MILE TWO CHURCH INC.

Financial Statements

Year Ended July 31, 2023

MILE TWO CHURCH INC.
Index to the Financial Statements
July 31, 2023

[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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at July 31, 2023 and 2022, and net assets as at August 1 and July 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended July 31, 2022 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, 2023

ASSETS	Unrestricted	Invested in capital assets	2023 Total	2022 Total
Current assets				
Cash and cash equivalents (note 3)	$ 533,223	$ -	$ 533,223	$ 802,866
Accounts receivable (note 5)	50,082	-	50,082	4,798
Inventory	2,300	-	2,300	3,037
GST receivable	4,360	-	4,360	6,133
Prepaid expenses	45,643	-	45,643	13,635
	635,608	-	635,608	830,469
Capital assets (note 6)	-	1,217,294	1,217,294	1,324,562
	$ 635,608	$ 1,217,294	$ 1,852,902	$ 2,155,031

LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	$ 114,043	$ -	$ 114,043	$ 80,625
Deferred contributions (note 8)	38,241	-	38,241	75,120
Current portion of pension payable (note 10)	46,000	-	46,000	-
	198,284	-	198,284	155,745
Pension payable (note 9)	126,000	-	126,000	180,000
	324,284	-	324,284	335,745
Net assets				
Unrestricted	311,324	-	311,324	494,724
Invested in capital assets	-	1,217,294	1,217,294	1,324,562
	311,324	1,217,294	1,528,618	1,819,286
	$ 635,608	$ 1,217,294	$ 1,852,902	$ 2,155,031

See accompanying notes to financial statements

Approved by:

Director: [redacted]

Director:

MILE TWO CHURCH INC.
Statement of Changes in Net Assets
For the year ended July 31, 2023

	Unrestricted	Invested in capital assets	2023 Total	2022 Total
Net assets, beginning of the year	$ 494,724	$ 1,324,562	$ 1,819,286	$ 1,845,544
Net deficit	(211,068)	(79,600)	(290,668)	(26,258)
Gain on sale of capital assets	(1,663)	1,663	-	-
Proceeds on sale of capital assets	32,772	(32,772)	-	-
Purchase of capital assets	(3,441)	3,441	-	-
Net assets, end of the year	$ 311,324	$ 1,217,294	$ 1,528,618	$ 1,819,286

See accompanying notes to financial statements

MILE TWO CHURCH INC.

Statement of Operations

For the year ended July 31, 2023

	Unrestricted	Invested in capital assets	2023 Total	2022 Total
Revenue *(Schedule 1)*	$ 1,933,791	$ -	$ 1,933,791	$ 2,215,519
Personnel				
Wages and benefits	1,367,482	-	1,367,482	1,450,345
Housing allowances	44,000	-	44,000	45,000
Employee benefits	35,715	-	35,715	42,910
	1,447,197	-	1,447,197	1,538,255
Program expenses				
Education and sport	86,585	-	86,585	82,533
Supplies, books and music	66,758	-	66,758	75,892
Missions	43,306	-	43,306	66,953
Vehicle operating	8,526	-	8,526	17,272
Seminars and speakers	6,075	-	6,075	3,350
Fellowship	-	-	-	7,312
	211,250	-	211,250	253,312
Occupancy				
Repairs and maintenance	161,783	-	161,783	117,515
Utilities	72,913	-	72,913	66,533
Insurance	30,390	-	30,390	27,939
	265,086	-	265,086	211,987
Administration				
Office and computers (note 11)	70,092	-	70,092	69,914
Professional fees	18,663	-	18,663	11,333
Interest and bank charges	12,003	-	12,003	14,365
Memberships and licenses	11,026	-	11,026	21,699
Staff development	8,559	-	8,559	14,693
Bad debts	1,053	-	1,053	1,867
Advertising and promotion	-	-	-	3,135
	121,396	-	121,396	137,006
Amortization of capital assets	-	79,600	79,600	101,217
Total expenses	2,044,929	79,600	2,124,529	2,241,777
Deficit before other items	(111,138)	(79,600)	(190,738)	(26,258)

MILE TWO CHURCH INC.
Statement of Operations
For the year ended July 31, 2023

	Unrestricted	Invested in capital assets	2023 Total	2022 Total
Other items				
Legal fees (note 15)	133,240	-	133,240	-
Legal fees insurance recovery (note 15)	(33,310)	-	(33,310)	-
	99,930	-	99,930	-
Net deficit	$ (211,068)	$ (79,600)	$ (290,668)	$ (26,258)

See accompanying notes to financial statements

MILE TWO CHURCH INC.

Statement of Cash Flows

For the year ended July 31, 2023

	2023	2022
Cash flow from operating activities		
Net deficit	$ (290,668)	$ (26,258)
Items not affecting cash:		
Amortization of capital assets	79,600	101,217
Loss (gain) on sale of capital assets	(1,663)	1,476
Changes in non-cash working capital:		
Accounts receivable	(45,284)	26,225
Inventory	737	(1,396)
GST receivable	1,773	(817)
Prepaid expenses	(32,008)	348
Accounts payable and accrued liabilities	33,418	1,574
Deferred contributions	(36,879)	(31,664)
Net cash provided by (used in) operating activities	(290,974)	70,705
Cash flows from investing activities		
Purchase of capital assets	(3,441)	(92,911)
Proceeds from sale of capital assets	32,772	3,060
Net cash provided by (used in) investing activities	29,331	(89,851)
Cash flows from financing activities		
Decrease in pension payable	(8,000)	(84,000)
Net cash used in financing activities	(8,000)	(84,000)
Net decrease in cash and cash equivalents	(269,643)	(103,146)
Cash and cash equivalents at the beginning of the year	802,866	906,012
Cash and cash equivalents at the end of the year	$ 533,223	$ 802,866

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2023

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 useful lives of capital assets and indirectly amortization.
c) The accounts payable and accrued liabilities and indirectly expenses.

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 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

	2023	2022
Cash in Canadian banks	$ 523,827	$ 790,834
Short term GIC, 0.65%	5,000	5,000
Cash in Canadian banks - US dollar	4,396	7,032
	$ 533,223	$ 802,866

Cash held in US dollars has been has been translated to Canadian dollars at the prevailing rate at the year end date, $ 1.32 Canadian dollars for every $ 1.00 United States dollar. (2022 $ 1.29 CAD to $ 1.00 USD)

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
	$ 54,000

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.

5. ACCOUNTS RECEIVABLE

	2023	2022
Insurance receivable (note 15)	$ 33,310	$ -
Accounts receivable	17,826	7,362
Allowance for doubtful accounts	(1,054)	(2,564)
	$ 50,082	$ 4,798

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 158,951	$ -	$ 158,951	$ 158,951
Buildings	3,032,670	2,226,734	805,936	839,517
Equipment	1,104,812	853,736	251,076	290,015
Automotive	70,865	69,534	1,331	36,079
	$ 4,367,298	$ 3,150,004	$ 1,217,294	$ 1,324,562

7. ACCOUNTS PAYABLE

		2023		2022
Accounts payable and accrued liabilities	$	55,999	$	32,267
Wages payable		37,669		-
Vacation payable		20,375		48,358
	$	114,043	$	80,625

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:

		2023		2022
Balance, beginning of year	$	75,120	$	106,784
Add: Amount received during the year		108,523		113,718
Less: amount recognized as revenue during the year		(145,402)		(145,382)
	$	38,241	$	75,120

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:

		2023		2022
First agreement				
Balance beginning of year	$	108,000	$	144,000
Amounts paid during the year		(6,000)		(36,000)
Balance, end of year, maturing July 31, 2025		102,000		108,000
Second agreement				
Balance beginning of year		72,000		120,000
Amounts paid during the year		(2,000)		(48,000)
Balance, end of year, maturing July 31, 2025		70,000		72,000
Less: current portion (note 15)		(46,000)		-
	$	126,000	$	180,000

10. UNIFORM SALES

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

		2023		2022
Uniform sales	$	1,255	$	1,025
Cost of goods sold		(1,819)		(1,100)
	$	(564)	$	(75)

11. RELATED PARTY TRANSACTIONS

The Organization paid [redacted] $ 13,653 (2022 - $ 13,137) for website hosting services. At the year end date there is a balance payable of $ 1,687 (2022 - $ 777). The owner of [redacted] served as a director for the Organization in the prior year. They have since resigned from directorship 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.

12. 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.

13. SUBSIDIES

During the year, the Organization qualified for $ NIL (2022 - $ 24,395) 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.

14. 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, 2023.

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.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK *(continued)*

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 is additional exposure to liquidity risk based upon the lawsuit discussed in note 15.

15. CONTINGENT LOSS INDETERMINABLE

[redacted]

16. 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 Inc. 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, 2023

	2023	2022
Revenue		
Ministry of Education (note 12)	$ 915,720	$ 983,060
Donations	564,814	764,301
Tuition and other student fees	429,446	424,551
Rental	11,840	11,200
Interest	6,350	2,137
Fundraisers and other revenue	4,522	7,426
Gain (loss) on sale of capital assets	1,663	(1,476)
Uniforms (note 10)	(564)	(75)
Subsidies (note 13)	-	24,395
	$ 1,933,791	$ 2,215,519

MILE TWO CHURCH INC.

Schedule 2 - Legacy Christian Academy Revenue and Expense

For the year ended July 31, 2023

	2023	2022
Revenue		
Ministry of Education (note 12)	$ 915,720	$ 983,060
Tuition and other student fees	429,446	424,551
Fundraisers and other revenue	4,314	6,152
Donations	3,840	14,428
Interest	1,533	154
Gain on sale of capital assets	946	-
Uniforms (note 10)	(564)	(75)
Subsidies (note 13)	-	4,569
	1,355,235	1,432,839
Expenses		
Wages and benefits	1,032,867	998,680
School occupancy costs (note 16)	155,338	140,968
Education and sport	86,585	82,533
Office and computers (note 11)	37,701	32,406
Supplies, books and music	25,118	22,592
Amortization	11,691	24,422
Vehicle operating	6,381	14,083
Repairs and maintenance	6,256	8,440
Bad debts	1,053	1,867
Interest and bank charges	1,008	819
	1,363,998	1,326,810
Net surplus (deficit)	$ (8,763)	$ 106,029