Mile Two Church Inc.
Financial Statements
July 31, 2020

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Independent Auditor's Report

To the Members and Congregation of Mile Two Church Inc.:

Qualified Opinion

We have audited the financial statements of Mile Two Church Inc. (the "Church"), which comprise the statement of financial position as at July 31, 2020, and the statements of operations, changes in net assets 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 section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at July 31, 2020, 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, Mile Two Church Inc. derives income from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from this source 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 donation revenue, excess of revenue over expenses, current assets and net assets.

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 Church 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 opinion.

Other Information

Management is responsible for the other information. The other information comprises the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Church'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 Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Church's financial reporting process.

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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 Church'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 releted to events or conditions that may cast significant doubt on the Church'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 Church 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.

[redacted]

[redacted]

Chartered Professional Accountants

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Mile Two Church Inc.
Statement of Financial Position
As at July 31, 2020

	2020	2019
Assets		
Current		
Cash *(Note 4)*	**394,697**	192,421
Accounts receivable *(Note 12)*	**117,316**	11,684
Goods and Services Tax receivable	**4,205**	12,624
Prepaid expenses	**22,496**	16,079
Inventory	**2,333**	1,364
	541,047	234,172
Capital assets *(Note 5)*	**1,370,596**	1,407,125
	1,911,643	1,641,297
Liabilities		
Current		
Accounts payable and accruals *(Note 6)*	**50,444**	50,422
Wages payable	**48,595**	15,408
Deferred contributions *(Note 7)*	**42,293**	56,835
Current portion of pension payable *(Note 9)*	**60,000**	60,000
	201,332	182,665
Deferred capital contributions *(Note 8)*	**8,038**	-
Pension payable *(Note 9)*	**264,000**	324,000
	473,370	506,665
Net Assets (Deficit)		
Invested in capital assets	**1,370,596**	1,407,125
Unrestricted (deficit)	**67,677**	(272,493)
	1,438,273	1,134,632
	1,911,643	1,641,297

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Approved on behalf of the Board

[redacted]

Director

[redacted]

Directo[redacted]

[redacted]

The accompanying notes are an integral part of these financial statements

Mile Two Church Inc.
Statement of Operations
For the year ended July 31, 2020

	2020	2019
Revenue		
Donations	892,988	926,970
Government subsidies	10,195	-
Saskatchewan Education funding	736,175	614,218
Tuitions and fees	320,793	315,094
Seminars and projects	12,479	32,197
GST rebates	7,395	11,378
Uniform sales, net *(Note 10)*	1,066	(51)
Total revenue	1,981,091	1,899,806
Personnel		
Employee benefit costs	34,046	14,538
Housing allowances	45,000	45,000
Wages and benefits *(Note 12)*	994,018	1,132,799
	1,073,064	1,192,337
Programs		
Automobile and travel	6,850	4,911
Educational	92,260	104,160
Fellowship	12,878	17,434
Missions	48,932	45,803
Seminars and speakers	8,729	11,406
Supplies, books and music	48,554	70,121
	218,203	253,835
Occupancy		
Insurance	25,353	23,460
Repairs and maintenance	68,211	82,734
Utilities	77,861	80,471
	171,425	186,665

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	2020	*2019*
Administration and general		
Advertising and promotion	**1,534**	3,067
Amortization	**97,618**	102,677
Audit and legal	**16,358**	10,800
Bad debts	**9,202**	250
Bank charges	**13,566**	12,180
Office and other	**66,110**	60,624
Staff development	**10,501**	23,339
	214,889	212,937
Total expenses	**1,677,581**	1,845,774
Excess of revenue over expenses before other items	**303,510**	54,032
Other items		
Gain on disposal of capital assets	**131**	2,998
Excess of revenue over expenses	**303,641**	57,030

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[redacted]

Mile Two Church Inc.
Statement of Changes in Net Assets
For the year ended July 31, 2020

	Invested in Capital Assets	*Unrestricted*	*2020*	*2019*
Net assets (deficit), beginning of year	1,407,125	(272,493)	**1,134,632**	1,077,602
Excess (deficiency) of revenue over expenses	(97,487)	401,128	**303,641**	57,030
Transfers for capital asset purchases	62,833	(62,833)	**-**	-
Proceeds on disposal of capital assets	(1,875)	1,875	**-**	-
Net assets, end of year	**1,370,596**	**67,677**	**1,438,273**	1,134,632

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The accompanying notes are an integral part of these financial statements

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Mile Two Church Inc.
Statement of Cash Flows
For the year ended July 31, 2020

	2020	*2019*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**303,641**	57,030
Amortization	**97,618**	102,677
Gain on disposal of capital assets	**(131)**	(2,998)
Deferred capital contributions recognized as revenue	**(893)**	-
	400,235	156,709
Changes in working capital accounts		
Accounts receivable	**(105,632)**	(10,558)
Goods and Services Tax receivable	**8,419**	(8,595)
Prepaid expenses	**(6,417)**	(12,086)
Inventory	**(969)**	391
Accounts payable and accruals	**22**	(511)
Wages payable	**33,187**	5,248
Deferred contributions	**(14,542)**	(33,492)
	314,303	97,107
Financing		
Decrease in pension payable	**(60,000)**	(60,000)
Investing		
Purchase of capital assets	**(62,833)**	(21,802)
Proceeds on disposal of capital assets	**1,875**	4,200
Deferred capital contributions received	**8,931**	-
	(52,027)	(17,602)
Increase in cash resources	**202,276**	19,505
Cash resources, beginning of year	**192,421**	172,916
Cash resources, end of year	**394,697**	192,421

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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 throughout 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.

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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.

Government assistance

Claims for assistance under the Canadian Emergency Wage Subsidy program are accrued when receivable at the end of the qualifying period. Canadian Emergency Wage Subsidy payments are recorded as a reduction of wages and benefits expense in the period in which they are receivable.

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. 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.

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3. Change in accounting policy

Effective August 1, 2019, the Church adopted the Accounting Standard Board's (AcSB) new accounting standards improvements for not-for-profit organizations related to capital assets under Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations. Applying this new Section results in changes to the determination of impairment and write-downs of capital assets and allows for the recognition of partial impairments of these assets.

Pursuant to the transitional provisions, this change was applied prospectively, and the prior periods have not been restated. There was no impact to the financial statements resulting from this change in accounting policy.

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, 2020 the bank operating line of credit balance was $Nil (2019 - $Nil) and the [redacted] balance was $110 (2019- $691). Prime rate as at July 31, 2020 was 2.45% (2019 - 3.95%).

5. Capital assets

			2020
	Cost	***Accumulated amortization***	***Net book value***
Land	**158,951**	**-**	**158,951**
Buildings	**3,032,670**	**2,121,736**	**910,934**
Automotive	**70,791**	**54,351**	**16,440**
Equipment	**1,336,706**	**1,052,437**	**284,271**
	4,599,120	**3,228,524**	**1,370,596**

			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

6. Accounts payable and accruals

	2020	*2019*
Trade payables	**34,766**	21,689
Source deductions	**1,095**	13,978
Accrued payables	**14,583**	14,755
	50,444	50,422

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7. 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:

	2020	*2019*
Balance, beginning of year	**56,835**	90,327
Add: deferred amounts received	**78,200**	70,377
Less: amount recognized as revenue	**(92,742)**	(103,869)
Balance, end of year	**42,293**	56,835

8. Deferred capital contributions

Deferred capital contributions consist of the unamortized amount of externally restricted contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2020	*2019*
Funding received for purchase of capital assets	**8,931**	-
Less: amount recognized as revenue	**(893)**	-
Balance, end of year	**8,038**	-

9. Pension payable

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

	2020	*2019*
First agreement		
Balance, beginning of year	**216,000**	252,000
Amounts paid during the year	**(36,000)**	(36,000)
Balance, end of year, maturing July 31, 2025	**180,000**	216,000
Second agreement		
Balance, beginning of year	**168,000**	192,000
Amounts paid during the year	**(24,000)**	(24,000)
Balance, end of year, maturing July 31, 2026	**144,000**	168,000
Less: current portion	**(60,000)**	(60,000)
	264,000	324,000

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10. Uniform sales, net

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

	2020	*2019*
Uniform sales	**1,440**	1,333
Cost of goods sold	**(374)**	(1,384)
	1,066	(51)

11. 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% (2019 – prime plus 1%). It is management's opinion that due to the minimal outstanding balance of the line of credit throughout the year, that this does not represent a significant risk to the Organization.

12. Government assistance

During the year, the Church qualified for $134,748 of Canada Emergency Wage Subsidy from the Government of Canada as part of Canada's COVID-19 Economic Response Plan to support Canadians and protect jobs during the global COVID-19 pandemic. This amount has been reflected in these financial statements as a reduction of wages and benefits expense. Included in accounts receivable at July 31, 2020 is $110,782 related to the Canada Emergency Wage Subsidy.

13. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Church as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus.

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