
**THE BRIDGE, A MARKHAM
COMMUNITY CHURCH
FINANCIAL STATEMENTS
AUGUST 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Directors
The Bridge, A Markham Community Church
MARKHAM
Ontario

Qualified Opinion

We have audited the accompanying financial statements of The Bridge, A Markham Community Church which comprise the statement of financial position as at August 31, 2023, the statement of operations and changes in fund balances, statement of cash flows and schedule 1 - schedule of expenses for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the entity 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 charitable organizations, The Bridge, A Markham Community Church derives part of its revenues from the general public in the form of contributions, the completeness of which is not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of The Bridge, A Markham Community Church and we were not able to determine whether any adjustments might be necessary to contribution revenues and the excess (deficiency) of revenues over expenses for the years ended August 31, 2023 and 2022, current assets as at August 31, 2023 and 2022 and fund balances as at the beginning and end of the years ended August 31, 2023 and 2022. The 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 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 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 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.

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Those charged with governance are responsible for overseeing the entity'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 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 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 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.

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.

Norton McMullen LLP

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

November 2, 2023

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

STATEMENT OF FINANCIAL POSITION

As at August 31,

2023

2022

	GENERAL FUND	CAPITAL FUND	VISION FUND	TOTAL	TOTAL
ASSETS					
Current					
Cash	\$ 379,592	\$ 395,785	\$ 605	\$ 775,982	\$ 685,399
Accounts receivable	-	-	-	-	19,460
HST recoverable	24,558	182,038	-	206,596	235,550
Investments (Note 2)	-	305,254	1,358,008	1,663,262	6,427,463
Prepaid expense (Note 3)	23,119	81,360	-	104,479	150,378
Interfund due to (from) (Note 7)	-	(300,000)	300,000	-	-
	<u>\$ 427,269</u>	<u>\$ 664,437</u>	<u>\$ 1,658,613</u>	<u>\$ 2,750,319</u>	<u>\$ 7,518,250</u>
Capital Assets (Note 4)	<u>-</u>	<u>14,903,788</u>	<u>-</u>	<u>14,903,788</u>	<u>12,844,764</u>
	<u>\$ 427,269</u>	<u>\$ 15,568,225</u>	<u>\$ 1,658,613</u>	<u>\$ 17,654,107</u>	<u>\$ 20,363,014</u>
LIABILITIES					
Current					
Accounts payable and accrued liabilities	\$ 52,636	\$ 195,000	\$ -	\$ 247,636	\$ 1,059,213
Deferred revenue	-	-	-	-	4,037
Current portion of CEBA loan (Note 5)	40,000	-	-	40,000	-
	<u>\$ 92,636</u>	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 287,636</u>	<u>\$ 1,063,250</u>
CEBA Loan (Note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
	<u>\$ 92,636</u>	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 287,636</u>	<u>\$ 1,103,250</u>
FUND BALANCES					
General	\$ 334,633	\$ -	\$ -	\$ 334,633	\$ 542,080
Capital	-	15,373,225	-	15,373,225	17,108,765
Vision	-	-	1,658,613	1,658,613	1,608,919
	<u>\$ 334,633</u>	<u>\$ 15,373,225</u>	<u>\$ 1,658,613</u>	<u>\$ 17,366,471</u>	<u>\$ 19,259,764</u>
	<u>\$ 427,269</u>	<u>\$ 15,568,225</u>	<u>\$ 1,658,613</u>	<u>\$ 17,654,107</u>	<u>\$ 20,363,014</u>
Commitments (Note 6)					

See accompanying notes

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THE BRIDGE, A MARKHAM COMMUNITY CHURCH

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended August 31,

2023

2022

	GENERAL FUND	CAPITAL FUND	VISION FUND	TOTAL	TOTAL
REVENUES					
Contributions:					
General	\$ 1,629,562	\$ -	\$ -	\$ 1,629,562	\$ 1,598,987
Facilities development	-	159,974	-	159,974	571,410
Missions	37,212	-	-	37,212	40,300
Interest and investment	517	107,697	58,589	166,803	72,381
Government funding					
(Note 10)	-	-	-	-	52,094
Ministries	46,550	-	-	46,550	34,120
Building rental	9,533	-	-	9,533	4,000
	<u>\$ 1,723,374</u>	<u>\$ 267,671</u>	<u>\$ 58,589</u>	<u>\$ 2,049,634</u>	<u>\$ 2,373,292</u>
EXPENSES					
Salaries and benefits	\$ 963,961	\$ -	\$ -	\$ 963,961	\$ 989,576
Amortization	-	610,978	-	610,978	205,273
Church ministries					
(Schedule 1)	270,436	-	-	270,436	215,780
Building and property					
(Schedule 1)	225,716	-	-	225,716	129,341
General and					
administrative	177,187	-	-	177,187	151,596
Missions	80,198	-	-	80,198	85,337
	<u>\$ 1,717,498</u>	<u>\$ 610,978</u>	<u>\$ -</u>	<u>\$ 2,328,476</u>	<u>\$ 1,776,903</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:					
	\$ 5,876	\$ (343,307)	\$ 58,589	\$ (278,842)	\$ 596,389
Loss on disposal of asset	-	(1,614,451)	-	(1,614,451)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	\$ 5,876	\$ (1,957,758)	\$ 58,589	\$ (1,893,293)	\$ 596,389
FUND BALANCES					
- Beginning	542,080	17,108,765	1,608,919	19,259,764	18,663,375
Inter-fund transfers					
(Note 7)	(213,323)	222,218	(8,895)	-	-
FUND BALANCES - Ending	<u>\$ 334,633</u>	<u>\$ 15,373,225</u>	<u>\$ 1,658,613</u>	<u>\$ 17,366,471</u>	<u>\$ 19,259,764</u>

See accompanying notes

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THE BRIDGE, A MARKHAM COMMUNITY CHURCH

STATEMENT OF CASH FLOWS

For the year ended August 31,

2023

2022

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ (1,893,293)	\$ 596,389
Items not affecting cash:		
Loss on disposal of asset	1,614,451	-
Amortization	<u>610,978</u>	<u>205,273</u>
	\$ <u>332,136</u>	\$ <u>801,662</u>
Net change in non-cash working capital balances:		
Accounts receivable	19,460	(4,803)
HST recoverable	28,954	(59,107)
Prepaid expense	45,899	(44,485)
Accounts payable and accrued liabilities	(811,577)	1,046,102
Deferred revenue	<u>(4,037)</u>	<u>4,037</u>
	\$ <u>(389,165)</u>	\$ <u>1,743,406</u>

INVESTING ACTIVITIES

Proceeds from the redemption of investments	\$ 4,764,201	\$ 2,962,805
Acquisition of capital assets	<u>(4,284,453)</u>	<u>(5,754,375)</u>
	\$ <u>479,748</u>	\$ <u>(2,791,570)</u>

INCREASE (DECREASE) IN CASH

\$ 90,583 \$ (1,048,164)

CASH - Beginning

685,399 1,733,563

CASH - Ending

\$ 775,982 \$ 685,399

See accompanying notes

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THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

NATURE OF OPERATIONS

The mission of The Bridge, A Markham Community Church (the "Church") is to connect with God, each other and our world. The Church was incorporated by letters of patent, without share capital under the laws of Ontario on July 11, 2003. For Canadian income tax purposes, the Church is registered as a charitable organization, and is exempt from income tax under the Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Fund Accounting

Resources are classified into funds according to the activities or objectives specified as follows:

The **General Fund** accounts for activities related to the day-to-day operating transactions of the Church's ministries and administration. Contributions designated for missions are being utilized for the Church's missions activities and are reported in the general fund.

The **Capital Fund** records activities relating to the capital assets. Proceeds from the sale of land in 2019 were invested and the resulting investment income is reported in this fund. Excess funds from established projects may be transferred to the Vision fund at the discretion of the board.

The **Vision Fund** was established by the board for the purposes of advancing and duplicating the vision and mission of the Church beyond its current geographical location. In 2019, \$1.5 million from the sale of land was transferred to this fund to be invested in GICs and bonds. Interest earned from assets in this fund are reported in this fund.

b) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

Significant estimates include the estimated useful life of capital assets.

c) Cash and Cash Equivalents

Cash and cash equivalents consist solely of bank balances.

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Capital Assets

Capital assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rates and method:

	<u>Rate</u>	<u>Method</u>
Buildings	5%	declining balance
Furniture and equipment	20%	declining balance
Musical instruments	10%	declining balance
Parking lot	8%	declining balance

e) Impairment of Capital Assets

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

f) Revenue Recognition

The Church follows the restricted fund method of accounting for contributions and government assistance. Externally restricted contributions are recognized as revenue in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the Operating Fund. Restricted contributions for which there is no fund are accounted for using the deferral method.

Revenues from ministries and government assistance is recognized when payment is received or is reasonably assured. Building rental is recognized as revenue evenly over the rental period and when payment is reasonably assured. Interest and investment earnings are recognized as revenue on the accrual basis and is allocated to the appropriate fund based on investments held in the respective funds.

g) Contributed Services

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

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

h) Financial Instruments

Measurement of Financial Instruments

The Church initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include cash, accounts receivable, and investments in guaranteed investment certificates. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and CEBA loan.

The Church has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. INVESTMENTS

Investments consists of the following:

	2023	2022
Capital Fund		
Short-term		
Guaranteed investment certificates bearing interest at 2.35% per annum, maturing December 2023	\$ 305,254	\$ 4,818,674
Vision Fund		
Short-term		
Guaranteed investment certificates bearing interest at 4.73% - 4.95% per annum, maturing June and July 2024	<u>1,358,008</u>	<u>1,608,789</u>
Total Investments	<u>\$ 1,663,262</u>	<u>\$ 6,427,463</u>

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

3. PREPAID EXPENSE

Prepaid expense consist of the following:

	2023	2022
Regional Municipality of York	\$ 81,360	\$ 81,360
Town of Markham	15,000	15,000
Other	8,119	4,070
HubSpot	-	11,242
ComforTek	-	38,706
	<u>\$ 104,479</u>	<u>\$ 150,378</u>

4. CAPITAL ASSETS

Capital assets consist of the following:

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
New building costs	\$ 12,463,244	\$ 311,581	\$ 12,151,663	\$ 9,107,559
Land	126,950	-	126,950	126,950
Building	3,985,249	2,113,631	1,871,618	3,524,893
Furniture and equipment	1,034,164	297,398	736,766	74,603
Musical instruments	22,880	9,677	13,203	6,859
Parking lot	22,340	18,752	3,588	3,900
	<u>\$ 17,654,827</u>	<u>\$ 2,751,039</u>	<u>\$ 14,903,788</u>	<u>\$ 12,844,764</u>

The new building project total cost at August 31, 2023 is \$13,353,112 consisting of \$889,868 in furniture and equipment and \$12,463,244 in new building costs.

5. CEBA LOAN

The Church received a total of \$60,000 under the Canada Emergency Business Account ("CEBA") loan program as part of the Federal government's response to COVID-19. The loan is non-interest bearing and is due January 18, 2024. If \$40,000 is repaid by the due date, the remaining \$20,000 will be forgiven. The forgivable portion was recorded as government assistance in 2021.

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

6. COMMITMENTS

The Church has issued a Letter of Credit to the Corporation of the Town of Markham in the amount of \$290,510 for commitments required for the building project.

The Church has entered into a construction contract for the new building project which is in the process of being completed. The total future construction, architect and engineering costs to complete the contract as at August 31, 2023 are approximately \$438,000.

7. INTER-FUND TRANSFERS AND LOANS

\$213,323 (2022 - \$266,892) was transferred from the General fund and \$8,895 (2022 - \$Nil) from the Vision fund to the Capital fund for the expansion of the building project and other building expansion costs covered by the operating budget.

\$300,000 has been loaned from the Vision Fund to the Capital Fund to facilitate timing of cash inflows and outflows related to the building project. This loan is non-interest bearing with an expectation to be repaid immediately upon release of Letters of Credit related to the building project.

8. CREDIT FACILITIES

The Church has available the following credit facilities:

- a) \$300,000 revolving demand facility available by way of letter of credit and bank guarantee;
- b) \$100,000 revolving demand facility which bears interest at prime plus 1.00%;
- c) \$500,000 non-revolving term facility bearing interest at prime plus 0.98% during the draw period and for one year and then converted to a fixed interest rate loan at a rate determined at the time of borrowing; and
- d) \$50,000 credit card facility bearing interest at 19.99%.

Facility (a) is secured, by an amount of \$300,000, by cash deposits and/or the guaranteed investment certificates (Note 2). In addition, the complete credit agreement is secured by a General Security Agreement consisting of a first ranking security interest on the property of the Church. As at the year end, \$290,510 (2022 - \$290,510) of facility (a) was being used as a Letter of Credit (Note 6).

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

9. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Church is exposed to various risks through its financial instruments. The following analysis provides a summary of the Church's exposure to and concentrations of risk at August 31, 2023:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Church's main credit risks relate to its accounts receivable. There were no concentrations of credit risk as at August 31, 2023 and there has been no change in the assessment of credit risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to this risk mainly with respect to its accounts payable and accrued liabilities and the CEBA loan. The Church manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Church is mainly exposed to interest rate risk as follows:

i) 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 Church is exposed to interest rate risk with respect to its investments. The exposure to this risk fluctuates as the investments and related interest rates change from year to year.

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

10. GOVERNMENT FUNDING

Government funding consists of the following:

	2023	2022
Canada Summer Jobs grant	\$ -	\$ 32,094
Ontario Anti-Hate Security Measures for Faith Based Cultural Organizations grant	<u>-</u>	<u>20,000</u>
	<u>\$ -</u>	<u>\$ 52,094</u>

11. COMPARATIVE FIGURES

Certain of the comparative figures have been restated in order to conform with the presentation adopted in the current year.

THE BRIDGE, A MARKHAM COMMUNITY CHURCH

SCHEDULE 1 - SCHEDULE OF EXPENSES

For the year ended August 31,	2023	2022
CHURCH MINISTRIES		
Youth	\$ 55,672	\$ 49,461
Groups and care	49,585	38,278
Young adults	40,525	36,206
Worship arts	35,199	26,780
Pastoral/Resources	31,455	39,121
Host ministries	26,720	6,662
Children	23,449	18,906
Family	7,831	366
	<u>\$ 270,436</u>	<u>\$ 215,780</u>
BUILDING AND PROPERTY		
Utilities	\$ 70,489	\$ 30,480
Miscellaneous	62,422	70,443
Custodial	29,629	7,522
Grounds upkeep	24,652	9,941
Service contracts	8,398	499
Insurance	7,984	6,179
Supplies	6,381	896
Health and safety	6,242	844
Furniture and equipment	5,879	2,537
	<u>\$ 225,716</u>	<u>\$ 129,341</u>
GENERAL AND ADMINISTRATIVE		
Bank charges and merchant fees	\$ 39,038	\$ 42,170
Communication	38,015	16,561
Computer equipment and software	37,429	34,986
Telecommunications	21,708	23,888
Office equipment and supplies	13,743	11,093
Professional fees	9,417	9,251
Board of directors	7,940	5,003
Resources and memberships	5,520	5,311
Team training and development	4,377	3,333
	<u>\$ 177,187</u>	<u>\$ 151,596</u>

See accompanying notes

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