

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Financial Statements

December 31, 2020

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Index to Financial Statements

Year Ended December 31, 2020

| | Page |
|--|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Changes in Fund Balances | 4 |
| Statement of Operations | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 16 |
| Schedule of Canadian Ministries Expenses (<i>Schedule 1</i>) | 17 |
| Schedule of Operating Reserve Expenses (<i>Schedule 2</i>) | 18 |
| Schedule of Administrative Expenses (<i>Schedule 3</i>) | 19 |

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INDEPENDENT AUDITOR'S REPORT

To the Members of Christian and Missionary Alliance - Canadian Pacific District

Report on the Financial Statements

Opinion

We have audited the financial statements of Christian and Missionary Alliance - Canadian Pacific District (the "Society"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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 Society in accordance with 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 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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.

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Independent Auditor's Report to the Members of Christian and Missionary Alliance - Canadian Pacific District (*continued*)

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 Society'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 Society'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 Society 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

Burnaby, British Columbia

Chartered Professional Accountants

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Financial Position

December 31, 2020

| | Unrestricted Fund | Internally Restricted Fund | 2020 | 2019 |
|---|----------------------|----------------------------------|---------------|---------------|
| ASSETS | | | | |
| CURRENT | | | | |
| Cash | \$ 478,513 | \$ - | \$ 478,513 | \$ 319,780 |
| Restricted cash | 627,534 | 2,295,127 | 2,922,661 | 2,463,103 |
| Investments | - | 1,654,458 | 1,654,458 | 1,009,308 |
| Due from related parties (Note 4) | 23,321 | - | 23,321 | 29,952 |
| Receivable from government authorities (Note 3) | 19,334 | - | 19,334 | 5,541 |
| Prepaid expenses | 39,647 | - | 39,647 | 52,516 |
| Health benefits plan fund | 51,501 | - | 51,501 | 51,437 |
| Note receivable (Note 5) | 1,734,000 | - | 1,734,000 | 1,734,000 |
| Development fund loans receivable (Note 6) | - | 3,990,298 | 3,990,298 | 5,614,664 |
| | 2,973,850 | 7,939,883 | 10,913,733 | 11,280,301 |
| LIFE INSURANCE POLICY | 12,960 | - | 12,960 | 12,537 |
| CHURCH PROPERTIES HELD FOR SALE (Note 7) | 46,055 | - | 46,055 | 269,425 |
| INTANGIBLE ASSETS (Note 8) | 6,394 | - | 6,394 | 8,467 |
| CAPITAL ASSETS (Note 9) | 1,625,738 | - | 1,625,738 | 1,648,655 |
| | \$ 4,664,997 | \$ 7,939,883 | \$ 12,604,880 | \$ 13,219,385 |
| LIABILITIES AND FUND BALANCES | | | | |
| CURRENT | | | | |
| Accounts payable | \$ 141,011 | \$ - | \$ 141,011 | \$ 117,451 |
| Interest payable on development funds (Note 10) | - | 21,268 | 21,268 | 26,284 |
| Current portion of obligations under capital lease | 3,126 | - | 3,126 | 4,071 |
| Deferred revenue (Note 11) | 627,534 | - | 627,534 | 556,475 |
| Development fund loans payable (Note 10) | - | 6,741,151 | 6,741,151 | 7,314,458 |
| Mortgage payable (Note 12) | - | 274,928 | 274,928 | 272,230 |
| | 771,671 | 7,037,347 | 7,809,018 | 8,290,969 |
| CAPITAL LEASE | - | - | - | 3,148 |
| | 771,671 | 7,037,347 | 7,809,018 | 8,294,117 |
| FUND BALANCES | | | | |
| Unrestricted | 3,893,326 | - | 3,893,326 | 4,007,640 |
| Internally restricted (Note 13) | - | 902,536 | 902,536 | 917,628 |
| | 3,893,326 | 902,536 | 4,795,862 | 4,925,268 |
| | \$ 4,664,997 | \$ 7,939,883 | \$ 12,604,880 | \$ 13,219,385 |

CONTINGENT LIABILITIES (Note 16)

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Changes in Fund Balances

Year Ended December 31, 2020

| | Unrestricted Fund | Internally Restricted Fund | 2020 | 2019 |
|---|----------------------|----------------------------------|--------------|--------------|
| FUND BALANCES - BEGINNING OF YEAR | \$ 4,007,640 | \$ 917,628 | \$ 4,925,268 | \$ 4,823,642 |
| Excess (deficiency) of revenue over expenses | 217,791 | (347,197) | (129,406) | 101,626 |
| Interfund transfers (Note 14) | (332,105) | 332,105 | - | - |
| FUND BALANCES - END OF YEAR | \$ 3,893,326 | \$ 902,536 | \$ 4,795,862 | \$ 4,925,268 |

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Operations

Year Ended December 31, 2020

| | Unrestricted Fund | Internally Restricted Fund | 2020 | 2019 |
|---|----------------------|----------------------------------|---------------------|-------------------|
| REVENUE | | | | |
| Insurance | \$ 1,417,039 | \$ - | \$ 1,417,039 | \$ 1,409,752 |
| District operating | 793,751 | - | 793,751 | 821,444 |
| Interest | 211,873 | - | 211,873 | 289,293 |
| Canadian ministries | 205,222 | - | 205,222 | 251,420 |
| Federal government wage subsidies | 75,881 | - | 75,881 | - |
| Insurance plan administration fee | 66,000 | - | 66,000 | 60,000 |
| Gain on sale of church property | 44,588 | - | 44,588 | - |
| Donations, ministry and miscellaneous income | 42,170 | - | 42,170 | 233,830 |
| Event registration | 12,475 | - | 12,475 | 66,094 |
| Unrealized gain on life insurance investment | 424 | - | 424 | 423 |
| | <u>2,869,423</u> | <u>-</u> | <u>2,869,423</u> | <u>3,132,256</u> |
| EXPENSES | | | | |
| Insurance | 1,422,539 | - | 1,422,539 | 1,412,526 |
| Salaries and wages | 730,657 | - | 730,657 | 596,507 |
| Canadian ministries expenses (Schedule 1) | 265,043 | - | 265,043 | 459,871 |
| Operating Reserve Expenses (Schedule 2) | - | 172,649 | 172,649 | 33,255 |
| Interest on development fund loans | - | 146,181 | 146,181 | 168,345 |
| Administrative expenses (Schedule 3) | 143,569 | - | 143,569 | 150,514 |
| Forgiveness of accrued interest | 34,000 | - | 34,000 | 34,000 |
| Legacy stewardship initiatives | - | 28,292 | 28,292 | 30,712 |
| Amortization of capital assets | 27,820 | - | 27,820 | 29,631 |
| Miscellaneous | 14,592 | - | 14,592 | 6,014 |
| New venture expenses | 7,230 | - | 7,230 | 3,564 |
| Bank charges and interest | 3,331 | 75 | 3,406 | 3,133 |
| Amortization of intangible assets | 2,851 | - | 2,851 | 2,558 |
| Donation | - | - | - | 100,000 |
| | <u>2,651,632</u> | <u>347,197</u> | <u>2,998,829</u> | <u>3,030,630</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 217,791 | \$ (347,197) | \$ (129,406) | \$ 101,626 |

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Cash Flows

Year Ended December 31, 2020

| | Unrestricted Fund | Internally Restricted Fund | 2020 | 2019 |
|--|----------------------|-------------------------------|--------------|--------------|
| OPERATING ACTIVITIES | | | | |
| Excess (deficiency) of revenue over expenses | \$ 217,791 | \$ (347,197) | \$ (129,406) | \$ 101,626 |
| Items not affecting cash: | | | | |
| Amortization of capital assets | 27,820 | - | 27,820 | 29,631 |
| Amortization of intangible assets | 2,851 | - | 2,851 | 2,558 |
| Loss on disposal of capital assets | 6,813 | - | 6,813 | - |
| Gain on sale of church property | (44,588) | - | (44,588) | - |
| Unrealized gain on life insurance investment | (424) | - | (424) | (423) |
| | 210,263 | (347,197) | (136,934) | 133,392 |
| Changes in non-cash working capital (Note 15) | 100,262 | (5,016) | 95,246 | 80,879 |
| Cash flow from (used by) operating activities | 310,525 | (352,213) | (41,688) | 214,271 |
| INVESTING ACTIVITIES | | | | |
| Redemption (purchase) of investments | - | (645,150) | (645,150) | 1,206,115 |
| Decrease (increase) of development fund loans receivable | - | 1,624,366 | 1,624,366 | (373,817) |
| Purchase of capital assets | (12,694) | - | (12,694) | (19,065) |
| Proceeds on sale of capital assets | 268,158 | - | 268,158 | - |
| Cash flow from investing activities | 255,464 | 979,216 | 1,234,680 | 813,233 |
| FINANCING ACTIVITIES | | | | |
| Development fund loans paid | - | (573,307) | (573,307) | (393,004) |
| Increase (decrease) of mortgage payable | - | 2,698 | 2,698 | (39,733) |
| Repayment of capital lease | (4,092) | - | (4,092) | (4,008) |
| Cash flow used by financing activities | (4,092) | (570,609) | (574,701) | (436,745) |
| OTHER CASH FLOW ITEMS | | | | |
| Interfund transfers | (332,105) | 332,105 | - | - |
| INCREASE IN CASH FLOW | 229,792 | 388,499 | 618,291 | 590,759 |
| Cash - beginning of year | 876,255 | 1,906,628 | 2,782,883 | 2,192,124 |
| CASH - END OF YEAR | \$ 1,106,047 | \$ 2,295,127 | \$ 3,401,174 | \$ 2,782,883 |
| CASH CONSISTS OF: | | | | |
| Unrestricted cash | \$ 478,513 | \$ - | \$ 478,513 | \$ 319,780 |
| Internally restricted cash | - | 2,295,127 | 2,295,127 | 1,906,628 |
| Externally restricted cash | 627,534 | - | 627,534 | 556,475 |
| | \$ 1,106,047 | \$ 2,295,127 | \$ 3,401,174 | \$ 2,782,883 |

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

1. PURPOSE OF THE SOCIETY

Christian and Missionary Alliance - Canadian Pacific District (the "Society") is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

The purpose of the Society is to provide ministry, development, and administrative services to the Christian and Missionary Alliance in Canada churches and associated ministries in the Province of British Columbia and Yukon.

During the year, the Society's operations were significantly affected by the COVID-19 pandemic. Specifically, in late March 2020 the facilities of the associated churches were closed for use by the congregations, with worship services and ministry activities either discontinued or moved online. As a result, some revenue sources were disrupted and reductions to many ministry expenses occurred. Although to date the impact of COVID-19 on the Society has been minimal, there are still continued pressures on associated churches related to the re-opening of the facilities and resumption of in-person worship services and other ministry activities, and therefore district operating support and loan repayments. Potential revenue loss reductions and decreases in cash flow could require the Society, as guarantor, to make mortgage and loan payments on behalf of the associated churches. Returning to pre-epidemic levels of operations will depend on the effectiveness of vaccines currently being deployed by the federal and provincial levels of government, as well as achieving certain thresholds of vaccination for the region's population.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

These financial statements present only the financial position, changes in fund balances, results of operations and changes in cash flows of the Christian and Missionary Alliance - Canadian Pacific District. The 82 individual associated churches account for their own financial position, changes in fund balances, results of operations and cash flows, as well as any assets that may be on title with the Society, but for which the churches have beneficial use.

Fund Accounting

The Society follows the restricted fund method of accounting for contributions.

The Unrestricted Fund reports the assets, liabilities, revenue, and expenses relating to the general operations of the Society and related administrative and ministry expenses, including the revenue and expenses related to the furtherance of the Christian and Missionary Alliance in Canada ministries throughout British Columbia and Yukon.

The Internally Restricted Fund consists of three internally restricted funds including Special Projects Fund, Development Loans Fund and the Operating Reserve Fund. See *Note 13* for a breakdown of the fund details.

- The Internally Restricted Development Loans Fund reports the assets, liabilities and expenses relating to the development fund program which advances funds to associated congregations in the Province of British Columbia and Yukon to assist in financing of construction and improvements of church buildings.

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- The Internally Restricted Special Projects Fund reports the assets, liabilities and expenses relating to funds restricted by the directors for special projects.
- The Internally Restricted Operating Reserve Fund reports the assets, liabilities and expenses for special donations, scholarships, new ventures, or special ministries.

Revenue Recognition

Externally restricted contributions related to general operations are recognized as revenue in the Unrestricted Fund in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. All other externally restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including federal government wage subsidies, are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Insurance revenue represents Group Insurance Premiums collected by the Society from associated churches in the Province of British Columbia and Yukon and is recognized in the Unrestricted Fund in the year in which the related expenses are incurred and over the period of insurance coverage, which for the liability insurance portion of premiums is normally April 1st to March 31st. Premiums collected and not yet paid out are recorded in deferred revenue.

District operating revenue represents the contribution paid by associated church congregations in the Province of British Columbia and Yukon to the Society for general operations and is recognized in the Unrestricted Fund when received.

Investment revenue and insurance plan administration fee is recognized as revenue in the Unrestricted Fund when earned using the accrual method of accounting.

Canadian ministries revenue represents funds donated for the Canadian ministries of the Christian and Missionary Alliance in Canada by associated churches and is recognized in the Unrestricted Fund when received.

Event registration revenue is recognized as revenue of the Unrestricted Fund in the year the event is held.

Financial Instruments

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess of revenue over expenses.

Cash and Cash Equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents.

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments consist of guaranteed investment certificates ("GICs") that are cashable and have maturity dates of more than three months. These investments have been classified as current assets as they will mature within the next fiscal year. The GICs mature in August 2021 and September 2021 and have interest rates of 0.750% and 0.800% per annum, respectively. The investments are recorded at cost and include accrued interest to December 31.

Health Benefits Plan Fund

Health benefits plan fund consists of amounts held in a self-funded health benefits plan account to be used for health benefits expenses in future periods. The deposit is the property of the Society, however is not presented as part of cash as it can not be recovered or withdrawn immediately. As it is still liquidable within the next fiscal year it has been presented as a current asset.

Life Insurance Policy

The Society is a partial owner and beneficiary of a life insurance policy which has been valued at its cash surrender value as of December 31. The value is adjusted each year with any unrealized gain or loss recorded in the Statement of Operations. Management's intention is to hold the policy long term and as such it is presented as a long term asset on the Statement of Financial Position.

Intangible Assets

Intangible assets include software and website and are stated at cost less accumulated amortization, with any impairment in the long-term service potential to the Society recognized immediately in net revenue over expenses. Intangible assets contributed are recorded at the fair value as of the date of receipt. The software and website are being amortized on a straight-line basis over their estimated useful lives of two and five years, respectively.

Capital Assets

Capital assets purchased are stated at cost less accumulated amortization. Capital assets contributed are recorded at the fair value as of the date of receipt. Amortization is provided at various rates on a basis designed to amortize the assets over the estimated useful lives. Amortization is reported in the Unrestricted Fund. The amortization rates and methods are as follows:

| | | |
|-------------------------------------|----------|--------------------------|
| Buildings and building improvements | 50 years | straight-line method |
| Computer equipment | 30% | declining balance method |
| Furniture and equipment | 20% | declining balance method |
| Copier under capital lease | 5 years | straight-line method |

No amortization is taken on artwork.

Foreign Currency Translation

All monetary assets and liabilities of operations denominated in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the Statement of Financial Position date. Non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the Statement of Financial Position date. Gains and losses resulting from the translation of assets and liabilities are reflected in excess of revenue over expenses of the year.

(continues)

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services and Materials

Volunteers assist the Society in carrying out its operations. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. During the year, the Society received gifts-in-kind of \$1,899 for life insurance policy premiums (2019 - \$1,899 for life insurance policy premiums).

Multiemployer Plan

The Society participates in the Alliance Retiral Fund (ARF) administered by the Christian and Missionary Alliance in Canada, which is a defined contribution plan related to future employee benefits. The Society is only responsible for payments as specified under the plan agreement. The contribution amounts are determined based on employee services rendered during the year. During the year, the Society paid \$28,127 (2019 - \$22,754) for employer contributions to the plan.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Material uncertainties involving management estimates include the determination of useful lives of capital assets for the purposes of calculating amortization, specifically the useful life of the building and improvements.

3. RECEIVABLE FROM GOVERNMENT AUTHORITIES

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|-----------------|
| Temporary Wage Subsidy | \$ 13,750 | \$ - |
| Canada Emergency Wage Subsidy | 2,860 | - |
| GST recoverable | 2,724 | 5,541 |
| | <u>\$ 19,334</u> | <u>\$ 5,541</u> |

4. RELATED PARTY TRANSACTIONS AND DUE FROM/TO RELATED PARTIES

The following is a summary of the Society's related party transactions:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|---------------------|---------------------|
| Revenue from associated churches | | |
| Insurance | \$ 1,417,039 | \$ 1,409,752 |
| District operating | 793,751 | 821,444 |
| Canadian ministries | 205,222 | 251,420 |
| Interest | 138,849 | 171,619 |
| | <u>\$ 2,554,861</u> | <u>\$ 2,654,235</u> |

(continues)

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

4. RELATED PARTY TRANSACTIONS AND DUE FROM/TO RELATED PARTIES *(continued)*

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-------------------|
| During the year, the Society paid out the following to related parties: | | |
| Subsidies to associated churches | \$ 49,130 | \$ 52,257 |
| Salaries and wages, International worker expenses, new venture expenses, operating reserve expenses Christian and Missionary Alliance in Canada <i>(related by significant influence as the Society operates under the National Organization's constitution)</i> | 74,500 | 37,573 |
| Operating reserve expenses, education fund, events and conferences Ambrose University <i>(related by common significant influence)</i> | 191,116 | 141,573 |
| New venture expenses Christian and Missionary Alliance - St. Lawrence District <i>(related by common significant influence)</i> | 6,000 | 22,500 |
| Strategic partnership Christian and Missionary Alliance - Eastern Canadian District <i>(related by common significant influence)</i> | - | 1,000 |
| | <u>\$ 320,746</u> | <u>\$ 254,903</u> |

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

At December 31, 2020, there was \$23,321 (2019 - \$29,952) due from associated churches for insurance and interest, \$7,337 (2019 - \$10,636) due to associated churches for development loans interest included in interest payable on development funds and \$2,442 (2019 - \$11,590) due to a related party for miscellaneous expenses included in accounts payable. These amounts are due to and from according to normal trade terms and as such have been classified as current assets and liabilities.

Additional related party transaction and balance information relating to the development fund is found in *Note 6 and 10*.

5. NOTE RECEIVABLE

The note receivable consists of a \$1,700,000 promissory note from the Kawkawa Camp Society. The \$1,700,000 is secured by a charge on the property registered against the land and building located at 66706 and 66727 Kawkawa Lake Road in Hope, British Columbia and is due on demand.

Interest on the \$1,700,000 is calculated at 2% per annum with the interest on the principal amount forgiven annually on January 1 of each year based on certain conditions being met.

The note receivable consists of the following:

| | <u>2020</u> | <u>2019</u> |
|-------------------|----------------------------|---------------------|
| Principal portion | \$ 1,700,000 | \$ 1,700,000 |
| Accrued interest | 34,000 | 34,000 |
| | <u>\$ 1,734,000</u> | <u>\$ 1,734,000</u> |

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Notes to Financial Statements****Year Ended December 31, 2020****6. DEVELOPMENT FUND LOANS RECEIVABLE**

The Society administers a development loan fund to assist in the financing of construction and improvement costs of church buildings for associated churches. The titles to the church properties are held in the name of the Society, securing the loans. In 2020, the loans bore interest at a rate of 3.50% per annum until April 30, 2020, 3.35% per annum from May 1, 2020 to October 31, 2020 and 3.25% from November 1, 2020 to the end of the year. The loans are due on demand and repayment terms are both interest and principal paid monthly or interest paid monthly with unscheduled principal payments.

Total development fund loans receivable as at December 31, 2020 was \$3,990,298 (2019 - \$5,614,664).

7. CHURCH PROPERTIES HELD FOR SALE

When an associated church ceases activity, the beneficial use of the related property reverts to the Society. These properties are held by the Society with the intention of resale and therefore no amortization is taken.

8. INTANGIBLE ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|----------|------------------|-----------------------------|---------------------------|---------------------------|
| Software | \$ 7,825 | \$ 7,428 | \$ 397 | \$ 1,063 |
| Website | 26,564 | 20,567 | 5,997 | 7,404 |
| | \$ 34,389 | \$ 27,995 | \$ 6,394 | \$ 8,467 |

9. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|----------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 1,001,249 | \$ - | \$ 1,001,249 | \$ 1,001,249 |
| Building | 333,750 | 50,062 | 283,688 | 290,363 |
| Building improvements | 345,020 | 51,662 | 293,358 | 300,015 |
| Computer equipment | 44,282 | 23,767 | 20,515 | 22,672 |
| Furniture and equipment | 56,629 | 38,817 | 17,812 | 21,252 |
| Copier under capital lease | 19,941 | 16,900 | 3,041 | 7,029 |
| Artwork | 6,075 | - | 6,075 | 6,075 |
| | \$ 1,806,946 | \$ 181,208 | \$ 1,625,738 | \$ 1,648,655 |

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Notes to Financial Statements****Year Ended December 31, 2020****10. DEVELOPMENT FUND LOANS PAYABLE**

The development fund loans payable represents unsecured loans advanced from associated churches and individual members and adherents of associated churches and are payable upon 30 days written demand notice. The interest on the loans is payable to the Depositors on April 30th and October 31st each year and is calculated at a rate of 2% above the Royal Bank of Canada 179 days redeemable GIC rate as at April 30th and October 31st or 0.5% above the Bank of Canada policy rate at the same dates, whichever is higher. The related interest payable as at December 31, 2020 was \$21,268 (2019 - \$26,284).

The development loans payable consists of the following:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Due to members and adherents of associated churches | \$ 4,092,229 | \$ 4,391,617 |
| Due to associated churches | 2,648,922 | 2,922,841 |
| | <u>\$ 6,741,151</u> | <u>\$ 7,314,458</u> |

11. DEFERRED REVENUE

Deferred revenue represents contributions and revenue designated for various operating programs not yet disbursed or recognized and is comprised of:

| | <u>Opening balance</u> | <u>Amounts received</u> | <u>Recognized as revenue</u> | <u>Less administration fee</u> | <u>Closing balance</u> |
|----------------------------------|----------------------------|-----------------------------|----------------------------------|--|----------------------------|
| Insurance plan revenue | \$ 497,765 | \$ 1,443,779 | \$ 1,312,339 | \$ 66,000 | \$ 563,205 |
| BC Emergency Fund contributions | 31,599 | - | - | - | 31,599 |
| Liability insurance revenue | 24,961 | 106,318 | 104,699 | - | 26,580 |
| Women's ministries contributions | 1,652 | 4,000 | - | - | 5,652 |
| Benevolence Fund contributions | 498 | - | - | - | 498 |
| | <u>\$ 556,475</u> | <u>\$ 1,554,097</u> | <u>\$ 1,417,038</u> | <u>\$ 66,000</u> | <u>\$ 627,534</u> |

12. MORTGAGE PAYABLE

The Society is the trustee of an RRSP fund administered by Canadian Western Trust. A portion of the monies deposited into the RRSP fund have been lent to the Society as a mortgage, which is due on demand, bears interest at the average of the one year GIC rate for National Bank of Canada, Royal Bank of Canada and Toronto Dominion Bank as published at the end of the previous quarter and is secured by the land registered in the Society's name but accounted for and reported by one of the associated churches (See *Note 2*).

The mortgage payable balance as at December 31, 2020 was \$274,928 (2019 - \$272,230).

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Notes to Financial Statements****Year Ended December 31, 2020****13. INTERNALLY RESTRICTED FUNDS**

Internally restricted funds consist of:

| | Opening balance | Expenses | Interfund transfers | Ending balance |
|------------------------|--------------------|-------------------|------------------------|--------------------------|
| Development Loans Fund | \$ 531,632 | \$ 146,256 | \$ 138,850 | \$ 524,226 |
| Special Projects Fund | 219,251 | 28,292 | - | 190,959 |
| Operating Reserve Fund | 166,745 | 172,649 | 193,255 | 187,351 |
| | <u>\$ 917,628</u> | <u>\$ 347,197</u> | <u>\$ 332,105</u> | <u>\$ 902,536</u> |

14. INTERFUND TRANSFERS

During the year, \$138,850 was transferred from the Unrestricted Fund to the Internally Restricted Development Loans Fund to restrict the interest income earned on development fund loans.

During the year, \$193,255 was transferred from the Unrestricted Fund to the Internally Restricted Operating Reserve Fund to fund the reserve.

15. CHANGES IN NON-CASH WORKING CAPITAL

| | 2020 | 2019 |
|--|------------------|------------------|
| Due from related parties | \$ 6,631 | \$ (11,774) |
| Receivable from government authorities | (13,793) | (851) |
| Prepaid expenses | 12,869 | (6,844) |
| Health benefits plan fund | (64) | (257) |
| Accounts payable | 23,560 | 38,609 |
| Interest payable on development funds | (5,016) | (91) |
| Deferred revenue | 71,059 | 62,087 |
| | <u>\$ 95,246</u> | <u>\$ 80,879</u> |

16. CONTINGENT LIABILITIES

The Society has contingent liabilities, in case of payment default, with respect to various mortgages and loans secured by various properties, which are registered in the name of the Christian and Missionary Alliance - Canadian Pacific District in the amount of \$193,428. As these mortgages and loans are serviced directly by the respective associated churches, they are considered by both the management of the Society and the management of the associated churches to be the direct liabilities of the respective associated churches.

17. REMUNERATION DISCLOSURE

In accordance with the Societies Act of British Columbia, the Society is required to disclose that the three highest paid individuals that each exceeded \$75,000 of annual remuneration were paid a total sum of \$278,991.

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

18. DIRECTOR REMUNERATION

In accordance with the Societies Act of British Columbia, the Society is required to disclose that Directors were compensated as follows:

| | |
|------------------------------------|-----------------|
| Chair (in capacity as an employee) | <u>\$ 1,796</u> |
|------------------------------------|-----------------|

19. CREDIT FACILITIES

The Society has credit and other facilities with the Royal Bank of Canada as follows:

Revolving demand facility for general operations by way of Royal Bank Prime (RBP) Loans and overdrafts available up to \$3,500,000 at Royal Bank Prime rate plus 0.5% per annum for RBP Loans and Royal Bank Prime rate plus 5.0% per annum for overdrafts. These loans are available to associated churches and are not to exceed \$1,000,000 per loan. The outstanding balance of the loans as accessed by associated churches at December 31, 2020 was \$NIL (2019 - \$125,000).

Revolving term loans for the acquisition of capital assets by way of RBP Loans at Royal Bank Prime rate plus 1.0% per annum, fixed rate business term loans at rates from 3.55% - 4.6% per annum, letters of credit and letters of guarantee available up to \$6,000,000. These facilities are available to associated churches. The outstanding balances of these facilities at December 31, 2020 were as follows: demand loan - \$NIL (2019 - \$NIL), term loans - \$NIL (2019 - \$NIL), letter of guarantee - \$NIL (2019 - \$NIL).

The Society has a Visa business account in the amount of \$1,200,000 together with its affiliated churches. The outstanding balance of the Society specific credit cards at December 31, 2020 was \$3,035 (2019 - \$12,346) and is included in accounts payable.

The facilities are secured by a general security agreement constituting a first ranking security interest in all personal property of the Society.

20. FINANCIAL INSTRUMENT RISKS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from its investments and development fund loans receivable. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- Investments consist of guaranteed investment certificates ("GICs") held at one financial institution. The GICs are guaranteed by the investee and to a limited degree by government insurance provisions that cover deposits. Investments have increased by \$645,150 during the year, increasing the credit risk.
- Development fund loans receivable consists of amounts due from associated churches and are secured by the various properties registered in the name of the Society. The values of the various properties can be significantly affected by the real estate market sales in each location. Property values can fluctuate to be lower than the respective loan values which could increase the risk of recovery in cases of default. Management regularly reviews amounts due from associated churches for possible collection impairments. The amount receivable has decreased from the prior year by \$1,624,366, resulting in a decrease of credit risk.

(continues)

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

20. FINANCIAL INSTRUMENT RISKS *(continued)*

- Significant uncertainties and economic challenges arising from the COVID-19 pandemic have served to increase credit risk at year-end, specifically, associated churches that have had to close their facilities, could realize a decrease in revenue and cash flow, making loan repayments challenging.

Concentration of credit risk include:

- All of the development fund loans receivable are due from associated churches and therefore difficulties encountered by this charitable sector could adversely affect the collectability of the entirety of the receivable amount.
- All of the investments are held and managed by one investment broker and the total amount held in investments exceeds the Canadian Investor Protection Fund's threshold of up to \$1,000,000. Therefore any financial difficulties encountered by those financial institutions or unfavourable investment decisions could adversely affect the collectability and valuation of the deposits.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Society is exposed to interest rate risk for its development fund loans payable and mortgage payable. Exposures to interest rate risk and significant changes to the risk exposure from the prior year are as follows:

- Development fund loans payable bear interest at a rate set by the Society which fluctuates based on the rate described in *Note 10*. Consequently, the Society is exposed to constraints on its cash flows caused by the potential increases in the rates by RBC. Development fund loans payable has decreased by \$573,307 during the year, decreasing the interest rate risk.
 - Mortgage payable bears interest at a rate of the average of the one year GIC rate for National Bank of Canada, Royal Bank of Canada and Toronto Dominion Bank as published at the end of the previous quarter. Consequently, the Society is exposed to constraints on its cash flows caused by the potential increases in the GIC rates of its creditor. Mortgage payable has increased by \$2,698 during the year, increasing the interest rate risk.
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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Schedule of Canadian Ministries Expenses

(Schedule 1)

Year Ended December 31, 2020

| | 2020 | 2019 |
|-------------------------------------|-------------------|-------------------|
| EXPENSES | | |
| Strategic partnership | \$ 64,039 | \$ 79,713 |
| Subsidies | 49,130 | 52,257 |
| Travel | 45,635 | 67,372 |
| Events and conferences | 35,005 | 132,776 |
| Ambrose University College | 30,756 | 37,573 |
| Pastoral relations | 8,973 | 14,978 |
| Designated expenses | 8,750 | 6,000 |
| Pastoral care and wellness | 7,151 | 4,581 |
| Resolution team and conflict | 6,361 | - |
| Committee expenses | 5,771 | 17,817 |
| Leadership development and training | 1,845 | 4,562 |
| International workers expenses | 1,500 | 4,243 |
| Resource material | 127 | 426 |
| National Ministry Centre | - | 37,573 |
| | \$ 265,043 | \$ 459,871 |

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Operating Reserve Expenses****(Schedule 2)****Year Ended December 31, 2020**

| | 2020 | 2019 |
|--|-------------------|------------------|
| EXPENSES | | |
| Endowment Donation to Ambrose University College | \$ 160,000 | \$ - |
| New Ventures | 10,649 | - |
| Scholarships and training | 1,000 | 1,755 |
| Donations | 1,000 | 31,500 |
| | \$ 172,649 | \$ 33,255 |

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Administrative Expenses****(Schedule 3)****Year Ended December 31, 2020**

| | 2020 | 2019 |
|----------------------------------|-------------------|-------------------|
| EXPENSES | | |
| Computer repairs and maintenance | \$ 23,905 | \$ 21,583 |
| Telephone and utilities | 22,078 | 24,960 |
| Accounting and audit | 21,516 | 19,253 |
| Property tax | 15,858 | 19,489 |
| Rent and strata fees | 15,472 | 15,088 |
| Office and postage | 12,402 | 23,016 |
| Repairs and maintenance | 11,675 | 11,248 |
| Legal fees and settlement | 7,969 | 3,708 |
| Janitorial | 5,651 | 5,894 |
| Insurance | 5,209 | 4,006 |
| Licenses, dues and membership | 1,834 | 2,269 |
| | \$ 143,569 | \$ 150,514 |

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