Mile Two Church Inc.

Financial Statements

July 31, 2019

Mile Two Church Inc.
Statement of Financial Position
As at July 31, 2019

	2019	*2018*
Assets		
Current		
Cash	**192,421**	172,916
Accounts receivable	**11,684**	1,126
Goods and Services Tax receivable	**12,624**	4,029
Prepaid expenses	**16,079**	3,994
Inventory	**1,364**	1,755
	234,172	183,820
Capital assets *(Note 3)*	**1,407,125**	1,489,202
	1,641,297	1,673,022
Liabilities		
Current		
Accounts payable and accruals *(Note 5)*	**50,422**	50,933
Wages payable	**15,408**	10,160
Deferred contributions *(Note 6)*	**56,835**	90,327
Current portion of pension payable *(Note 7)*	**60,000**	60,000
	182,665	211,420
Pension payable *(Note 7)*	**324,000**	384,000
	506,665	595,420
Net Assets (Deficit)		
Invested in capital assets	**1,407,125**	1,489,202
Unrestricted deficit	**(272,493)**	(411,600)
	1,134,632	1,077,602
	1,641,297	1,673,022

Approved on behalf of the Board

[redacted]

Director [redacted] **Director** [redacted]

The accompanying notes are an integral part of these financial statements

[redacted]

Mile Two Church Inc.
Statement of Operations
For the year ended July 31, 2019

	2019	2018
Revenue		
Donations	**926,970**	988,756
Saskatchewan Education funding	**614,218**	445,369
Tuitions and fees	**315,094**	208,757
Seminars and projects	**32,197**	35,715
GST rebates	**11,378**	16,447
Uniform sales, net *(Note 8)*	**(51)**	(361)
Total revenue	**1,899,806**	1,694,683
Expenses		
Personnel		
Employee benefit costs	**14,538**	-
Housing allowances	**45,000**	45,000
Wages and benefits	**1,132,799**	1,019,314
	1,192,337	1,064,314
Programs		
Automobile and travel	**4,911**	8,566
Educational	**104,160**	75,298
Fellowship	**17,434**	22,531
Missions	**45,803**	66,774
Seminars and speakers	**11,406**	22,470
Supplies, books and music	**70,121**	61,012
	253,835	256,651
Occupancy		
Insurance	**23,460**	23,252
Mortgage interest	**-**	80
Repairs and maintenance	**82,734**	56,111
Utilities	**80,471**	76,236
	186,665	155,679

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Mile Two Church Inc.
Statement of Operations
For the year ended July 31, 2019

	2019	*2018*
Administration and general		
Advertising and promotion	**3,067**	3,729
Amortization	**102,677**	100,721
Audit and legal	**10,800**	10,560
Bad debts	**250**	13,630
Bank charges	**12,180**	13,370
Office and other	**60,624**	55,940
Staff development	**23,339**	10,992
	212,937	208,942
Total expenses	**1,845,774**	1,685,586
Excess of revenue over expenses before other items	**54,032**	9,097
Other items		
Gain on disposal of capital assets	**2,998**	1,500
Excess of revenue over expenses	**57,030**	10,597

Mile Two Church Inc.
Statement of Changes in Net Assets
For the year ended July 31, 2019

	Invested in Capital Assets	*Unrestricted*	*2019*	*2018*
Net assets (deficit), beginning of year	**1,489,202**	**(411,600)**	**1,077,602**	1,067,005
Excess (deficiency) of revenue over expenses	**(99,679)**	**156,709**	**57,030**	10,597
Transfers for capital asset purchases	**21,802**	**(21,802)**	**-**	-
Proceeds on sale of capital assets	**(4,200)**	**4,200**	**-**	-
Net assets (deficit), end of year	**1,407,125**	**(272,493)**	**1,134,632**	1,077,602

The accompanying notes are an integral part of these financial statements

[redacted]

Mile Two Church Inc.
Statement of Cash Flows
For the year ended July 31, 2019

	2019	*2018*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**57,030**	10,597
Amortization	**102,677**	100,721
Gain on disposal of capital assets	**(2,998)**	(1,500)
	156,709	109,818
Changes in working capital accounts		
Accounts receivable	**(10,558)**	3,441
Goods and Services Tax receivable	**(8,595)**	3,232
Prepaid expenses	**(12,085)**	(906)
Inventory	**391**	642
Accounts payable and accruals	**(511)**	29,167
Wages payable	**5,248**	(13,805)
Deferred contributions	**(33,492)**	55,830
	97,107	187,419
Financing		
Repayment of long-term debt	**-**	(10,980)
Decrease in pension payable	**(60,000)**	(60,000)
	(60,000)	(70,980)
Investing		
Purchase of capital assets	**(21,802)**	(30,233)
Proceeds on disposal of capital assets	**4,200**	1,500
	(17,602)	(28,733)
Increase in cash resources	**19,505**	87,706
Cash resources, beginning of year	**172,916**	85,210
Cash resources, end of year	**192,421**	172,916

The accompanying notes are an integral part of these financial statements

[redacted]

1. Incorporation and nature of the organization

Mile Two Church Inc. (the "Church") changed its name from Saskatoon Christian Centre Inc. effective March 12, 2018.

The Organization was organized for the propagation of the Gospel of Jesus Christ through preaching, teaching and missionary outreach. It was incorporated under the Non-Profit Corporation Act of Saskatchewan, formerly the Societies Act, on October 17, 1977. Therefore, it is required to report annually to Saskatchewan Justice, Corporations Branch.

The Church is a Registered Charity under the Income Tax Act and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the act and to annually file a "Registered Charity Information and Public Information Return" with Canada Revenue Agency, Charities Directorate. In the opinion of management, these requirements have been met.

The Organization holds regular weekly worship services and other ministry programs for its members thoughout the week. It also operates the Legacy Christian Academy, a private school from Kindergarten to Grade 12.

2. 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:

Cash and cash equivalents

Cash and cash equivalents include balances with banks.

Inventory

Inventory is comprised of Legacy Christian Centre merchandise for resale. It is recorded at the lower of cost and net realizable value, on a first-in-first out basis.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using methods and rates intended to amortize the cost of capital assets over their estimated useful lives, as follows:

	Method	Rate
Buildings	declining balance	4 %
Automotive	straight-line	5-10 years
Equipment	straight-line	5-20 years

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Church determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

[redacted]

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

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

Government funding is recognized as it becomes receivable under the terms of applicable funding agreements.

Tuition revenue is recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Seminar revenue is recognized when the related seminars are delivered.

Other revenue is recognized when earned.

Uniform sales are recognized when the related goods are sold.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Church's operations and would otherwise have been purchased.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. An allowance for doubtful accounts was not deemed necessary in the current year. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. Deferred contributions are recorded based on management's analysis of the balance at year end of unspent contributions externally restricted for future delivery of programming and tuition.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess (deficiency) of revenue over expenses in the periods in which they become known.

Financial instruments

The Church recognizes its financial instruments when the Church becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Church may irrevocably elect to subsequently measure any financial instrument at fair value. The Church has not made such an election during the year.

The Church subsequently measures all investments at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

3. Capital assets

			2019
	Cost	***Accumulated amortization***	***Net book value***
Land	**158,951**	**-**	**158,951**
Buildings	**3,032,670**	**2,083,780**	**948,890**
Automotive	**70,791**	**47,272**	**23,519**
Equipment	**1,302,738**	**1,026,973**	**275,765**
	4,565,150	**3,158,025**	**1,407,125**

			2018
	Cost	*Accumulated amortization*	*Net book value*
Land	158,951	-	158,951
Buildings	3,032,670	2,044,243	988,427
Automotive	70,791	40,193	30,598
Equipment	1,314,010	1,002,784	311,226
	4,576,422	3,087,220	1,489,202

4. Cash

The Organization has an operating line of credit facility with [redacted] to a limit of $100,000, secured by a general security agreement. Interest is payable monthly at prime plus 1% on any outstanding balance. In addition, it has a [redacted] account with [redacted] with a limit of $44,000. As at July 31, 2019 the bank operating line of credit balance was $Nil (2018 - $Nil) and the [redacted] balance was $691 (2018- $1,341). Prime rate as at July 31, 2019 was 3.95%.

5. Accounts payable and accruals

	2019	*2018*
Trade payables	**21,689**	25,863
Source deductions	**13,978**	13,185
Accrued payables	**14,755**	11,885
	50,422	50,933

6. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for delivery of programming and tuition. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2019	*2018*
Balance, beginning of year	**90,327**	34,497
Add: deferred amounts received	**70,377**	94,492
Less: amount recognized as revenue	**(103,869)**	(38,662)
Balance, end of year	**56,835**	90,327

7. Pension payable

The Organization has entered into agreements with former employees to provide retirement allowances at set monthly amounts woth no further obligation beyond the following amounts:

	2019	*2018*
First agreement		
Balance, beginning of year	**252,000**	288,000
Amounts paid during the year	**(36,000)**	(36,000)
Balance, end of year, maturing July 31, 2025	**216,000**	252,000
Second agreement		
Balance, beginning of year	**192,000**	216,000
Amounts paid during the year	**(24,000)**	(24,000)
Balance, end of year, maturing July 31, 2026	**168,000**	192,000
Less: current portion	**(60,000)**	(60,000)
	324,000	384,000

8. Uniform sales, net

Uniform sales are reflected at a net amount determined as follows:

	2019	*2018*
Uniform sales	**1,333**	1,241
Cost of goods sold	**(1,384)**	(1,602)
	(51)	(361)

9. Financial instruments

The Church, as part of its operations, carries a number of financial instruments. It is management's opinion that the Church is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Church is exposed to interest rate cash flow risk with respect to its line of credit which is subject to floating interest at prime plus 1% (2018 – prime plus 1%). It is management's opinion that due to the minimal outstanding balance of the line of credit thoughout the year, that this does not represent a significant risk to the Organization.