MILE TWO CHURCH INC.

Financial Statements

Year Ended July 31, 2022

MILE TWO CHURCH INC.
Index to the Financial Statements
July 31, 2022

[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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at July 31, 2022 and 2021, and net assets as at August 1 and July 31 for both the 2022 and 2021 years. 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.

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, 2022

ASSETS	**Unrestricted**	**Invested in capital assets**	**2022 Total**	**2021 Total**
Current assets				
Cash and cash equivalents (note 3)	$ 802,866	$ -	$ 802,866	$ 906,012
Accounts receivable (note 5)	4,798	-	4,798	31,023
Inventory	3,037	-	3,037	1,641
GST receivable	6,133	-	6,133	5,316
Prepaid expenses	13,635	-	13,635	13,983
	830,469	-	830,469	957,975
Capital assets (note 6)	-	1,324,562	1,324,562	1,337,404
	$ 830,469	$ 1,324,562	$ 2,155,031	$ 2,295,379
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	$ 80,625	$ -	$ 80,625	$ 79,051
Deferred contributions (note 8)	75,120	-	75,120	106,784
Current portion of pension payable (note 10)	-	-	-	60,000
	155,745	-	155,745	245,835
Pension payable (note 10)	180,000	-	180,000	204,000
	335,745	-	335,745	449,835
Net assets				
Unrestricted	494,724	-	494,724	508,140
Invested in capital assets	-	1,324,562	1,324,562	1,337,404
	494,724	1,324,562	1,819,286	1,845,544
	$ 830,469	$ 1,324,562	$ 2,155,031	$ 2,295,379

See accompanying notes to financial statements

Approved by:

Directo[redacted]

Directo[redacted]

MILE TWO CHURCH INC.

Statement of Changes in Net Assets

For the year ended July 31, 2022

	Unrestricted	Invested in capital assets	2022 Total	2021 Total
Net assets, beginning of the year	$ 508,140	$ 1,337,404	$ 1,845,544	$ 1,438,273
Net surplus (deficit)	74,959	(101,217)	(26,258)	407,271
Loss on sale of capital assets	1,476	(1,476)	-	-
Proceeds on sale of capital assets	3,060	(3,060)	-	-
Purchase of capital assets	(92,911)	92,911	-	-
Net assets, end of the year	$ 494,724	$ 1,324,562	$ 1,819,286	$ 1,845,544

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Statement of Operations
For the year ended July 31, 2022

	Unrestricted	Invested in capital assets	2022 Total	2021 Total
Revenue *(Schedule 1)*	$ 2,215,519	$ -	$ 2,215,519	$ 2,445,138
Personnel				
Wages and benefits	1,450,345	-	1,450,345	1,357,386
Housing allowances	45,000	-	45,000	45,000
Employee benefits	42,910	-	42,910	42,458
	1,538,255	-	1,538,255	1,444,844
Program expenses				
Education and sport	82,533	-	82,533	63,358
Supplies, books and music	75,892	-	75,892	38,134
Missions	66,953	-	66,953	46,939
Vehicle operating	17,272	-	17,272	11,169
Fellowship	7,312	-	7,312	2,321
Seminars and speakers	3,350	-	3,350	2,500
	253,312	-	253,312	164,421
Occupancy				
Repairs and maintenance	117,515	-	117,515	111,608
Utilities	66,533	-	66,533	64,024
Insurance	27,939	-	27,939	24,087
	211,987	-	211,987	199,719
Administration				
Office and computers (note 12)	69,914	-	69,914	59,462
Memberships and licenses	21,699	-	21,699	21,441
Staff development	14,693	-	14,693	4,780
Interest and bank charges	14,365	-	14,365	15,522
Professional fees	11,333	-	11,333	16,466
Advertising and promotion	3,135	-	3,135	1,253
Bad debts	1,867	-	1,867	3,478
	137,006	-	137,006	122,402
Amortization of capital assets	-	101,217	101,217	106,481
Total expenses	2,140,560	101,217	2,241,777	2,037,867
Net surplus (deficit)	$ 74,959	$ (101,217)	$ (26,258)	$ 407,271

See accompanying notes to financial statements

MILE TWO CHURCH INC.

Statement of Cash Flows

For the year ended July 31, 2022

	2022	2021
Cash flow from operating activities		
Net surplus (deficit)	$ (26,258)	$ 407,271
Items not affecting cash:		
Amortization of capital assets	101,217	106,481
Loss (gain) on sale of capital assets	1,476	(1,305)
Deferred capital contributions recognized as revenue	-	(8,038)
Changes in non-cash working capital:		
Accounts receivable	26,225	86,293
Inventory	(1,396)	692
GST receivable	(817)	(1,111)
Prepaid expenses	348	8,513
Accounts payable and accrued liabilities	1,574	(19,988)
Deferred contributions	(31,664)	64,491
Net cash provided by operating activities	70,705	643,299
Cash flows from investing activities		
Purchase of capital assets	(92,911)	(73,289)
Proceeds from sale of capital assets	3,060	1,305
Net cash used in investing activities	(89,851)	(71,984)
Cash flows from financing activities		
Decrease in pension payable	(84,000)	(60,000)
Net cash used in financing activities	(84,000)	(60,000)
Net increase (decrease) in cash and cash equivalents	(103,146)	511,315
Cash and cash equivalents at the beginning of the year	906,012	394,697
Cash and cash equivalents at the end of the year	$ 802,866	$ 906,012

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2022

1. DESCRIPTION OF ORGANIZATION

MILE TWO CHURCH INC. (the "Organization") was incorporated under the Non-profit Corporations Act of Saskatchewan, formerly the Societies Act, on October 17, 1977. The Organization is a Registered Charity under Section 149(1)(f) of the Income Tax Act and as such is exempt from income taxes. The Organization files a T3010 charity information return annual to maintain this status and reports annually to Saskatchewan Justice, Corporations Branch.

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 for students from Kindergarten to Grade 12.

The Organization changed its name from Saskatoon Christian Centre Inc. effective March 12, 2018.

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Organization's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions, consisting primarily of grant revenue 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 at the start of the period for which the services will be rendered. Tuition revenue received in advance of the school year is recorded as deferred revenue.

Revenue from the sale of goods and services is recorded when the goods are delivered and the services are rendered. Rental revenue is recognized as rents become due based on established agreements. Interest and subsides are recognized on an accrual basis.

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. Actual results could differ from those estimates. 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 inventory and indirectly net uniform sales.
c) The useful lives of capital assets and indirectly amortization.
d) The accounts payable and accrued liabilities and indirectly expenses.

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.

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

Financial instruments

Initial and Subsequent Measurement
The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments that are quoted in an active market, if any, 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, 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 are indication of a possible impairment. When there are, 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 income. An impairment loss that has already been recognized may be reversed. The carrying amount of the financial assets 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 income.

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 AND CASH EQUIVALENTS

	2022	2021
Cash in Canadian banks	$ 790,834	$ 892,379
Cash in Canadian banks - US dollar	7,032	13,633
Short term GIC, 0.65%	5,000	-
	$ 802,866	$ 906,012

Cash held in US dollars has been has been translated to Canadian dollars at the prevailing rate at the year end date, $ 1.29 Canadian dollars for every $ 1.00 United States dollars.

4. OPERATING LOANS AND CREDIT CARDS

The Organization has the following credit available to them through credit cards:

	Limit
[redacted]	$ 44,000
	5,000
	5,000
	1,400
	$ 55,400

The [redacted] is secured by a $ 5,000 GIC. The balances due on credit cards are reported as part of accounts payable and accrued liabilities.

During the year the Organization closed their $100,000 operating line of credit with [redacted]

5. ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable	$ 7,362	$ 3,207
Subsidies receivable	-	30,380
Allowance for doubtful accounts	(2,564)	(2,564)
	$ 4,798	$ 31,023

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	$ 158,951	$ -	$ 158,951	$ 158,951
Buildings	3,032,670	2,193,153	839,517	874,497
Equipment	1,101,371	811,356	290,015	294,521
Automotive	103,469	67,390	36,079	9,435
	$ 4,396,461	$ 3,071,899	$ 1,324,562	$ 1,337,404

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2022

7. ACCOUNTS PAYABLE

		2022		2021
Vacation payable	$	48,358	$	51,745
Accounts payable and accrued liabilities		32,267		24,506
Employee deductions payable		-		2,800
	$	80,625	$	79,051

8. 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:

		2022		2021
Balance, beginning of year	$	106,784	$	42,293
Add: Amount received during the year		113,718		248,179
Less: amount recognized as revenue during the year		(145,382)		(183,688)
	$	75,120	$	106,784

9. 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 the deferred capital contribution are as follows:

		2022		2021
Balance, beginning of year	$	-	$	8,038
Amount received during the year		-		-
Less: amount recognized as revenue during the year		-		(8,038)
	$	-	$	-

10. 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:

	2022	2021
First agreement		
Balance beginning of year	$ 144,000	$ 180,000
Amounts paid during the year	(36,000)	(36,000)
Balance, end of year, maturing July 31, 2025	108,000	144,000
Second agreement		
Balance beginning of year	120,000	144,000
Amounts paid during the year	(48,000)	(24,000)
Balance, end of year, maturing July 31, 2026	72,000	120,000
Less: current portion (note 16)	-	(60,000)
	$ 180,000	$ 204,000

11. UNIFORM SALES

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

	2022	2021
Uniform sales	$ 1,025	$ 535
Cost of goods sold	(1,100)	(1,436)
	$ (75)	$ (901)

12. RELATED PARTY TRANSACTIONS

The Organization paid [redacted] $ 13,137 (2021 - $ 13,320) for website hosting services. At the year end date there is a balance payable of $ 777 (2021 - $ 1,110). [redacted] became a related party during the year when the owner became a director of the Organization.

The transactions occurred in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

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. SUBSIDIES

During the year, the Organization qualified for $ 24,395 (2021 - $ 246,494) of Canada Emergency Wage Subsidy (CEWS) 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, $ NIL (2021 - $ 20,000), are recorded as subsidies on the revenue schedule.

15. 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, 2022.

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The accounts receivable are due primarily from individuals in relation to school tuition and activity fees. To mitigate this risk the Organization regularly reviews its accounts receivable list, and based on payment history, will stop granting credit to individuals who have not made regular payments in the past. Funds on deposit are maintained with federally regulated Canadian financial institutions. The Organization is not subject to significant credit risk or concentration of credit risk with respect to its receivables. There has been no change to the risk exposures from the prior year.

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. Management is of the opinion that liquidity risk is not a significant risk as sufficient cash on hand exists to satisfy cash flow needs. There has been an increase to liquidity risk based upon the lawsuit discussed in note 16.

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 was exposed to interest rate cash flow risk with respect to its operating line of credit. The Organization cancelled its line of credit with [redacted] in the year and is not exposed to significant interest rate risk on any of its remaining financial instruments.

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, 2022, the Organization has cash of $ 7,032 (2021 - $ 13,633) denominated in USD currency.

16. SUBSEQUENT EVENTS - CONTINGENT LOSS INDETERMINABLE

[redacted]

17. COMPARATIVE FIGURES

Certain numbers of the prior year have been recategorized to maintain comparability with the presentation adopted for the current year.

18. ALLOCATION OF EXPENSES

On Schedule 2 of the financial statements, Legacy Christian Academy Revenue and Expense, there has been an allocation of occupancy costs to Legacy Christian Academy recognizing what management feels is a fair market value for occupancy. The building is owned by Mile Two Church which recognizes an offsetting revenue for this allocation. The amounts are net on the statement of operations and thus have no effect on reported figures.

MILE TWO CHURCH INC.
Schedule 1 - Revenue
For the year ended July 31, 2022

	2022	2021
Revenue		
Ministry of Education (note 13)	$ 983,060	$ 840,736
Donations	764,301	945,673
Tuition and other student fees	424,551	351,951
Subsidies (note 14)	24,395	266,494
Rental	11,200	11,200
Fundraisers and other revenue	7,426	14,613
Interest	2,137	1,248
Rebates	-	12,819
Uniforms (note 11)	(75)	(901)
Gain (loss) on sale of capital assets	(1,476)	1,305
	$ 2,215,519	$ 2,445,138

MILE TWO CHURCH INC.

Schedule 2 - Legacy Christian Academy Revenue and Expense

For the year ended July 31, 2022

	2022	2021
Revenue		
Ministry of Education (note 13)	$ 983,060	$ 840,736
Tuition and other student fees	424,551	351,951
Donations	14,428	18,730
Fundraisers and other revenue	6,152	14,541
Subsidies (note 14)	4,569	83,733
Interest	154	-
Uniforms (note 11)	(75)	(901)
	1,432,839	1,308,790
Expenses		
Wages and benefits	998,680	948,700
School occupancy costs	140,968	157,044
Education and sport	82,533	63,358
Office and computers (note 12)	32,406	26,454
Amortization	24,422	10,067
Supplies, books and music	22,592	12,152
Vehicle operating	14,083	9,069
Repairs and maintenance	8,440	7,540
Bad debts	1,867	3,478
Interest and bank charges	819	729
Advertising and promotion	-	753
	1,326,810	1,239,344
Net surplus	$ 106,029	$ 69,446