MILE TWO CHURCH INC.

Financial Statements

Year Ended July 31, 2025

MILE TWO CHURCH INC.
Index to the Financial Statements
July 31, 2025

[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, 2025, 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, 2025, 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, 2025 and 2024, current assets as at July 31, 2025 and 2024, and net assets as at August 1 and July 31 for both the 2025 and 2024 years. Our audit opinion on the financial statements for the year ended July 31, 2024 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.

Emphasis of Matter - Basis of Accounting
We draw attention to Note 12 to the financial statements, which describes the basis of accounting being applied as if the Organization continues to be a going concern. 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, 2025

ASSETS	Unrestricted	Invested in capital assets	2025 Total	2024 Total
Current assets				
Cash and cash equivalents (note 3)	$ 33,101	$ -	$ 33,101	$ 412,243
Accounts receivable (note 4)	41,016	-	41,016	37,232
GST receivable	3,585	-	3,585	5,570
Prepaid expenses	26,297	-	26,297	29,400
	103,999	-	103,999	484,445
Loans receivable (note 5)	102,058	-	102,058	-
Capital assets (note 6)	-	1,078,188	1,078,188	1,146,431
	$ 206,057	$ 1,078,188	$ 1,284,245	$ 1,630,876
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	$ 56,018	$ -	$ 56,018	$ 106,817
Pension payable (note 9)	-	-	-	24,000
	56,018	-	56,018	130,817
Due to Valour Academy Incorporated	-	-	-	18,345
	56,018	-	56,018	149,162
Net assets				
Unrestricted	150,039	-	150,039	335,283
Invested in capital assets	-	1,078,188	1,078,188	1,146,431
	150,039	1,078,188	1,228,227	1,481,714
	$ 206,057	$ 1,078,188	$ 1,284,245	$ 1,630,876

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, 2025

	Unrestricted	Invested in capital assets	2025 Total	2024 Total
Net assets, beginning of the year	$ 335,283	$ 1,146,431	$ 1,481,714	$ 1,528,618
Net deficit	(185,244)	(68,243)	(253,487)	(46,904)
Net assets, end of the year	$ 150,039	$ 1,078,188	$ 1,228,227	$ 1,481,714

See accompanying notes to financial statements

MILE TWO CHURCH INC.

Statement of Operations

For the year ended July 31, 2025

	Unrestricted	Invested in capital assets	2025 Total	2024 Total
Revenue *(Schedule 1)*	$ 434,847	$ -	$ 434,847	$ 1,551,459
Personnel				
Wages and benefits	106,373	-	106,373	1,027,492
Housing allowances	10,500	-	10,500	16,500
Employee benefits	5,009	-	5,009	17,411
	121,882	-	121,882	1,061,403
Program expenses				
Supplies, books and music	21,794	-	21,794	47,415
Missions	14,174	-	14,174	28,484
Seminars and speakers	8,400	-	8,400	19,191
Vehicle operating	3,847	-	3,847	6,593
Fellowship	3,107	-	3,107	1,753
Education and sport	-	-	-	63,093
	51,322	-	51,322	166,529
Occupancy				
Insurance	87,358	-	87,358	85,054
Utilities	77,834	-	77,834	69,397
Repairs and maintenance	30,777	-	30,777	50,253
	195,969	-	195,969	204,704
Administration				
Office and computers	28,410	-	28,410	62,052
Professional fees	10,800	-	10,800	14,840
Bad debts	6,049	-	6,049	7,217
Advertising and promotion	5,000	-	5,000	4,170
Interest and bank charges	2,932	-	2,932	9,699
Staff development	2,307	-	2,307	6,311
Memberships and licenses	1,557	-	1,557	1,545
	57,055	-	57,055	105,834
Amortization of capital assets	-	68,243	68,243	70,863
Total expenses	426,228	68,243	494,471	1,609,333
Deficit before other items	$ 8,619	$ (68,243)	$ (59,624)	$ (57,874)

MILE TWO CHURCH INC.
Statement of Operations
For the year ended July 31, 2025

	Unrestricted	Invested in capital assets	2025 Total	2024 Total
Other items				
Legal fees (note 11)	233,638	$ -	233,638	131,629
Legal fees insurance recovery (note 11)	(39,775)	-	(39,775)	(40,599)
Pension adjustment (note 9)	-	-	-	(102,000)
	193,863	-	193,863	(10,970)
Net deficit	$ (185,244)	$ (68,243)	$ (253,487)	$ (46,904)

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Statement of Cash Flows
For the year ended July 31, 2025

	2025	2024
Cash flow from operating activities		
Net deficit	$ (253,487)	$ (46,904)
Items not affecting cash:		
Amortization of capital assets	68,243	70,863
Changes in non-cash working capital:		
Accounts receivable	(3,784)	12,850
Inventory	-	2,300
GST receivable	1,985	(1,210)
Prepaid expenses	3,103	16,243
Accounts payable and accrued liabilities	(50,799)	(7,226)
Deferred contributions	-	(38,241)
Net cash provided by (used in) operating activities	(234,739)	8,675
Cash flows from investing activities		
Loans and advances issued	(102,058)	-
Net cash provided by (used in) investing activities	(102,058)	-
Cash flows from financing activities		
Decrease in pension payable	(24,000)	(148,000)
Advances from Valour Academy Incorporated	-	18,345
Repayments to Valour Academy Incorporated	(18,345)	-
Net cash used in financing activities	(42,345)	(129,655)
Net decrease in cash and cash equivalents	(379,142)	(120,980)
Cash and cash equivalents at the beginning of the year	412,243	533,223
Cash and cash equivalents at the end of the year	$ 33,101	$ 412,243

See accompanying notes to financial statements

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2025

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 Registered Charity Information Return annually to maintain this status and reports annually to ISC Corporate Registry in Saskatchewan.

The Organization holds regular weekly worship services and other ministry programs for its members throughout the week. As of March 2025, the Organization ceased holding regular worship services. The Organization now rents out the building they own for church and school services to unaffiliated entities.

The Organization also operated Legacy Christian Academy, a private school for students from Kindergarten to Grade 12. The Registered Independent Schools Regulations, updated August 22, 2023, required that qualified or certified independent schools be separated from any religious order or society. As a result the 2023-24 school year was the final year of the Organization offering school services.

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.

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.
d) The determination of any potential liabilities related to the lawsuit the Organization is named as a defendant in.

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 and loans receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. 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.

3. CASH AND CASH EQUIVALENTS

	2025	2024
Cash in Canadian banks	$ 33,101	$ 402,823
Short term GIC, 0.65%	-	5,000
Cash in Canadian banks - US dollar	-	4,420
	$ 33,101	$ 412,243

4. ACCOUNTS RECEIVABLE

	2025	2024
Insurance receivable (note 12)	$ 23,832	$ 23,891
Accounts receivable	17,184	13,341
	$ 41,016	$ 37,232

MILE TWO CHURCH INC.
Notes to Financial Statements
For the year ended July 31, 2025

5. LOANS RECEIVABLE

		2025		2024
[redacted] The loan is unsecured bearing interest at 4.50% charged annually. The loan is due for renewal December 2027 but can be called by the lender with 60 days notice. There is no schedule for principal repayments.	$	51,442	$	-
Valour Academy Incorporated The loan is unsecured bearing interest at 4.50% charged annually. The loan is due for renewal April 2028 but can be called by the lender with 60 days notice. There is no schedule for principal repayments.		50,616		-
	$	102,058	$	-

6. CAPITAL ASSETS

		Cost		Accumulated amortization		2025 Net book value		2024 Net book value
Land	$	158,951	$	-	$	158,951	$	158,951
Buildings		3,032,670		2,289,919		742,751		773,699
Equipment		1,104,812		928,326		176,486		213,781
Automotive		70,865		70,865		-		-
	$	4,367,298	$	3,289,110	$	1,078,188	$	1,146,431

7. ACCOUNTS PAYABLE

		2025		2024
Accounts payable and accrued liabilities	$	56,018	$	48,737
Vacation payable		-		28,295
Wages payable		-		15,751
Employee deductions payable		-		14,034
	$	56,018	$	106,817

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:

	2025	2024
Balance, beginning of year	$ -	$ 38,241
Less: amount recognized as revenue during the year	-	(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:

	2025	2024
First agreement		
Balance beginning of year	$ -	$ 102,000
Pension adjustment	-	(102,000)
Second agreement		
Balance beginning of year	24,000	70,000
Amounts paid during the year	(24,000)	(46,000)
Balance, end of year, maturing July 31, 2025	-	24,000

10. 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, 2025.

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 from two entities which occupy building the Organization owns. As substantially all revenue will come from these entities, the Organization has a high concentration of credit risk.

10. FINANCIAL RISKS AND CONCENTRATION OF RISK *(continues)*

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 collection of accounts receivable and payouts from its insurance policy to cover legal expenses incurred. Management is of the opinion that liquidity risk is a significant risk and is exploring options, mainly a remortgage of land and building, in the event that cash flows from operations are insufficient to meet obligations.

11. CONTINGENT LOSS INDETERMINABLE

[redacted]

11. CONTINGENT LOSS INDETERMINABLE *(continues)*

[redacted]

Legal fee insurance coverage

In the current year, the Organization incurred legal costs of $ 233,638 (2024 - $ 131,629) related to these lawsuits. The Organization continues to discuss with their insurance provider for coverage of their legal fees for this matter. To date, the insurance provider has been reimbursing claims for 25% of submitted legal fees. Management believes the full amount of legal fees should be covered up to the maximum coverage under their insurance policy of $ 2,000,000.

12. SUBSEQUENT EVENTS

These financial statements have been prepared on the basis of accounting applicable to a going concern; however, the Organization has substantially altered their operations. The Organization continues to incur costs primarily related to occupancy costs of the building they own and legal fees. There are no employees on payroll. The Organizations primary source of revenue will be rent from a building they own. The Organization expects to continue as a going concern but that largely relies [redacted].

13. COMPARATIVE FIGURES

Certain numbers of the prior year have been recategorized to maintain comparability with the presentation adopted for the current year. For the comparative period a portion of professional fees has been recategorized to be reported separately as legal fees.

MILE TWO CHURCH INC.
Schedule 1 - Revenue
For the year ended July 31, 2025

		2025		2024
Revenue				
Donations	$	259,933	$	457,065
Rental		168,787		10,000
Interest		3,569		6,319
Fundraisers and other revenue		2,558		2,995
Ministry of Education		-		758,482
Tuition and other student fees		-		317,520
Uniforms		-		(922)
	$	434,847	$	1,551,459