MILE TWO CHURCH INC.

Financial Statements

Year Ended July 31, 2021

MILE TWO CHURCH INC.
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Year Ended July 31, 2021

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[redacted]

To the Directors of
MILE TWO CHURCH INC.

Qualified Opinion
We have audited the accompanying financial statements of MILE TWO CHURCH INC. (the "Organization"), which comprise the statement of financial position as at July 31, 2021, 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations (ASNPO).

Basis for Qualified Opinion
In common with many not for profit organizations, the Organization derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenues or donations, net surplus or deficit, and cash flows from operations for the years ended July 31, 2021, current assets as at July 31, 2021, and net assets as at August 1 and July 31 for the 2021 year. Our audit opinion on the financial statements for the year ended July 31, 2021 was modified accordingly because of the possible effects of the 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 Organization 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.

Other Matter - Comparative Information
The accompanying comparative information, which comprises the statement of financial position as at July 31, 2020, and the statements of operations, changes in net assets, and of cash flows for the year ended, were audited by another auditor who expressed a qualified opinion on January 5, 2021. The basis for the qualification was a scope limitation on the completeness of donations. Our opinion is not modified in respect of this matter.

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 ASNPO, 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 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 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 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.

[redacted]

CHARTERED PROFESSIONAL ACCOUNTANTS

[redacted]

MILE TWO CHURCH INC.

Statement of Financial Position

As at July 31, 2021

ASSETS	**Unrestricted**	**Invested in capital assets**	**2021 Total**	**2020 Total**
Current assets				
Cash and cash equivalents (note 3)	$ 906,012	$ -	$ 906,012	$ 394,697
Accounts receivable (note 4)	31,023	-	31,023	117,316
Inventory	1,641	-	1,641	2,333
GST receivable	5,316	-	5,316	4,205
Prepaid expenses	13,983	-	13,983	22,496
	957,975	-	957,975	541,047
Capital assets (note 5)	-	1,337,404	1,337,404	1,370,596
	$ 957,975	$ 1,337,404	$ 2,295,379	$ 1,911,643

LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	$ 79,051	$ -	$ 79,051	$ 99,039
Deferred contributions (note 7)	106,784	-	106,784	42,293
Current portion of pension payable (note 9)	60,000	-	60,000	60,000
	245,835	-	245,835	201,332
Deferred capital contributions	-	-	-	8,038
Pension payable (note 9)	204,000	-	204,000	264,000
	449,835	-	449,835	473,370
Net assets				
Unrestricted	508,140	-	508,140	67,677
Invested in capital assets	-	1,337,404	1,337,404	1,370,596
	508,140	1,337,404	1,845,544	1,438,273
	$ 957,975	$ 1,337,404	$ 2,295,379	$ 1,911,643

See accompanying notes to financial statements

Approved by [redacted]

MILE TWO CHURCH INC.
Statement of Changes in Net Assets
For the year ended July 31, 2021

	Unrestricted	Invested in capital assets	2021 Total	2020 Total
Net assets, beginning of the year	$ 67,677	$ 1,370,596	$ 1,438,273	$ 1,134,632
Net surplus (deficit)	513,752	(106,481)	407,271	303,641
Purchase of capital assets	(73,289)	73,289	-	-
Net assets, end of the year	$ 508,140	$ 1,337,404	$ 1,845,544	$ 1,438,273

See accompanying notes to financial statements

MILE TWO CHURCH INC.

Statement of Operations

For the year ended July 31, 2021

	Unrestricted	Invested in capital assets	2021 Total	2020 Total
Revenue *(Schedule 1)*	$ 2,445,138	$ -	$ 2,445,138	$ 2,115,970
Personnel				
Wages and benefits	1,357,386	-	1,357,386	1,128,766
Housing allowances	45,000	-	45,000	45,000
Employee benefits	42,458	-	42,458	34,046
	1,444,844	-	1,444,844	1,207,812
Program expenses				
Educational	58,983	-	58,983	68,306
Missions	47,100	-	47,100	51,932
Supplies, books and music	37,763	-	37,763	76,185
Fellowship	13,362	-	13,362	6,201
Vehicle operating	4,713	-	4,713	6,850
Seminars and speakers	2,500	-	2,500	8,729
	164,421	-	164,421	218,203
Occupancy				
Repairs and maintenance	111,608	-	111,608	68,211
Utilities	64,024	-	64,024	77,861
Insurance	24,087	-	24,087	25,353
	199,719	-	199,719	171,425
Administration				
Office	80,903	-	80,903	66,110
Professional fees	16,466	-	16,466	16,358
Interest and bank charges	15,522	-	15,522	13,566
Staff development	4,780	-	4,780	10,501
Bad debts	3,478	-	3,478	9,202
Advertising and promotion	1,253	-	1,253	1,534
	122,402	-	122,402	117,271
Amortization of capital assets	-	106,481	106,481	97,618
Total expenses	1,931,386	106,481	2,037,867	1,812,329
Net surplus (deficit)	$ 513,752	$ (106,481)	$ 407,271	$ 303,641

See accompanying notes to financial statements

MILE TWO CHURCH INC.

Statement of Cash Flows

For the year ended July 31, 2021

		2021		2020
Cash flow from operating activities				
Net surplus	$	407,271	$	303,641
Items not affecting cash:				
Amortization of capital assets		106,481		97,618
Gain on sale of capital assets		(1,305)		(131)
Deferred capital contributions recognized as revenue		(8,038)		(893)
Changes in non-cash working capital:				
Accounts receivable		86,293		(105,632)
GST receivable		(1,111)		8,419
Inventory		692		(969)
Prepaid expenses		8,513		(6,417)
Accounts payable and accrued liabilities		(19,988)		33,209
Deferred contributions		64,491		(14,542)
Net cash provided by operating activities		643,299		314,303
Cash flows from investing activities				
Purchase of tangible capital assets		(73,289)		(62,833)
Proceeds from sale of tangible capital assets		1,305		1,875
Deferred capital contributions received		-		8,931
Net cash used in investing activities		(71,984)		(52,027)
Cash flows from financing activities				
Repayment of pension payable		(60,000)		(60,000)
Net cash used in financing activities		(60,000)		(60,000)
Net increase in cash and cash equivalents		511,315		202,276
Cash and cash equivalents at the beginning of the year		394,697		192,421
Cash and cash equivalents at the end of the year	$	906,012	$	394,697

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Notes to Financial Statements
For the Year Ended July 31, 2021

1. DESCRIPTION OF ORGANIZATION

MILE TWO CHURCH INC. (the "Organization") 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 Organization 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 Legacy Christian Academy, a private school from Kindergarten to Grade 12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) set out in Part III of the CPA Canada Handbook, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

Accounts receivable

Accounts receivable are stated net of an allowance for bad debts, if any.

Inventory

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

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital 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 amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions, consisting primarily of grant revenues and externally restricted donations, are recognized as revenue in the year in which the related expense are incurred. Unrestricted contributions, consisting primarily of unrestricted donations, are recognized as revenue when received.

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

Volunteers contribute a significant amount of time each year to assist the Organization in carrying out its programs and services. Due to the difficulty in determining their fair value, services contributed by volunteers are not recognized in these financial statements.

Contributions of materials and services are recognized 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 operations and would otherwise have been purchased.

Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include:

a) The accounts receivable and allowance for doubtful accounts and indirectly bad debt expense.
b) The useful lives of capital assets and indirectly amortization.
c) The accounts payable and accrued liabilities and indirectly expenses.

Recognized amounts of such items are based on the Organization's best information and judgment. Actual results could differ from those estimates.

MILE TWO CHURCH INC.
Notes to Financial Statements
For the Year Ended July 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 are recorded under subsidies on the revenue schedule.

Financial instruments

Initial and Subsequent Measurement
The Organization initially measures its financial assets and liabilities at fair value. Financial assets and liabilities are subsequently measured at cost or amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in income in the period incurred.

Financial assets measured at amortized cost consist of cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, vacation payable, and pension payable. There are no financial assets or liabilities measured at fair value.

Transaction costs
Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in income in the period incurred. Transaction costs related to financial instruments subsequently measured at cost or amortized cost are included in the original cost of the financial asset or liability and recognized in income over the life of the instrument using the straight line method.

Impairment
For financial assets measured at amortized cost, the Organization determines whether there is indication of a possible impairment. If this is the case, and if the Organization determines that there has been a material adverse change in the timing or expected future cash flows during the year, an impairment loss is recognized in net surplus or deficit. An impairment loss that has already been recognized may be reversed. The carrying amount of the financial asset may not be greater than it would have been on the reversal date if the impairment loss had never been recognized. The amount of any reversal is recognized in net surplus or deficit.

Foreign currency translation
Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchanges rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of net surplus or deficit.

3. CASH/OVERDRAFT/OPERATING LOANS

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 and a [redacted] with [redacted] with a limit of $ 1,400. As at July 31, 2021 the bank operating line of credit balance was $ NIL (2020 - $ NIL), the [redacted] balance was $ NIL (2020 - $ 110) and the [redacted] balance was $ NIL (2020 - $ NIL). Prime rate at July 31, 2021 was 2.45% (2020 - 2.45%).

MILE TWO CHURCH INC.
Notes to Financial Statements
For the Year Ended July 31, 2021

4. ACCOUNTS RECEIVABLE

	2021	2020
Subsidies receivable	$ 30,380	$ 110,782
Accounts receivable	3,207	10,626
Allowance for doubtful accounts	(2,564)	(4,092)
	$ 31,023	$ 117,316

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	$ 158,951	$ -	$ 158,951	$ 158,951
Buildings	3,032,670	2,158,173	874,497	910,934
Equipment	1,058,540	764,019	294,521	284,271
Automotive	70,865	61,430	9,435	16,440
	$ 4,321,026	$ 2,983,622	$ 1,337,404	$ 1,370,596

6. ACCOUNTS PAYABLE

	2021	2020
Vacation payable	$ 51,745	$ 48,595
Accounts payable and accrued liabilities	24,506	49,348
Employee deductions payable	2,800	1,096
	$ 79,051	$ 99,039

7. DEFERRED CONTRIBUTIONS

Deferred contributions consist of unspent contributions externally restricted for delivery of programming. 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:

	2021	2020
Balance, beginning of year	$ 42,293	$ 56,835
Add: Amount received during the year	248,179	78,200
Less: amount recognized as revenue during the year	(183,688)	(92,742)
	$ 106,784	$ 42,293

MILE TWO CHURCH INC.
Notes to Financial Statements
For the Year Ended July 31, 2021

8. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

The Organization applied and received $ 60,000 under the Canada Emergency Business Account (CEBA). The loan was facilitated through [redacted] The loan is interest free until December 31, 2022 and carries a forgivable portion of $ 20,000 if the repayable balance is paid in full before that date. After that date, if the repayable balance has not been repaid, the loan will automatically renew for an additional three years extending the maturity date to December 31, 2025 with an interest rate of 5% per annum. As per ITA s. 12(1)(x) the forgivable portion of the loan has been recognized as income on the receipt of the loan.

	2021	2020
Loan received	$ 60,000	$ -
Forgivable portion	(20,000)	-
Amount paid back during the year	(40,000)	-
Balance at July 31, 2021	$ -	$ -

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:

	2021	2020
First agreement		
Balance beginning of year	$ 180,000	$ 216,000
Amounts paid during the year	(36,000)	(36,000)
Balance, end of year, maturing July 31, 2025	144,000	180,000
Second agreement		
Balance beginning of year	144,000	168,000
Amounts paid during the year	(24,000)	(24,000)
Balance, end of year, maturing July 31, 2026	120,000	144,000
Less: current portion	(60,000)	(60,000)
	$ 204,000	$ 264,000

10. UNIFORM SALES

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

	2021	2020
Uniform sales	$ 535	$ 1,440
Cost of goods sold	(1,436)	(374)
	$ (901)	$ 1,066

11. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Organization is exposed to various risks through its financial instruments. The following analysis describes the Organization's risk exposure at July 31, 2021.

Liquidity risk:

Liquidity risk is the risk that the Organization will not be able to meet its obligations on a timely basis or at a reasonable cost. The Organization's exposure to liquidity risk is dependent upon receipt of government grants, collection of accounts receivable, and continued contributions from its members. Additional cash requirements are met with the use of the available operating lines of credit. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from the prior year.

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 flow associated with some financial assets and liabilities, know as cash flow risk, and on the fair value of other financial assets and liabilities, know as price risk.

The Organization is exposed to interest rate cash flow risk with respect to its' operating line of credit which is subject to a floating interest rate of prime plus 1% (2020 - prime plus 1%).

It is management's opinion that the variability in interest rates does not represent a significant risk to the Organization.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at July 31, 2021, the Organization has cash of $ 13,633 (2020 - $ 2,529) denominated in USD currency.

12. GOVERNMENT ASSISTANCE

During the year, the Organization qualified for $ 246,494 (2020 - $ 144,943) of Canada Emergency Wage Subsidy (CEWS) and a $ 60,000 Canada Emergency Business Account (CEBA) loan from the Government of Canada. This money was made available by the Government of Canada as part of Canada's COVID-19 Economic Response Plan. This plan's goal was to support Canadians and protect jobs during the global COVID-19 pandemic. The wage subsidy and the forgivable portion of the CEBA loan (note 8) are recorded as subsidies on the revenue schedule.

13. ECONOMIC DEPENDANCE

The Organization's education programs are dependent on receipt of government grants. Without these grants the Organization may be unable to continue offering these services.

14. COMPARATIVE FIGURES

The prior year financial statements were audited by a different accounting firm. Certain numbers of the prior year have been recategorized to maintain comparability with the current year's presentation.

MILE TWO CHURCH INC.
Schedule 1 - Revenue
For the year ended July 31, 2021

	2021 Total	2020 Total
Revenue		
Donations	$ 945,843	$ 892,988
Saskatchewan education funding	840,736	736,175
Tuition and fees	351,951	320,793
Subsidies (note 8, 12)	266,494	144,943
Activity fees	14,443	12,479
Rebates	12,819	-
Rental and interest	12,448	7,395
Gain on sale of capital assets	1,305	131
Uniforms (note 10)	(901)	1,066
	$ 2,445,138	$ 2,115,970