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**THE BRIDGE, A MARKHAM  
COMMUNITY CHURCH  
FINANCIAL STATEMENTS  
AUGUST 31, 2021**

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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, 2021, 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 matters 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, 2021 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*

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.

As is 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, which are 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 of revenues over expenses for the years ended August 31, 2021 and 2020, assets as at August 31, 2021 and 2020 and fund balances as at the beginning and end of the years ended August 31, 2021 and 2020. The audit opinion on the financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

### *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

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

November 9, 2021

# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## STATEMENT OF FINANCIAL POSITION

As at August 31,

2021

2020

	GENERAL FUND	CAPITAL FUND	VISION FUND	TOTAL	TOTAL
<b>ASSETS</b>					
<b>Current</b>					
Cash	\$ 666,787	\$ 1,066,646	\$ 130	\$ 1,733,563	\$ 615,322
Accounts receivable	14,657	-	-	14,657	8,144
Government assistance receivable (Note 9)	-	-	-	-	81,238
HST recoverable	17,810	158,633	-	176,443	38,312
Investments (Note 2)	-	7,805,021	1,172,897	8,977,918	7,150,347
Prepaid expense (Note 3)	24,533	81,360	-	105,893	271,480
	<u>\$ 723,787</u>	<u>\$ 9,111,660</u>	<u>\$ 1,173,027</u>	<u>\$ 11,008,474</u>	<u>\$ 8,164,843</u>
Investments (Note 2)			412,350	412,350	5,048,903
Capital Assets (Note 4)	-	7,295,661	-	7,295,661	5,076,488
	<u>\$ 723,787</u>	<u>\$ 16,407,321</u>	<u>\$ 1,585,377</u>	<u>\$ 18,716,485</u>	<u>\$ 18,290,234</u>

### LIABILITIES

#### Current

Accounts payable and accrued liabilities	\$ 13,110	\$ -	\$ -	\$ 13,110	\$ 31,381
CEBA Loan (Note 5)	40,000	-	-	40,000	40,000
	<u>\$ 53,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,110</u>	<u>\$ 71,381</u>

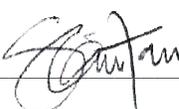
### FUND BALANCES

General	\$ 670,677	\$ -	\$ -	\$ 670,677	\$ 473,762
Capital	-	16,407,321	-	16,407,321	16,189,309
Vision	-	-	1,585,377	1,585,377	1,555,782
	<u>\$ 670,677</u>	<u>\$ 16,407,321</u>	<u>\$ 1,585,377</u>	<u>\$ 18,663,375</u>	<u>\$ 18,218,853</u>
	<u>\$ 723,787</u>	<u>\$ 16,407,321</u>	<u>\$ 1,585,377</u>	<u>\$ 18,716,485</u>	<u>\$ 18,290,234</u>

### Commitments (Note 6)

Approved by the Board:

 Director

 Director

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,

2021

2020

	GENERAL FUND	CAPITAL FUND	VISION FUND	TOTAL	TOTAL
<b>REVENUES</b>					
Contributions:					
General	\$ 1,651,291	\$ -	\$ -	\$ 1,651,291	\$ 1,740,715
Facilities development	2,995	272,047	-	275,042	100,055
Missions	70,575	-	-	70,575	67,552
Interest and investment	1,498	127,009	29,595	158,102	225,440
Government assistance (Note 9)	20,000	-	-	20,000	81,238
Government grants - Canada summer jobs	13,556	-	-	13,556	17,085
Ministries	20,438	-	-	20,438	37,766
Building rental	2,385	-	-	2,385	19,860
	<u>\$ 1,782,738</u>	<u>\$ 399,056</u>	<u>\$ 29,595</u>	<u>\$ 2,211,389</u>	<u>\$ 2,289,711</u>
<b>EXPENSES</b>					
Salaries and benefits	\$ 1,034,257	\$ -	\$ -	\$ 1,034,257	\$ 1,021,612
Amortization	-	217,669	-	217,669	227,278
Church ministries (Schedule 1)	166,361	-	-	166,361	235,333
General and administrative (Schedule 1)	146,240	-	-	146,240	140,478
Missions	124,240	-	-	124,240	115,771
Building and property (Schedule 1)	78,100	-	-	78,100	156,524
	<u>\$ 1,549,198</u>	<u>\$ 217,669</u>	<u>\$ -</u>	<u>\$ 1,766,867</u>	<u>\$ 1,896,996</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 233,540	\$ 181,387	\$ 29,595	\$ 444,522	\$ 392,715
<b>FUND BALANCES</b>					
- Beginning	473,762	16,189,309	1,555,782	18,218,853	17,826,138
Inter-fund transfers (Note 7)	<u>(36,625)</u>	<u>36,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 670,677</u>	<u>\$ 16,407,321</u>	<u>\$ 1,585,377</u>	<u>\$ 18,663,375</u>	<u>\$ 18,218,853</u>

See accompanying notes

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## STATEMENT OF CASH FLOWS

For the year ended August 31,

2021

2020

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

#### OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 444,522	\$ 392,715
Items not affecting cash:		
Amortization	217,669	227,278
Forgivable portion of CEBA loan	(20,000)	-
	<u>\$ 642,191</u>	<u>\$ 619,993</u>
Net change in non-cash working capital balances:		
Accounts receivable	(6,513)	61,507
Government assistance receivable	81,238	(81,238)
HST recoverable	(138,131)	20,925
Prepaid expense	165,587	(256,480)
Accounts payable and accrued liabilities	(18,271)	(4,379)
Deferred contributions	-	(3,993)
	<u>\$ 726,101</u>	<u>\$ 356,335</u>

#### INVESTING ACTIVITIES

Proceeds from the redemption of investments	\$ 2,808,982	\$ 443,499
Acquisition of capital assets	(2,436,842)	(723,169)
	<u>\$ 372,140</u>	<u>\$ (279,670)</u>

#### FINANCING ACTIVITIES

CEBA loan proceeds	<u>\$ 20,000</u>	<u>\$ 40,000</u>
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#### INCREASE IN CASH

\$ 1,118,241    \$ 116,665

CASH - Beginning

615,322    498,657

CASH - Ending

\$ 1,733,563    \$ 615,322

See accompanying notes

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 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 Bridge 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.

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 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

New building under construction will begin amortization once the building project is complete.

#### e) Impairment of Capital Assets

When a capital asset no longer has any long-term service potential to the Church, the excess of its net carrying amount over any residual value is recognized as an expense in the capital fund.

#### f) Revenue Recognition

The Church follows the restricted fund method of accounting for contributions. 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.

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

#### h) Financial Instruments

##### **Measurement of Financial Instruments**

The Church initially measures its financial assets and liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at amortized cost, except for any investments in bond funds, which are measured at fair value. Changes in fair value are recognized in the excess (deficiency) of revenues over expenses.

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

Other than any investments in bond funds, 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.

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 2. INVESTMENTS

Investments consists of the following:

	2021	2020
<b>Capital Fund</b>		
<b>Short-term</b>		
Guaranteed investment certificates bearing interest at 0.31% - 2.75% per annum, due October 2021 & April 2022	\$ 7,805,021	\$ 6,976,931
<b>Long-term</b>	-	3,666,667
	<u>\$ 7,805,021</u>	<u>\$ 10,643,598</u>
<b>Vision Fund</b>		
<b>Short-term</b>		
Guaranteed investment certificates bearing interest at .04% - 2.41% per annum, due April and June 2022	\$ 1,172,897	\$ 173,416
<b>Long-term</b>		
Guaranteed investment certificates bearing interest at 1.05% per annum, due June 2023	412,350	1,382,236
	<u>\$ 1,585,247</u>	<u>\$ 1,555,652</u>
<b>Total Investments</b>	<u>\$ 9,390,268</u>	<u>\$ 12,199,250</u>

### 3. PREPAID EXPENSE

Prepaid expense consist of the following:

	2021	2020
Town of Markham	\$ 15,000	\$ 15,000
Regional Municipality of York	81,360	246,360
HubSpot	9,533	10,120
	<u>\$ 105,893</u>	<u>\$ 271,480</u>

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 4. CAPITAL ASSETS

Capital assets consist of the following:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
New building costs	\$ 3,361,763	\$ -	\$ 3,361,763	\$ 938,976
Land	126,950	-	126,950	126,950
Building	7,130,300	3,419,887	3,710,413	3,905,698
Furniture and equipment	557,453	472,779	84,674	91,789
Musical instruments	15,070	7,448	7,622	8,467
Parking lot	22,340	18,101	4,239	4,608
	<u>\$ 11,213,876</u>	<u>\$ 3,918,215</u>	<u>\$ 7,295,661</u>	<u>\$ 5,076,488</u>

### 5. CEBA LOAN

The Church received a \$20,000 (\$40,000 in 2020) Canada Emergency Business Account ("CEBA") loan as part of the Federal government's response to COVID-19. The loan is non-interest bearing and is due December 31, 2022. 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.

### 6. COMMITMENTS

The Church has issued Letters of Credit to the Corporation of the Town of Markham and the Regional Municipality of York in the amounts of \$440,510 and \$10,000 respectively for commitments required for the building project.

The Church has entered into leases for a printer expiring in fiscal 2023 and a trailer expiring in fiscal 2022. Future minimum annual payments required under the terms of these leases are as follows:

2022	\$ 7,885
2023	<u>1,874</u>
	<u>\$ 9,759</u>

The Church has entered into a construction management contract for the new building project which is in the process of being completed. The total fees for this project are approximately \$1,004,790 for construction management, architectural and engineering services. The estimated completion date for this project is September 2022.

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 7. INTER-FUND TRANSFERS

\$36,625 was transferred from the General fund to the Capital fund for the purchases of capital assets and other building expansion costs covered by the operating budget. (2020 - \$90,137 was transferred from the General fund to the Capital fund for the purchase of electronic signage and other capital assets covered by the operating budget).

### 8. 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, 2021:

#### 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, 2021 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.

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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### 9. COVID-19 AND GOVERNMENT ASSISTANCE

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The pandemic has had an impact on the Church as physical distancing restrictions have limited the ability to hold in-person services. The Church has taken steps to mitigate the financial impact of government mandated protocols which includes applying for government emergency relief measures as described below.

Government assistance includes the \$20,000 (2020 - \$Nil) forgivable portion of the CEBA loan (Note 5) and \$Nil (2020 - \$81,238) earned under the federal government's Canada Emergency Wage Subsidy (CEWS) Covid-19 relief program. There was \$Nil (2020 - \$81,238) receivable at the year end pertaining to the CEWS.

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# THE BRIDGE, A MARKHAM COMMUNITY CHURCH

## SCHEDULE 1 - SCHEDULE OF EXPENSES

For the year ended August 31,	2021	2020
<b>CHURCH MINISTRIES</b>		
Worship arts	\$ 34,073	\$ 40,208
Care and seasonal groups	27,579	26,515
Children	22,818	20,614
Pastoral/Resources	22,341	29,130
Youth	21,042	44,243
Group life	17,109	20,195
Young adults	11,639	24,103
Host ministries	5,043	25,461
Family	4,717	4,864
	<u>\$ 166,361</u>	<u>\$ 235,333</u>
<b>GENERAL AND ADMINISTRATIVE</b>		
Computer equipment and software	\$ 29,218	\$ 29,655
Bank charges and merchant fees	35,437	26,587
Communication	24,856	26,546
Telecommunications	24,516	20,038
Professional fees	9,012	11,932
Board of directors	8,738	5,321
Office equipment and supplies	6,297	11,785
Resources and memberships	3,493	4,690
Team training and development	2,385	1,897
Postage and delivery	2,288	2,027
	<u>\$ 146,240</u>	<u>\$ 140,478</u>
<b>BUILDING AND PROPERTY</b>		
Utilities	\$ 23,342	\$ 67,095
Miscellaneous	20,620	10,102
Grounds upkeep	12,315	27,712
Insurance	11,368	9,623
Service contracts	3,699	14,000
Furniture and equipment	3,586	852
Custodial	1,757	16,017
Supplies	723	3,808
Health and safety	690	2,383
Renovations and repairs	-	4,932
	<u>\$ 78,100</u>	<u>\$ 156,524</u>

See accompanying notes

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