MILE TWO CHURCH INC.

Financial Statements

Year Ended July 31, 2024

MILE TWO CHURCH INC.
Index to the Financial Statements
July 31, 2024

[redacted]

INDEPENDENT AUDITOR'S REPORT

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, 2024, 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, 2024, 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, 2024 and 2023, current assets as at July 31, 2024 and 2023, and net assets as at August 1 and July 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended July 31, 2023 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, 2024

ASSETS	Unrestricted	Invested in capital assets	2024 Total	2023 Total
Current assets				
Cash and cash equivalents (note 3)	$ 412,243	$ -	$ 412,243	$ 533,223
Accounts receivable (note 5)	37,232	-	37,232	50,082
Inventory	-	-	-	2,300
GST receivable	5,570	-	5,570	4,360
Prepaid expenses	29,400	-	29,400	45,643
	484,445	-	484,445	635,608
Capital assets (note 6)	-	1,146,431	1,146,431	1,217,294
	$ 484,445	$ 1,146,431	$ 1,630,876	$ 1,852,902

LIABILITIES AND NET ASSETS

	Unrestricted	Invested in capital assets	2024 Total	2023 Total
Current liabilities				
Accounts payable and accrued liabilities (note 7)	$ 106,817	$ -	$ 106,817	$ 114,043
Deferred contributions (note 8)	-	-	-	38,241
Current portion of pension payable (note 9)	24,000	-	24,000	46,000
	130,817	-	130,817	198,284
Due to Valour Academy Incorporated (note 15)	18,345	-	18,345	-
Pension payable (note 9)	-	-	-	126,000
	149,162	-	149,162	324,284
Net assets				
Unrestricted	335,283	-	335,283	311,324
Invested in capital assets	-	1,146,431	1,146,431	1,217,294
	335,283	1,146,431	1,481,714	1,528,618
	$ 484,445	$ 1,146,431	$ 1,630,876	$ 1,852,902

See accompanying notes to financial statements

Approved by:

Director: ______________________________

Director: ______________________________

MILE TWO CHURCH INC.
Statement of Changes in Net Assets
For the year ended July 31, 2024

	Unrestricted	Invested in capital assets	2024 Total	2023 Total
Net assets, beginning of the year	$ 311,324	$ 1,217,294	$ 1,528,618	$ 1,819,286
Net deficit	23,959	(70,863)	(46,904)	(290,668)
Net assets, end of the year	$ 335,283	$ 1,146,431	$ 1,481,714	$ 1,528,618

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Statement of Operations
For the year ended July 31, 2024

	Unrestricted	Invested in capital assets	2024 Total	2023 Total
Revenue *(Schedule 1)*	$ 1,551,459	$ -	$ 1,551,459	$ 1,933,791
Personnel				
Wages and benefits	1,027,492	-	1,027,492	1,367,482
Employee benefits	17,411	-	17,411	35,715
Housing allowances	16,500	-	16,500	44,000
	1,061,403	-	1,061,403	1,447,197
Program expenses				
Education and sport	63,093	-	63,093	86,585
Supplies, books and music	47,415	-	47,415	66,758
Missions	28,484	-	28,484	43,306
Seminars and speakers	19,191	-	19,191	6,075
Vehicle operating	6,593	-	6,593	8,526
Fellowship	1,753	-	1,753	-
	166,529	-	166,529	211,250
Occupancy				
Insurance	85,054	-	85,054	30,390
Utilities	69,397	-	69,397	72,913
Repairs and maintenance	50,253	-	50,253	161,783
	204,704	-	204,704	265,086
Administration				
Office and computers	62,052	-	62,052	70,092
Professional fees	32,955	-	32,955	18,663
Interest and bank charges	9,699	-	9,699	12,003
Bad debts	7,217	-	7,217	1,053
Staff development	6,311	-	6,311	8,559
Advertising and promotion	4,170	-	4,170	-
Memberships and licenses	1,545	-	1,545	11,026
	123,949	-	123,949	121,396
Amortization of capital assets	-	70,863	70,863	79,600
Total expenses	1,556,585	70,863	1,627,448	2,124,529
Deficit before other items	$ (5,126)	$ (70,863)	$ (75,989)	$ (190,738)

MILE TWO CHURCH INC.
Statement of Operations
For the year ended July 31, 2024

	Unrestricted	Invested in capital assets	2024 Total	2023 Total
Other items				
Legal fees (note 13)	$ 113,514	$ -	$ 113,514	$ 133,240
Legal fees insurance recovery (note 13)	(40,599)	-	(40,599)	(33,310)
Pension adjustment (note 9)	(102,000)	-	(102,000)	-
	(29,085)	-	(29,085)	99,930
Net deficit	$ 23,959	$ (70,863)	$ (46,904)	$ (290,668)

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Statement of Cash Flows
For the year ended July 31, 2024

		2024		2023
Cash flow from operating activities				
Net deficit	$	(46,904)	$	(290,668)
Items not affecting cash:				
Amortization of capital assets		70,863		79,600
Loss (gain) on sale of capital assets		-		(1,663)
Changes in non-cash working capital:				
Accounts receivable		12,850		(45,284)
Inventory		2,300		737
GST receivable		(1,210)		1,773
Prepaid expenses		16,243		(32,008)
Accounts payable and accrued liabilities		(7,226)		33,418
Deferred contributions		(38,241)		(36,879)
Net cash provided by (used in) operating activities		8,675		(290,974)
Cash flows from investing activities				
Purchase of capital assets		-		(3,441)
Proceeds from sale of capital assets		-		32,772
Net cash provided by investing activities		-		29,331
Cash flows from financing activities				
Decrease in pension payable		(148,000)		(8,000)
Advances from Valour Academy Incorporated		18,345		-
Net cash used in financing activities		(129,655)		(8,000)
Net decrease in cash and cash equivalents		(120,980)		(269,643)
Cash and cash equivalents at the beginning of the year		533,223		802,866
Cash and cash equivalents at the end of the year	$	412,243	$	533,223

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2024

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 annually 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 operated Legacy Christian Academy, a private school for students from Kindergarten to Grade 12, which was closed subsequent to the year-end date.

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

	2024	2023
Cash in Canadian banks	$ 402,823	$ 523,827
Short term GIC, 0.65%	5,000	5,000
Cash in Canadian banks - US dollar	4,420	4,396
	$ 412,243	$ 533,223

Cash held in US dollars has been has been translated to Canadian dollars at the prevailing rate at the year end date, $ 1.38 (2023 - $ 1.32) Canadian dollars for every $ 1.00 United States dollar.

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2024

4. OPERATING LOANS AND CREDIT CARDS

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

		Limit
[redacted]	$	5,000
		5,000
	$	10,000

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

		2024		2023
Insurance receivable (note 13)	$	23,891	$	33,310
Accounts receivable		13,341		17,827
Allowance for doubtful accounts		-		(1,055)
	$	37,232	$	50,082

6. CAPITAL ASSETS

		Cost		Accumulated amortization		2024 Net book value		2023 Net book value
Land	$	158,951	$	-	$	158,951	$	158,951
Buildings		3,032,670		2,258,971		773,699		805,936
Equipment		1,104,812		891,031		213,781		251,076
Automotive		70,865		70,865		-		1,331
	$	4,367,298	$	3,220,867	$	1,146,431	$	1,217,294

7. ACCOUNTS PAYABLE

		2024		2023
Accounts payable and accrued liabilities	$	48,737	$	55,999
Vacation payable		28,295		20,375
Wages payable		15,751		37,669
Employee deductions payable		14,034		-
	$	106,817	$	114,043

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:

	2024	2023
Balance, beginning of year	$ 38,241	$ 75,120
Add: Amount received during the year	-	108,523
Less: amount recognized as revenue during the year	(38,241)	(145,402)
	$ -	$ 38,241

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:

	2024	2023
First agreement		
Balance beginning of year	$ 102,000	$ 108,000
Amounts paid during the year	-	(6,000)
Pension adjustment	(102,000)	-
Balance, end of year, maturing July 31, 2025	-	102,000
Second agreement		
Balance beginning of year	70,000	72,000
Amounts paid during the year	(46,000)	(2,000)
Balance, end of year, maturing July 31, 2025	24,000	70,000
Less: current portion	(24,000)	(46,000)
	$ -	$ 126,000

The Organization passed a motion to cancel the remaining pension payable due under the first agreement.

10. UNIFORM SALES

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

	2024	2023
Uniform sales	$ 1,378	$ 1,255
Cost of goods sold	(2,300)	(1,819)
	$ (922)	$ (564)

11. 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.

12. 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, 2024.

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 is additional exposure to liquidity risk based upon the lawsuit discussed in note 13.

13. CONTINGENT LOSS INDETERMINABLE

[redacted]

14. 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.

15. SUBSEQUENT EVENTS

Subsequent to year end, Legacy Christian Academy closed. The school premises has been leased to a new corporation named Valour Academy Incorporated. Mile Two Church does not manage or control Valour Academy in any capacity outside of being a landlord.

MILE TWO CHURCH INC.
Schedule 1 - Revenue
For the year ended July 31, 2024

		2024		2023
Revenue				
Ministry of Education (note 11)	$	758,482	$	915,720
Donations		457,065		564,814
Tuition and other student fees		317,520		429,446
Rental		10,000		11,840
Interest		6,319		6,350
Fundraisers and other revenue		2,995		4,522
Gain (loss) on sale of capital assets		-		1,663
Uniforms (note 10)		(922)		(564)
	$	1,551,459	$	1,933,791

MILE TWO CHURCH INC.

Schedule 2 - Legacy Christian Academy Revenue and Expense

For the year ended July 31, 2024

	2024	2023
Revenue		
Ministry of Education (note 11)	$ 758,482	$ 915,720
Tuition and other student fees	317,520	429,446
Donations	6,191	3,840
Interest	2,009	1,533
Fundraisers and other revenue	1,960	4,314
Gain on sale of capital assets	-	946
Uniforms (note 10)	(922)	(564)
	1,085,240	1,355,235
Expenses		
Wages and benefits	861,737	1,032,867
School occupancy costs (note 14)	182,004	155,338
Education and sport	63,093	86,585
Office and computers	34,004	37,701
Supplies, books and music	12,997	25,118
Amortization	10,486	11,691
Repairs and maintenance	7,675	6,256
Bad debts	7,217	1,053
Vehicle operating	2,022	6,381
Interest and bank charges	458	1,008
	1,181,693	1,363,998
Net deficit	$ (96,453)	$ (8,763)