

**HOPE CHURCH MISSISSAUGA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

**HOPE CHURCH MISSISSAUGA**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2022**

---

---

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Changes in Net Assets	6
Statement of Receipts and Expenditures	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 14

---

---

## INDEPENDENT AUDITOR'S REPORT

---

---

To the Members of: Hope Church Mississauga

### Qualified Opinion

We have audited the accompanying financial statements of Hope Church Mississauga, which comprise the statement of financial position as at August 31, 2022 and the statements of changes in net assets, receipts and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Hope Church Mississauga as at August 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

### Basis for Qualified Opinion

In common with many charitable organizations, the organization derives some of the revenues from cash offerings, 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 were not able to determine whether any adjustments might be necessary to receipts, excess of receipts over expenditures and cash flows from operations for the year ended August 31, 2022, current assets as at August 31, 2022, and net assets as at September 1, 2021 and August 31, 2022. The predecessor auditor's opinion on the financial statements for the year ended August 31, 2021 was modified because of the possible effects of a similar limitation in scope.

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 Hope Church Mississauga 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 audit opinion.

### Predecessor auditor

The financial statements of organization for the year ended August 31, 2021 were audited by the predecessor auditor who expressed a qualified opinion on those financial statements on March 8, 2022 for reasons described in the Basis for Qualified Opinion section.

### 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 judgement 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 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 organization'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 organization'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 organization 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.



Guelph, Ontario  
November 1, 2022

Chartered Professional Accountants  
Licensed Public Accountants

**HOPE CHURCH MISSISSAUGA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 205,223	\$ 254,437
Accounts receivable (note 4)	25,301	87,963
Prepaid expenses	<u>21,345</u>	<u>15,320</u>
	251,869	357,720
<b>CAPITAL ASSETS</b> (note 5)	<u>13,921,371</u>	<u>14,314,984</u>
	<u>\$14,173,240</u>	<u>\$14,672,704</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 37,436	\$ 70,605
Government remittances payable	0	1,690
Current portion of long term debt (note 7)	<u>6,386,142</u>	<u>294,799</u>
	6,423,578	367,094
<b>LONG TERM DEBT</b> (note 7)	<u>624,137</u>	<u>7,800,279</u>
	<u>7,047,715</u>	<u>8,167,373</u>
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS</b> (note 8)	6,911,092	6,259,906
<b>UNRESTRICTED NET ASSETS</b>	<u>214,433</u>	<u>245,425</u>
	<u>7,125,525</u>	<u>6,505,331</u>
	<u>\$14,173,240</u>	<u>\$14,672,704</u>

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**HOPE CHURCH MISSISSAUGA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

	Invested in		2022	2021
	Capital Assets	Unrestricted	Total	Total
<b>NET ASSETS, beginning of year</b>	\$ 6,259,906	\$ 245,425	\$ 6,505,331	\$ 6,130,970
Excess of receipts over expenditures for the year	(470,702)	1,090,896	620,194	374,361
Repayment of mortgage	1,044,799	(1,044,799)	0	0
Purchase of capital assets	<u>77,089</u>	<u>(77,089)</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS, end of year</b>	<u>\$ 6,911,092</u>	<u>\$ 214,433</u>	<u>\$ 7,125,525</u>	<u>\$ 6,505,331</u>

**HOPE CHURCH MISSISSAUGA**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

	<b>2022</b>	<b>2021</b> (note 12)
<b>RECEIPTS</b>		
Offerings	\$ 2,531,119	\$ 1,766,814
Rental income	74,735	55,296
Service income	72,633	9,664
Government assistance (note 9)	40,958	156,965
Other income	18,757	2,777
Interest income	25	56
	<u>2,738,227</u>	<u>1,991,572</u>
<b>EXPENDITURES</b>		
Ministry operations	913,154	843,613
Amortization	470,702	472,456
Interest on long-term debt	327,463	333,764
Missions	253,709	234,621
Building and property	173,296	189,512
Administration	132,930	154,249
Adult ministries	9,101	1,885
Worship and production	8,889	15,660
Family ministries	3,837	13,655
Hospitality and benevolence	(124)	5,528
	<u>2,292,957</u>	<u>2,264,943</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES BEFORE OTHER ITEMS</b>	445,270	(273,371)
Trusting in God for More campaign (note 10)	<u>174,924</u>	<u>647,732</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES for the year</b>	<u>\$ 620,194</u>	<u>\$ 374,361</u>

**HOPE CHURCH MISSISSAUGA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess of receipts over expenditures for the year	\$ 620,194	\$ 374,361
Items not requiring an outlay of cash		
Amortization	<u>470,702</u>	<u>472,456</u>
	1,090,896	846,817
Changes in non-cash working capital		
Accounts receivable	62,662	(68,480)
Prepaid expenses	(6,025)	(15,320)
Accounts payable and accrued liabilities	(33,169)	22,816
Government remittances payable	<u>(1,690)</u>	<u>1,015</u>
	<u>1,112,674</u>	<u>786,848</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Repayments of long-term debt	<u>(1,084,799)</u>	<u>(906,376)</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Additions to capital assets	<u>(77,089)</u>	<u>(157,013)</u>
<b>NET DECREASE IN CASH</b>	(49,214)	(276,541)
<b>NET CASH, BEGINNING OF YEAR</b>	<u>254,437</u>	<u>530,978</u>
<b>NET CASH, END OF YEAR</b>	<u>\$ 205,223</u>	<u>\$ 254,437</u>



**HOPE CHURCH MISSISSAUGA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

---

---

**1. NATURE OF OPERATIONS**

Hope Church Mississauga is a registered charity under the Canadian Income Tax Act. The organization is exempt from income tax.

The focus of the ministry at the organization is to glorify God through 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).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization 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.

Rental and service income is recognized when earned.

(b) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Buildings	- 4 % declining balance basis
Computer equipment	- 30 % declining balance basis
Furniture and fixtures	- 20 % declining balance basis
Vehicle	- 55 % declining balance basis
Sound equipment	- 30 % declining balance basis
Website	- 30 % declining balance basis

Amortization is recorded at 50% of the above rates in the year of addition.

(c) 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 the carrying value 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 its fair value.

**HOPE CHURCH MISSISSAUGA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

---

---

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

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the year. Significant areas requiring management's estimates include estimated useful lives of capital assets. Actual results could differ from those estimates.

(e) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(f) LEASES

Leases are classified as either capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are amortized on a straight-line basis over the term of the lease to rental expense. At the inception of a capital lease, an asset and obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

(g) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of organizations and individuals donate materials to the organization and a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed materials and services are not recorded in the financial statements.

**HOPE CHURCH MISSISSAUGA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

---

**3. FINANCIAL INSTRUMENTS**

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from its financial instruments.

The extent of the organization's exposure to these risks did not change in 2022 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

Market risk

Market risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market prices. Some of the company's financial instruments expose it to this risk, which comprises interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk as a result of the floating interest rate on the long term debt.

**4. ACCOUNTS RECEIVABLE**

	<b>2022</b>	<b>2021</b>
Accounts receivable	\$ 310	\$ 550
Government assistance receivable	0	61,343
HST receivable	<u>24,991</u>	<u>26,070</u>
	<u>\$ 25,301</u>	<u>\$ 87,963</u>

**5. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2022</b>	<b>Net 2021</b>
Land	\$ 3,875,000	\$ 0	\$ 3,875,000	\$ 3,875,000
Buildings	11,711,356	1,820,257	9,891,099	10,252,785
Computer equipment	16,291	12,653	3,638	5,197
Furniture and fixtures	123,752	56,199	67,553	70,946
Vehicle	12,494	12,494	0	0
Sound equipment	219,948	137,138	82,810	108,833
Website	<u>5,717</u>	<u>4,446</u>	<u>1,271</u>	<u>2,223</u>
	<u>\$ 15,964,558</u>	<u>\$ 2,043,187</u>	<u>\$ 13,921,371</u>	<u>\$ 14,314,984</u>

**HOPE CHURCH MISSISSAUGA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

---

**6. OPERATING LOAN**

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

- (a) A non-revolving term loan advanced by way of Bankers' Acceptances (maximum \$6,609,712), the terms of the loan are described in Note 7.
- (b) A non-revolving term loan advanced by way of Bankers' Acceptances (maximum \$1,860,000), the terms of the loan are described in Note 7.
- (c) An overdraft facility (maximum \$50,000), due on demand, bearing interest at the bank's prime lending rate plus 0.50% per annum. As at August 31, 2022, there have been \$0 (2021 - \$0) funds drawn on this facility.

This facility is secured by a General Security Agreement; a continuing collateral mortgage representing a first charge on the property at 7755 Tenth Line West, Mississauga in the principal amount of \$9,400,000; assignment of fire and liability insurance.

There is a Corporate Guarantee from Hope Bible Church Oakville for \$2,000,000. Guarantee to be eliminated should the Debt Service Coverage ("DSC") continue to excess 1.60x at the completion of one more consecutive 12 month period (based on December 31, 2022 financials).

The organization is required to meet a debt service coverage ratio under this agreement. The organization is in compliance with this covenant as at August 31, 2022.

**7. LONG TERM DEBT**

	<b>2022</b>	<b>2021</b>
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.	\$ 6,275,946	\$ 6,460,429
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 0.75% per annum, due December 2023.	734,333	1,594,649
Canada Emergency Business Account ("CEBA"), repaid in August 2022	<u>0</u> 7,010,279	<u>40,000</u> 8,095,078
Less current portion: Cash repayments required within 12 months	<u>6,386,142</u>	<u>294,799</u>
	<u>\$ 624,137</u>	<u>\$ 7,800,279</u>

**HOPE CHURCH MISSISSAUGA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

---

**7. LONG TERM DEBT (continued)**

The organization has in place an interest rate swap agreement for five years which expires in June 2023 with a notional value of \$6,259,094. Under the terms of the agreement, the organization agrees to receive a floating interest rate on the loan while paying a fixed rate of 2.65%. The use of the agreement effectively enables the organization 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 organization's bank to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at August 31, 2022. The interest rate swap agreement is in a net unfavourable position of \$65,276. The organization 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 organization's financial statements.

Future minimum payments on long-term obligations are as follows:

2023	\$ 6,386,142
2024	<u>624,137</u>
	<u>\$ 7,010,279</u>

**8. INVESTED IN CAPITAL ASSETS**

	<b>2022</b>	<b>2021</b>
Capital assets, net	\$13,921,371	\$14,314,984
Less: amounts funded by long-term debt	<u>(7,010,279)</u>	<u>(8,055,078)</u>
	<u>\$ 6,911,092</u>	<u>\$ 6,259,906</u>

**9. GOVERNMENT ASSISTANCE**

	<b>2022</b>	<b>2021</b>
Ontario Support Grant	\$ 20,000	\$ 0
Canada Summer Jobs Grant	16,800	0
Canadian Emergency Wage Subsidy (CEWS)	3,007	103,266
Canadian Emergency Rent Subsidy (CERS)	1,151	43,699
Canadian Emergency Business Account (CEBA)	<u>0</u>	<u>10,000</u>
	<u>\$ 40,958</u>	<u>\$ 156,965</u>

**10. TRUSTING GOD FOR MORE CAMPAIGN**

During the year, the organization 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.

**HOPE CHURCH MISSISSAUGA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

---

---

**11. COMMITMENTS**

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

2023	\$	46,065
2024		48,555
2025		48,555
2026		<u>32,370</u>
	\$	<u>175,545</u>

**12. CORRESPONDING FIGURES**

Certain figures presented for corresponding purposes have been reclassified to conform to the current year's presentation.

**13. MATERIAL UNCERTAINTY DUE TO COVID-19**

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) continued to impact the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Further, the timing and amounts realized on the organization's assets as well as its future ability to deliver all services may be impacted by the evolving circumstances of the virus.