

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Financial Statements

December 31, 2021

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

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Year Ended December 31, 2021

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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, 2021, 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, 2021, 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, 2021

	Unrestricted Fund	Internally Restricted Fund	2021	2020 (Note 21)
ASSETS				
CURRENT				
Cash	\$ 569,104	\$ -	\$ 569,104	\$ 478,513
Restricted cash	381,247	2,712,195	3,093,442	2,922,661
Investments	-	1,653,716	1,653,716	1,654,458
Due from related parties (Note 4)	17,953	-	17,953	23,321
Receivable from government authorities (Note 3)	6,759	-	6,759	19,334
Prepaid expenses	53,455	-	53,455	39,647
Health benefits plan fund	51,501	-	51,501	51,501
Note receivable (Note 5)	1,734,000	-	1,734,000	1,734,000
Development fund loans receivable (Note 6)	-	2,380,483	2,380,483	2,736,130
	2,814,019	6,746,394	9,560,413	9,659,565
LIFE INSURANCE POLICY	13,385	-	13,385	12,960
CHURCH PROPERTIES (Note 7)	46,055	-	46,055	46,055
DEVELOPMENT FUND LOANS RECEIVABLE (Note 6)	-	1,108,115	1,108,115	1,254,168
INTANGIBLE ASSETS (Note 8)	4,010	-	4,010	6,394
CAPITAL ASSETS (Note 9)	1,616,624	-	1,616,624	1,625,738
	\$ 4,494,093	\$ 7,854,509	\$ 12,348,602	\$ 12,604,880
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable	\$ 201,659	\$ -	\$ 201,659	\$ 141,011
Interest payable on development funds (Note 10)	-	22,439	22,439	21,268
Current portion of obligations under capital lease	-	-	-	3,126
Deferred revenue (Note 11)	381,247	-	381,247	627,534
Development fund loans payable (Note 10)	-	6,988,565	6,988,565	6,741,151
Mortgage payable (Note 12)	-	168,121	168,121	274,928
	582,906	7,179,125	7,762,031	7,809,018
FUND BALANCES				
Unrestricted	3,911,187	-	3,911,187	3,893,326
Internally restricted (Note 13)	-	675,384	675,384	902,536
	3,911,187	675,384	4,586,571	4,795,862
	\$ 4,494,093	\$ 7,854,509	\$ 12,348,602	\$ 12,604,880

CONTINGENT LIABILITIES (Note 16)

ON BEHALF OF THE BOARD

Director

Director

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Changes in Fund Balances

Year Ended December 31, 2021

	Unrestricted Fund	Internally Restricted Fund	2021	2020
FUND BALANCES - BEGINNING OF YEAR	\$ 3,893,326	\$ 902,536	\$ 4,795,862	\$ 4,925,268
Excess (deficiency) of revenue over expenses	119,625	(328,916)	(209,291)	(129,406)
Interfund transfers (Note 14)	(101,764)	101,764	-	-
FUND BALANCES - END OF YEAR	\$ 3,911,187	\$ 675,384	\$ 4,586,571	\$ 4,795,862

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Operations

Year Ended December 31, 2021

	Unrestricted Fund	Internally Restricted Fund	2021	2020
REVENUE				
Insurance	\$ 1,769,358	\$ -	\$ 1,769,358	\$ 1,417,039
District operating	849,534	-	849,534	793,751
Canadian ministries	190,828	-	190,828	205,222
Interest	159,934	-	159,934	211,873
Insurance plan administration fee	72,000	-	72,000	66,000
Event registration	62,098	-	62,098	12,475
Donations, ministry and miscellaneous income	46,477	-	46,477	42,170
Emergency fund	35,000	-	35,000	-
Federal government wage subsidies	10,035	-	10,035	75,881
Unrealized gain on life insurance investment	425	-	425	424
Gain on sale of church property	-	-	-	44,588
	<u>3,195,689</u>	<u>-</u>	<u>3,195,689</u>	<u>2,869,423</u>
EXPENSES				
Insurance	1,775,056	-	1,775,056	1,422,539
Salaries and wages	708,293	-	708,293	730,657
Canadian ministries expenses (Schedule 1)	305,256	-	305,256	265,043
Operating reserve expenses (Schedule 2)	-	165,898	165,898	172,649
Administrative expenses (Schedule 3)	160,709	-	160,709	143,569
Interest on development fund loans	-	137,586	137,586	146,181
Emergency fund	35,000	-	35,000	-
Forgiveness of accrued interest	34,000	-	34,000	34,000
Amortization of capital assets	29,034	-	29,034	27,820
Legacy stewardship initiatives	-	25,357	25,357	28,292
Miscellaneous	11,534	-	11,534	14,592
New venture expenses	7,230	-	7,230	7,230
Amortization of intangible assets	2,185	-	2,185	2,851
Bank charges and interest	3,119	75	3,194	3,406
	<u>3,071,416</u>	<u>328,916</u>	<u>3,400,332</u>	<u>2,998,829</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	124,273	(328,916)	(204,643)	(129,406)
OTHER EXPENSES				
Loss on disposal of capital assets	(4,648)	-	(4,648)	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 119,625</u>	<u>\$ (328,916)</u>	<u>\$ (209,291)</u>	<u>\$ (129,406)</u>

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Cash Flows

Year Ended December 31, 2021

	Unrestricted Fund	Internally Restricted Fund	2021	2020
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	\$ 119,625	\$ (328,916)	\$ (209,291)	\$ (129,406)
Items not affecting cash:				
Amortization of capital assets	29,034	-	29,034	27,820
Amortization of intangible assets	2,185	-	2,185	2,851
Loss on disposal of capital assets	4,648	-	4,648	6,813
Gain on sale of church property	-	-	-	(44,588)
Unrealized gain on life insurance investment	(425)	-	(425)	(424)
	155,067	(328,916)	(173,849)	(136,934)
Changes in non-cash working capital (Note 15)	(181,511)	1,171	(180,340)	95,246
Cash flow used by operating activities	(26,444)	(327,745)	(354,189)	(41,688)
INVESTING ACTIVITIES				
Redemption (purchase) of investments	-	742	742	(645,150)
Decrease of development fund loans receivable	-	501,700	501,700	1,624,366
Purchase of capital assets	(26,745)	-	(26,745)	(12,694)
Proceeds on sale of capital assets	2,383	-	2,383	268,158
Cash flow from (used by) investing activities	(24,362)	502,442	478,080	1,234,680
FINANCING ACTIVITIES				
Development fund loans paid (received)	-	247,414	247,414	(573,307)
Increase (decrease) of mortgage payable	-	(106,807)	(106,807)	2,698
Repayment of capital lease	(3,126)	-	(3,126)	(4,092)
Cash flow from (used by) financing activities	(3,126)	140,607	137,481	(574,701)
OTHER CASH FLOW ITEMS				
Interfund transfers	(101,764)	101,764	-	-
INCREASE (DECREASE) IN CASH FLOW	(155,696)	417,068	261,372	618,291
Cash - beginning of year	1,106,047	2,295,127	3,401,174	2,782,883
CASH - END OF YEAR	\$ 950,351	\$ 2,712,195	\$ 3,662,546	\$ 3,401,174
CASH CONSISTS OF:				
Unrestricted cash	\$ 569,104	\$ -	\$ 569,104	\$ 478,513
Internally restricted cash	-	2,712,195	2,712,195	2,295,127
Externally restricted cash	381,247	-	381,247	627,534
	\$ 950,351	\$ 2,712,195	\$ 3,662,546	\$ 3,401,174

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

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.

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.
- The Internally Restricted LSI Legacy Stewardship Initiative 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.

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 financial 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.

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 have various maturity dates up to September 2022 and bear interest at 0.550% per annum. 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.

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and methods 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:

Building 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.

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 (2020 - \$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 \$27,594 (2020 - \$28,127) for employer contributions to the plan.

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

	2021	2020
GST recoverable	\$ 6,759	\$ 2,724
Temporary Wage Subsidy	-	13,750
Canada Emergency Wage Subsidy	-	2,860
	\$ 6,759	\$ 19,334

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

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

	2021	2020
Revenue from associated churches		
Insurance	\$ 1,769,358	\$ 1,417,039
District operating	849,534	793,751
Canadian ministries	190,828	205,222
Interest	101,765	138,849
	\$ 2,911,485	\$ 2,554,861

During the year, the Society paid out the following to related parties:

Salaries and wages, International worker expenses, Global Advance Fund, New venture expenses and Miscellaneous Christian and Missionary Alliance in Canada <i>(related by significant influence as the Society operates under the National Organization's constitution)</i>	\$ 133,398	\$ 74,500
Subsidies to associated churches	43,214	49,130
Education fund		
Ambrose University <i>(related by common significant influence)</i>	28,592	191,116
New venture expenses		
Christian and Missionary Alliance - St. Lawrence District <i>(related by common significant influence)</i>	6,000	6,000
	\$ 211,204	\$ 320,746

(continues)

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

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

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, 2021, there was \$17,953 (2020 - \$23,321) due from associated churches for insurance and interest, \$8,301 (2020 - \$7,337) due to associated churches for development loans interest included in interest payable on development funds and \$19,825 (2020 - \$2,442) due to related parties 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>2021</u>	<u>2020</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>

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 2021, the loans bore interest at a rate of 3.25% per annum. One loan is interest free. The loans have various terms (due on demand - 180 months) and repayment terms are with interest and principal paid monthly or interest paid monthly with unscheduled principal payments. Any amounts due beyond the next year end date have been classified as a long term asset.

Total development fund loans receivable as at December 31, 2021 was \$3,488,598 (2020 - \$3,990,298).

7. CHURCH PROPERTIES

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.

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

8. INTANGIBLE ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Software	\$ 7,825	\$ 7,825	\$ -	\$ 397
Website	26,564	22,554	4,010	5,997
	\$ 34,389	\$ 30,379	\$ 4,010	\$ 6,394

9. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 1,001,249	\$ -	\$ 1,001,249	\$ 1,001,249
Building	333,750	56,737	277,013	283,688
Building improvements	347,443	58,567	288,876	293,358
Computer equipment	53,602	27,488	26,114	20,515
Furniture and equipment	60,261	42,964	17,297	17,812
Copier under capital lease	19,941	19,941	-	3,041
Artwork	6,075	-	6,075	6,075
	\$ 1,822,321	\$ 205,697	\$ 1,616,624	\$ 1,625,738

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. Except for the loan from Neil and Linda Jolliffe, which does not have any interest terms, 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, 2021 was \$22,439 (2020 - \$21,268).

The development loans payable consists of the following:

	2021	2020
Due to members and adherents of associated churches	\$ 4,516,239	\$ 4,092,229
Due to associated churches	2,472,326	2,648,922
	\$ 6,988,565	\$ 6,741,151

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

11. DEFERRED REVENUE

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

	Opening balance	Amounts received	Recognized as revenue	Less administration fee	Closing balance
Insurance plan revenue	\$ 563,205	\$ 1,440,083	\$ 1,654,749	\$ 72,000	\$ 276,539
BC Emergency Fund contributions	31,599	66,375	35,000	-	62,974
Liability insurance revenue	26,580	127,613	114,609	-	39,584
Women's ministries contributions	5,652	-	4,000	-	1,652
Benevolence Fund contributions	498	5,000	5,000	-	498
	<u>\$ 627,534</u>	<u>\$ 1,639,071</u>	<u>\$ 1,813,358</u>	<u>\$ 72,000</u>	<u>\$ 381,247</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, 2021 was \$168,121 (2020 - \$274,928).

13. INTERNALLY RESTRICTED FUNDS

Internally restricted funds consist of:

	Opening balance	Expenses	Interfund transfers	Closing balance
Development Loans Fund	\$ 524,226	\$ 137,661	\$ 101,764	\$ 488,329
LSI Legacy Stewardship Initiative Fund	190,959	25,357	-	165,602
Operating Reserve Fund	187,351	165,898	-	21,453
	<u>\$ 902,536</u>	<u>\$ 328,916</u>	<u>\$ 101,764</u>	<u>\$ 675,384</u>

14. INTERFUND TRANSFERS

During the year, \$101,764 was transferred from the Unrestricted Fund to the Internally Restricted Development Loans Fund to restrict the interest income earned on development fund loans.

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Notes to Financial Statements****Year Ended December 31, 2021**

15. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2021</u>	<u>2020</u>
Due from related parties	\$ 5,368	\$ 6,631
Receivable from government authorities	12,575	(13,793)
Prepaid expenses	(13,808)	12,869
Health benefits plan fund	-	(64)
Accounts payable	60,641	23,560
Interest payable on development funds	1,171	(5,016)
Deferred revenue	(246,287)	71,059
	<u>\$ (180,340)</u>	<u>\$ 95,246</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 approximately \$190,000. 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 \$268,254.

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)	\$ 1,858
Outgoing Chair (in capacity as an employee)	<u>474</u>
	<u>\$ 2,332</u>

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

19. CREDIT FACILITIES

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

Revolving demand facility for general operations by way of Royal Bank Prime Loans ("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, 2021 was \$925,000 (2020 - \$NIL).

Revolving term loans by way of RBP Loans at Royal Bank Prime rate plus 1.0% per annum, fixed rate business term loans at rates determined at the time of borrowing, letters of credit and letters of guarantee available up to \$8,000,000. These facilities are available to associated churches. The outstanding balances of these facilities at December 31, 2021 were as follows: demand loan - \$NIL (2020 - \$NIL), term loans - \$NIL (2020 - \$NIL), letter of guarantee - \$NIL (2020 - \$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, 2021 was \$6,010 (2020 - \$3,035) 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 for its cash, investments and development fund loans receivable. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- Cash held at year-end exceed the amounts covered by the Canadian Deposit Insurance Corporation up to \$100,000, serving to increase credit risk. The Organization mitigates this risk by depositing their cash with a large, high quality financial institution.
- 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.
- 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 \$501,700, decreasing the credit risk.

Concentration of credit risk include:

- 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 the financial institution or unfavourable investment decisions could adversely affect the collectability and valuation of the deposits.

(continues)

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2021

20. FINANCIAL INSTRUMENT RISKS *(continued)*

- 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.

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 increased by \$247,414 during the year, increasing 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 those financial institutions. Mortgage payable has decreased by \$106,807 during the year, decreasing the interest rate risk.
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21. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, Development Fund Loans Receivable of \$1,254,168 have been reclassified as long term assets on the Statement of Financial Position. In the previous year, these were presented as current assets on the Statement of Financial Position.

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Canadian Ministries Expenses****(Schedule 1)****Year Ended December 31, 2021**

	2021	2020
EXPENSES		
Events and conferences	\$ 89,913	\$ 35,005
Strategic partnership	63,005	64,039
Subsidies	43,214	49,130
Ambrose University College	28,592	30,756
Travel	28,280	45,635
Donation	10,000	-
Pastoral relations	9,883	8,973
Committee expenses	9,751	5,771
Pastoral care and wellness	7,558	7,151
Designated expenses	6,000	8,750
Resolution team and conflict	3,360	6,361
International workers expenses	2,134	1,500
Leadership development and training	2,066	1,845
Resource material	1,500	127
	\$ 305,256	\$ 265,043

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Operating Reserve Expenses****(Schedule 2)****Year Ended December 31, 2021**

	2021	2020
EXPENSES		
Severance	\$ 104,333	\$ -
New Ventures	31,000	10,649
Scholarships and training	21,565	1,000
Donations	9,000	1,000
Endowment Donation to Ambrose University College	-	160,000
	\$ 165,898	\$ 172,649

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Administrative Expenses****(Schedule 3)****Year Ended December 31, 2021**

	2021	2020
EXPENSES		
Property tax	\$ 25,445	\$ 15,858
Accounting and audit	22,515	21,516
Computer repairs and maintenance	21,591	23,905
Telephone and utilities	20,756	22,078
Office and postage	16,219	12,402
Rent and strata fees	15,371	15,472
Legal fees	13,129	7,969
Repairs and maintenance	11,537	11,675
Insurance	6,336	5,209
Janitorial	6,124	5,651
Licenses, dues and membership	1,686	1,834
	\$ 160,709	\$ 143,569

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