \$1,859,000. As part of this refinancing, the general charge on the 7755 Tenth Line West property held by the Bank of Nova Scotia was increased to \$9,400,000 and the second charge held by Hope Bible Church Oakville in the amount of \$3,500,000 was discharged. A fixed dollar guarantee of \$2,000,000 by Hope Bible Church Oakville will remain in place until December 31, 2021, at which time it will be eliminated, provided certain financial covenants are met. The new loan carries an initial term of three years and an amortization of 23 years, which aligns with the existing credit facilities in place with Bank of Nova Scotia. The new facility bears interest at a floating rate of Banker's Acceptance rate plus 2.40%, or 2.80% at the time of writing.

