

HOPE CHURCH MISSISSAUGA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

HOPE CHURCH MISSISSAUGA
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YEAR ENDED AUGUST 31, 2023

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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, 2023 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, 2023 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 not for profit 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 years ended August 31, 2023 and 2022, current assets as at August 31, 2023 and 2022, and net assets as at September 1 and August 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended August 31, 2022 was modified accordingly because of the possible effects of this 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.

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 7, 2023

Chartered Professional Accountants
Licensed Public Accountants

HOPE CHURCH MISSISSAUGA
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 325,476	\$ 205,223
Accounts receivable (note 4)	89,864	25,301
Prepaid expenses	<u>28,439</u>	<u>21,345</u>
	443,779	251,869
CAPITAL ASSETS (note 5)	<u>13,468,963</u>	<u>13,921,371</u>
	<u>\$ 13,912,742</u>	<u>\$ 14,173,240</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 29,856	\$ 37,436
Deferred income	14,665	0
Current portion of long term debt (note 7)	<u>639,799</u>	<u>6,386,142</u>
	684,320	6,423,578
LONG TERM DEBT (note 7)	<u>5,809,851</u>	<u>624,137</u>
	<u>6,494,171</u>	<u>7,047,715</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 8)	7,019,313	6,911,092
UNRESTRICTED NET ASSETS	<u>399,258</u>	<u>214,433</u>
	<u>7,418,571</u>	<u>7,125,525</u>
	<u>\$ 13,912,742</u>	<u>\$ 14,173,240</u>

APPROVED ON BEHALF OF THE BOARD:

E.A. Dim Director

Fog Wahab Director

HOPE CHURCH MISSISSAUGA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2023

	Invested in		2023	2022
	Capital Assets	Unrestricted	Total	Total
NET ASSETS, beginning of year	\$ 6,911,092	\$ 214,433	\$ 7,125,525	\$ 6,505,331
(Deficiency) excess of receipts over expenditures for the year	(442,330)	735,376	293,046	620,194
Repayment of mortgage	560,629	(560,629)	0	0
Purchase of capital assets	2,867	(2,867)	0	0
Disposal of assets	<u>(12,945)</u>	<u>12,945</u>	<u>0</u>	<u>0</u>
NET ASSETS, end of year	<u>\$ 7,019,313</u>	<u>\$ 399,258</u>	<u>\$ 7,418,571</u>	<u>\$ 7,125,525</u>

HOPE CHURCH MISSISSAUGA
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022
RECEIPTS		
Offerings	\$ 2,217,786	\$ 2,531,119
Rental income	125,661	74,735
Government assistance (note 9)	17,286	40,958
Service income	0	72,633
Other income	0	18,757
Interest income	0	25
	<u>2,360,733</u>	<u>2,738,227</u>
EXPENDITURES		
Ministry operations	734,251	913,154
Amortization	442,330	470,702
Interest on long-term debt	296,516	327,463
Missions	242,008	253,709
Building and property	186,092	173,296
Administration	137,257	132,930
Worship and production	13,515	8,889
Adult ministries	9,809	9,101
Hospitality and benevolence	4,401	(124)
Family ministries	1,508	3,837
	<u>2,067,687</u>	<u>2,292,957</u>
EXCESS OF RECEIPTS OVER EXPENDITURES BEFORE OTHER ITEMS	293,046	445,270
Trusting in God for More campaign (note 10)	<u>0</u>	<u>174,924</u>
EXCESS OF RECEIPTS OVER EXPENDITURES for the year	<u>\$ 293,046</u>	<u>\$ 620,194</u>

HOPE CHURCH MISSISSAUGA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of receipts over expenditures for the year	\$ 293,046	\$ 620,194
Items not requiring an outlay of cash		
Amortization	<u>442,330</u>	<u>470,702</u>
	735,376	1,090,896
Changes in non-cash working capital		
Accounts receivable	(64,563)	62,662
Prepaid expenses	(7,094)	(6,025)
Accounts payable and accrued liabilities	(7,580)	(33,169)
Government remittances payable	0	(1,690)
Deferred income	<u>14,665</u>	<u>0</u>
	<u>670,804</u>	<u>1,112,674</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Repayments of long-term debt	<u>(560,629)</u>	<u>(1,084,799)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(2,867)	(77,089)
Proceeds on disposal of capital assets	<u>12,945</u>	<u>0</u>
	<u>10,078</u>	<u>(77,089)</u>
NET INCREASE (DECREASE) IN CASH	120,253	(49,214)
NET CASH, BEGINNING OF YEAR	<u>205,223</u>	<u>254,437</u>
NET CASH, END OF YEAR	<u>\$ 325,476</u>	<u>\$ 205,223</u>

HOPE CHURCH MISSISSAUGA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

1. NATURE OF OPERATIONS

Hope Church Mississauga is a not-for-profit organization incorporated under the province of Ontario without share capital and 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, 2023

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, 2023

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 2023 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 organization's financial instruments will fluctuate because of changes in market prices. Some of the organization'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

	2023	2022
Accounts receivable	\$ 51,226	\$ 310
Government assistance receivable	17,286	0
HST receivable	<u>21,352</u>	<u>24,991</u>
	<u>\$ 89,864</u>	<u>\$ 25,301</u>

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2023	Net 2022
Land	\$ 3,875,000	\$ 0	\$ 3,875,000	\$ 3,875,000
Buildings	11,711,356	2,215,901	9,495,455	9,891,099
Computer equipment	16,291	13,745	2,546	3,638
Furniture and fixtures	126,620	80,685	45,935	67,553
Vehicle	12,494	12,494	0	0
Sound equipment	159,402	109,375	50,027	82,810
Website	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,271</u>
	<u>\$ 15,901,163</u>	<u>\$ 2,432,200</u>	<u>\$ 13,468,963</u>	<u>\$ 13,921,371</u>

HOPE CHURCH MISSISSAUGA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 \$6,130,817), the terms of the loan are described in Note 7.
- (b) A non-revolving term loan advanced by way of Bankers' Acceptances (maximum \$352,403), 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, 2023, there have been \$0 (2022 - \$0) funds drawn on this facility.
- (d) A standby letter of credit (maximum \$45,000), due on demand, bearing interest at 1.00% per annum. As at August 31, 2023, there have been \$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.

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, 2023.

7. LONG TERM DEBT

	2023	2022
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 1.25% per annum, due June 2026.	\$ 6,115,633	\$ 0
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 2.40% per annum, due January 2024.	334,017	0
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 1.50% per annum, repaid June 2023.	0	6,275,946
Bank of Nova Scotia banker's acceptance, repayable in varying principal plus interest payments, bearing interest at the monthly bankers acceptance rate plus 2.40% per annum, repaid December 2022.	<u>0</u> 6,449,650	<u>734,333</u> 7,010,279
Less current portion: Cash repayments required within 12 months	<u>639,799</u>	<u>6,386,142</u>
	<u>\$ 5,809,851</u>	<u>\$ 624,137</u>

HOPE CHURCH MISSISSAUGA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

7. LONG TERM DEBT (continued)

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

2024	\$ 639,799
2025	305,782
2026	<u>5,504,069</u>
	<u>\$ 6,449,650</u>

8. INVESTED IN CAPITAL ASSETS

	2023	2022
Capital assets, net	\$13,468,963	\$13,921,371
Less: amounts funded by long-term debt	<u>(6,449,650)</u>	<u>(7,010,279)</u>
	<u>\$ 7,019,313</u>	<u>\$ 6,911,092</u>

9. GOVERNMENT ASSISTANCE

	2023	2022
Canada Summer Jobs Grant	\$ 17,286	\$ 16,800
Ontario Support Grant	0	20,000
Canadian Emergency Wage Subsidy (CEWS)	0	3,007
Canadian Emergency Rent Subsidy (CERS)	<u>0</u>	<u>1,151</u>
	<u>\$ 17,286</u>	<u>\$ 40,958</u>

10. TRUSTING GOD FOR MORE CAMPAIGN

In previous years, the organization facilitated the Trusting God for More campaign. Donations to this campaign were utilized for Kingdom advancing efforts at the discretion of the Board. The campaign ended in fiscal 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:

2024	\$ 48,555
2025	48,555
2026	<u>32,370</u>
	<u>\$ 129,480</u>