

March 3, 2023

AUDIT LETTER - Part I

Christian and Missionary Alliance - Canadian Pacific District
AUDIT OVERVIEW AND INDEPENDENCE
Year Ending December 31, 2022

OBJECTIVE, SCOPE AND LIMITATION OF EXAMINATION

The objective of an audit of financial statements is to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of Christian and Missionary Alliance - Canadian Pacific District as at December 31, 2022 and the results of its activities and its cash flows for the year then ended, in accordance with Canadian Auditing Standards (CAS). More complete details of the objective, scope and limitation of our examination, as well as the accounting framework used, are outlined in the engagement letter sent to management at the commencement of this engagement. We advise that you consult the engagement letter in this matter.

AUDIT APPROACH

Financial statements are management's representations of the financial position, results of operations and cash flows of the organization and accordingly reflect the specific treatment and recording of the underlying assets, liabilities, transactions and events. The attainment of our audit objectives is achieved by obtaining sufficient appropriate audit evidence supporting the appropriateness of the accounting treatment selected and the accuracy of the recording of transactions. Our primary concern is not with individual transactions and balances but with the formation of an opinion on the fairness of the presentation of the financial statements as a whole. The examination is planned and performed to obtain reasonable, but not absolute assurance, that the financial statements are free from material misstatements.

Our audit strategy requires us to assess a number of areas, including various risk factors, the control environment, the level of testing that we will perform and materiality. Materiality is the term used to describe the significance of financial statement information to the decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances. This materiality level assists us in determining the nature and extent of our testing. We estimated materiality at \$53,000 for the organization.

SIGNIFICANT RISKS

Significant risks are those that require special audit consideration due to their high probability of or susceptibility to material misstatement.

For the current year, we did not identify any significant risks.

CONDUCT OF THE AUDIT

Our audit of Christian and Missionary Alliance - Canadian Pacific District can be summarized in two parts:

- (A) **Preliminary** - Audit procedures that are directed towards obtaining an understanding of current operations and reviewing key controls in effect. This phase of the audit includes:

- (i) Identification of internal control and accounting strengths and deficiencies in key aspects of the organization's information, accounting and control systems, including computerized controls.
- (ii) Evaluation of internal controls that are in place.
- (iii) Testing of the identified key controls through observation of control procedures (such as two signers on all cheques) and inspection and review of selected documents.

(B) **Year End** - This phase of the audit includes:

- (i) Tests of the validity of information concerning significant transactions and balances.
- (ii) Analytical reviews, confirmation of selected balances and other forms of verification.
- (iii) Review and testing of the annual financial statements and drafting of entity financial statements.

In addition to our statutory obligations and responsibilities under CAS, we are required to report to management and the board of directors any significant internal control and accounting deficiencies which have come to our attention.

KEY AUDIT MATTERS

Key audit matters are those that, in our professional judgment, are of most significance in the audit of the financial statements of the current year. They can include:

- (i) Areas of very high risk of misstatement.
- (ii) Significant risks that require special consideration.
- (iii) Areas of considerable judgment and uncertainty.
- (iv) Events or transactions that have a substantial effect on the audit.

For the current year, we did not identify any key audit matters.

This communication, which arises as a consequence of the completion of our audit of the financial statements of Christian and Missionary Alliance - Canadian Pacific District is prepared solely for the information of management and the Board of Directors, and is not intended for any other distribution. We do not accept responsibility to any third party who uses this information.

March 3, 2023

AUDIT LETTER - Part II

**Christian and Missionary Alliance - Canadian Pacific District
RECENT DEVELOPMENTS AND ACCOUNTING MATTERS
Year Ending December 31, 2022**

Canadian Auditing Standards require that we communicate to you significant findings from the audit. These include:

- significant accounting issues relating to the accounting practices of the organization, including accounting policies, estimates and financial statement disclosures;
- circumstances that affect the form and content of the auditor's report;
- significant matters arising during the audit that were discussed with management
- significant difficulties encountered during the audit; and,
- other matters that are significant to the oversight of the financial reporting process.

We are pleased to report that no significant accounting issues, audit difficulties or other matters arose during the course of the audit.

This communication, which arises as a consequence of the completion of our audit of the financial statements of Christian and Missionary Alliance - Canadian Pacific District is prepared solely for the information of management and the Board of Directors, and is not intended for any other distribution. We do not accept responsibility to any third party who uses this information.

March 3, 2023

AUDIT LETTER - Part III

Christian and Missionary Alliance - Canadian Pacific District
MEMORANDUM AND RECOMMENDATIONS
Accounting and control issues
Year Ended December 31, 2022

Internal controls include the policies adopted by the Board of Directors and the procedures implemented by the organization's management in order to provide for the orderly and efficient conduct of the organization's operations. The objectives of these policies and procedures are to provide reasonable, but not absolute, assurance as to the:

- safeguarding of assets of the organization;
- accurate and complete collecting, recording and processing of data;
- reporting the resulting information in an accurate and timely manner; and
- procedures intended to prevent and / or detect the possibility of fraud and errors in the data reported.

It should be noted that the responsibility for internal control belongs to management, and that the effectiveness of these controls can be compromised by frequent turnover of employees, misunderstanding of instructions, mistakes in judgment, employee carelessness, fraud or collusion. Consequently, our examination would not necessarily disclose all internal control and accounting deficiencies.

Our examination was conducted primarily to enable us to express an opinion on the financial statements, it is not designed and cannot necessarily be expected to disclose defalcations and other irregularities. Nevertheless, their discovery might well result from our examination.

In the course of conducting our audit, we may identify certain items for comment and observe procedures which could be changed or modified in order to strengthen your system of internal controls. Any comments which follow are directed towards improving the system of internal controls and are not intended to reflect upon the honesty or integrity of the organization's employees.

Prior year

We are pleased to note that all items noted in the prior year have been either agreed to or actioned in some way.

Current year items

There are no items or internal control and accounting deficiencies to report that have arisen as a result of our current year audit.

We would again like to thank management for their assistance and help in this year's audit process. It continues to be a pleasure working together with them in ensuring the process is executed in a timely and professional manner.

This communication, which arises as a consequence of the completion of our audit of the financial

statements of Christian and Missionary Alliance - Canadian Pacific District , is prepared solely for the information of management and the Board of Directors, and is not intended for any other distribution. We do not accept any responsibility to any third party who uses this information.

Yours truly,

LOEWEN KRUSE

M. Loewen, CPA, CA

DRAFT

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Financial Statements

December 31, 2022

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Index to Financial Statements

Year Ended December 31, 2022

	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 Administrative Expenses (<i>Schedule 2</i>)	18
Schedule of Operating Reserve Expenses (<i>Schedule 3</i>)	19

Draft for discussion purposes only

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, 2022, 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, 2022, 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, 2022

	Unrestricted Fund	Internally Restricted Fund	2022	2021
ASSETS				
CURRENT				
Cash	\$ 73,277	\$ -	\$ 73,277	\$ 569,104
Restricted cash	129,320	669,072	798,392	3,093,442
Investments	-	1,675,178	1,675,178	1,653,716
Due from related parties (Note 3)	36,637	-	36,637	17,953
Receivable from government authorities	8,490	-	8,490	6,759
Prepaid expenses	51,609	-	51,609	53,455
Health benefits plan fund	51,501	-	51,501	51,501
Note receivable (Note 4)	1,734,000	-	1,734,000	1,734,000
Development fund loans receivable (Note 5)	-	2,069,091	2,069,091	2,380,483
	2,084,834	4,413,341	6,498,175	9,560,413
LIFE INSURANCE POLICY	13,877	-	13,877	13,385
CHURCH PROPERTIES (Note 6)	46,055	-	46,055	46,055
DEVELOPMENT FUND LOANS RECEIVABLE (Note 5)	-	3,072,637	3,072,637	1,108,115
INTANGIBLE ASSETS (Note 7)	48,149	-	48,149	4,010
CAPITAL ASSETS (Note 8)	1,623,700	-	1,623,700	1,616,624
	\$ 3,816,615	\$ 7,485,978	\$ 11,302,593	\$ 12,348,602
LIABILITIES AND FUND BALANCES				
CURRENT				
Accounts payable	\$ 99,048	\$ -	\$ 99,048	\$ 201,659
Interest payable on development funds (Note 9)	-	34,562	34,562	22,439
Current portion of capital lease	3,043	-	3,043	-
Deferred revenue (Note 10)	129,320	-	129,320	381,247
Development fund loans payable (Note 9)	-	6,600,178	6,600,178	6,988,565
Mortgage payable (Note 11)	-	170,675	170,675	168,121
	231,411	6,805,415	7,036,826	7,762,031
CAPITAL LEASE	10,485	-	10,485	-
	241,896	6,805,415	7,047,311	7,762,031
FUND BALANCES				
Unrestricted	3,574,719	-	3,574,719	3,911,187
Internally restricted (Note 12)	-	680,563	680,563	675,384
	3,574,719	680,563	4,255,282	4,586,571
	\$ 3,816,615	\$ 7,485,978	\$ 11,302,593	\$ 12,348,602

ON BEHALF OF THE BOARD

Director

Director

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Changes in Fund Balances

Year Ended December 31, 2022

	Unrestricted Fund	Internally Restricted Fund	2022	2021
FUND BALANCES - BEGINNING OF YEAR	\$ 3,911,187	\$ 675,384	\$ 4,586,571	\$ 4,795,862
Deficiency of revenue over expenses	(64,121)	(267,168)	(331,289)	(209,291)
Interfund transfers (Note 13)	(272,347)	272,347	-	-
FUND BALANCES - END OF YEAR	\$ 3,574,719	\$ 680,563	\$ 4,255,282	\$ 4,586,571

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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Statement of Operations

Year Ended December 31, 2022

	Unrestricted Fund	Internally Restricted Fund	2022	2021
REVENUE				
Insurance	\$ 1,746,904	\$ -	\$ 1,746,904	\$ 1,769,358
District operating	843,907	-	843,907	849,534
Interest	238,002	-	238,002	159,934
Canadian ministries	172,137	-	172,137	190,828
Emergency fund	144,500	-	144,500	35,000
Donations, ministry and miscellaneous income	88,628	-	88,628	46,477
Insurance plan administration fee	72,000	-	72,000	72,000
Event registration	65,342	-	65,342	62,098
Unrealized gain on life insurance investment	492	-	492	425
Federal government wage subsidies	-	-	-	10,035
	<u>3,371,912</u>	<u>-</u>	<u>3,371,912</u>	<u>3,195,689</u>
EXPENSES				
Insurance	1,753,023	-	1,753,023	1,775,056
Salaries and wages	803,012	-	803,012	708,293
Canadian ministries expenses (Schedule 1)	402,796	-	402,796	305,256
Interest on development fund loans	-	168,783	168,783	137,586
Administrative expenses (Schedule 2)	153,876	-	153,876	160,709
Emergency fund	144,500	-	144,500	35,000
Donations and miscellaneous expenses	100,279	-	100,279	11,534
Operating reserve expenses (Schedule 3)	-	72,119	72,119	165,898
Forgiveness of accrued interest	34,000	-	34,000	34,000
Amortization of capital assets	32,236	-	32,236	29,034
Legacy stewardship initiatives	-	26,129	26,129	25,357
New venture expenses	7,215	-	7,215	7,230
Bank charges and interest	3,110	137	3,247	3,194
Amortization of intangible assets	1,986	-	1,986	2,185
	<u>3,436,033</u>	<u>267,168</u>	<u>3,703,201</u>	<u>3,400,332</u>
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	(64,121)	(267,168)	(331,289)	(204,643)
OTHER EXPENSES				
Loss on disposal of capital assets	-	-	-	(4,648)
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (64,121)</u>	<u>\$ (267,168)</u>	<u>\$ (331,289)</u>	<u>\$ (209,291)</u>

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT
Statement of Cash Flows
Year Ended December 31, 2022

	Unrestricted Fund	Internally Restricted Fund	2022	2021
OPERATING ACTIVITIES				
Deficiency of revenue over expenses	\$ (64,121)	\$ (267,168)	\$ (331,289)	\$ (209,291)
Items not affecting cash:				
Amortization of capital assets	32,236	-	32,236	29,034
Amortization of intangible assets	1,986	-	1,986	2,185
Loss on disposal of capital assets	-	-	-	4,648
Unrealized gain on life insurance investment	(492)	-	(492)	(425)
	(30,391)	(267,168)	(297,559)	(173,849)
Changes in non-cash working capital (Note 14)	(373,107)	12,123	(360,984)	(180,340)
Cash flow used by operating activities	(403,498)	(255,045)	(658,543)	(354,189)
INVESTING ACTIVITIES				
Redemption (purchase) of investments	-	(21,462)	(21,462)	742
Decrease (increase) of development fund loans receivable	-	(1,653,130)	(1,653,130)	501,700
Purchase of capital assets	(39,312)	-	(39,312)	(26,745)
Purchase of intangible assets	(46,125)	-	(46,125)	-
Proceeds on sale of capital assets	-	-	-	2,383
Cash flow from (used by) investing activities	(85,437)	(1,674,592)	(1,760,029)	478,080
FINANCING ACTIVITIES				
Development fund loans paid (received)	-	(388,387)	(388,387)	247,414
Increase (decrease) of mortgage payable	-	2,554	2,554	(106,807)
Increase (repayment) of capital lease	13,528	-	13,528	(3,126)
Cash flow from (used by) financing activities	13,528	(385,833)	(372,305)	137,481
OTHER CASH FLOW ITEMS				
Interfund transfers	(272,347)	272,347	-	-
INCREASE (DECREASE) IN CASH FLOW				
	(747,754)	(2,043,123)	(2,790,877)	261,372
Cash - beginning of year	950,351	2,712,195	3,662,546	3,401,174
CASH - END OF YEAR				
	\$ 202,597	\$ 669,072	\$ 871,669	\$ 3,662,546
CASH CONSISTS OF:				
Unrestricted cash	\$ 73,277	\$ -	\$ 73,277	\$ 569,104
Externally restricted cash	129,320	-	129,320	381,247
Internally restricted cash	-	669,072	669,072	2,712,195
	\$ 202,597	\$ 669,072	\$ 871,669	\$ 3,662,546

See notes to financial statements

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

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 12* 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, 2022

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 2023 and bear interest at 4.2% - 4.4% per annum. The investments are recorded at cost and include accrued interest to December 31. Interest earned during the year was \$30,363.

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, 2022

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 (2021 - \$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 \$27,551 (2021 - \$27,594) 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, 2022

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. RELATED PARTY TRANSACTIONS AND DUE FROM/TO RELATED PARTIES

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

	2022	2021
Revenue from associated churches		
Insurance	\$ 1,746,904	\$ 1,769,358
District operating	843,907	849,534
Canadian ministries	172,137	190,828
Interest on development loans	138,800	101,765
	<u>\$ 2,901,748</u>	<u>\$ 2,911,485</u>

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>	\$ 149,558	\$ 133,398
Subsidies and donations to associated churches	111,260	43,214
Education fund		
Ambrose University <i>(related by common significant influence)</i>	25,657	28,592
New venture expenses		
Christian and Missionary Alliance - St. Lawrence District <i>(related by common significant influence)</i>	6,000	6,000
	<u>\$ 292,475</u>	<u>\$ 211,204</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, 2022, there was \$36,637 (2021 - \$17,953) due from associated churches for insurance and interest, \$14,911 (2021 - \$8,301) due to associated churches for development loans interest included in interest payable on development funds, and \$NIL (2021 - \$19,825) 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 5 and 9*.

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

4. 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>2022</u>	<u>2021</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>

5. 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 2022, the loans bore interest at a rate of 3.25% - 4.25% per annum (2021 - 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, 2022 was \$5,141,728 (2021 - \$3,488,598).

6. CHURCH PROPERTIES

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

7. INTANGIBLE ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Software	\$ 7,825	\$ 7,825	\$ -	\$ -
Website	72,689	24,540	48,149	4,010
	<u>\$ 80,514</u>	<u>\$ 32,365</u>	<u>\$ 48,149</u>	<u>\$ 4,010</u>

Website includes cost of \$46,125 which is not being amortized as it is not yet in operational use.

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

8. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 1,001,249	\$ -	\$ 1,001,249	\$ 1,001,249
Building	333,750	63,412	270,338	277,013
Building improvements	347,443	65,527	281,916	288,876
Computer equipment	74,030	38,894	35,136	26,114
Furniture and equipment	62,774	46,884	15,890	17,297
Copier under capital lease	16,370	3,274	13,096	-
Artwork	6,075	-	6,075	6,075
	\$ 1,841,691	\$ 217,991	\$ 1,623,700	\$ 1,616,624

9. 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 two loans, which are interest free, the interest on the loans is payable to the depositors on April 30th and October 31st each year. Interest is calculated at either 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, 2022 was \$34,562 (2021 - \$22,439).

The development loans payable consists of the following:

	2022	2021
Due to members and adherents of associated churches	\$ 3,582,051	\$ 4,516,239
Due to associated churches	3,018,127	2,472,326
	\$ 6,600,178	\$ 6,988,565

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

10. DEFERRED REVENUE

Deferred revenue represents externally restricted contributions not yet disbursed and unearned revenue received in advance for operating programs. Deferred revenue is comprised as follows:

	Opening balance	Amounts received	Recognized as revenue	Less administration fee	Closing balance
Insurance plan revenue	\$ 276,539	\$ 1,505,309	\$ 1,628,627	\$ 72,000	\$ 81,221
Liability insurance revenue	39,584	125,835	123,474	-	41,945
BC Emergency Fund contributions	62,974	85,530	144,500	-	4,004
Women's ministries contributions	1,652	-	-	-	1,652
Benevolence Fund contributions	498	-	-	-	498
	<u>\$ 381,247</u>	<u>\$ 1,716,674</u>	<u>\$ 1,896,601</u>	<u>\$ 72,000</u>	<u>\$ 129,320</u>

11. 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, 2022 was \$170,675 (2021 - \$168,121).

12. INTERNALLY RESTRICTED FUNDS

Internally restricted funds consist of:

	Opening balance	Expenses	Interfund transfers	Closing balance
Development Loans Fund	\$ 488,329	\$ 168,920	\$ 138,800	\$ 458,209
LSI Legacy Stewardship Initiative Fund	165,602	26,129	-	139,473
Operating Reserve Fund	21,453	72,119	133,547	82,881
	<u>\$ 675,384</u>	<u>\$ 267,168</u>	<u>\$ 272,347</u>	<u>\$ 680,563</u>

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

13. INTERFUND TRANSFERS

During the year, \$138,800 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, \$178,547 was transferred from the Unrestricted Fund to the Internally Restricted Operating Reserve Fund to replenish the fund.

During the year, \$45,000 was transferred from the Internally Restricted Operating Reserve Fund to the Unrestricted Fund for purchase of intangible assets.

14. CHANGES IN NON-CASH WORKING CAPITAL

	<u>2022</u>	<u>2021</u>
Due from related parties	\$ (18,684)	\$ 5,368
Receivable from government authorities	(1,731)	12,575
Prepaid expenses	1,846	(13,808)
Accounts payable	(102,611)	60,641
Interest payable on development funds	12,123	1,171
Deferred revenue	(251,927)	(246,287)
	<u>\$ (360,984)</u>	<u>\$ (180,340)</u>

15. 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 \$283,351.

16. 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>\$ 2,485</u>
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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

17. 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 \$3,100,000 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, 2022 was \$72,000 (2021 - \$925,000).

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, 2022 were as follows: demand loan - \$NIL (2021 - \$NIL), term loans - \$NIL (2021 - \$NIL), letter of guarantee - \$NIL (2021 - \$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, 2022 was \$7,378 (2021 - \$6,010) 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.

18. 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 increased from the prior year by \$1,653,130, increasing the credit risk.

(continues)

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

18. FINANCIAL INSTRUMENT RISKS *(continued)*

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.
- 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 9*. 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 \$388,387 during the year.
 - 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 increased by \$2,554 during the year.
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CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Canadian Ministries Expenses****(Schedule 1)****Year Ended December 31, 2022**

	2022	2021
EXPENSES		
Events and conferences	\$ 126,004	\$ 89,913
Travel	96,761	28,280
Strategic partnership	65,608	63,005
Subsidies	41,260	43,214
Ambrose University College	25,657	28,592
Pastoral relations	18,548	9,883
Committee expenses	11,221	9,751
Pastoral care and wellness	8,349	7,558
Designated expenses	3,600	6,000
Resource material	2,254	1,500
Leadership development and training	1,871	2,066
International workers expenses	1,663	2,134
Resolution team and conflict	-	3,360
Donation	-	10,000
	\$ 402,796	\$ 305,256

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Administrative Expenses****(Schedule 2)****Year Ended December 31, 2022**

	2022	2021
EXPENSES		
Property tax	\$ 24,817	\$ 25,445
Accounting and audit	24,580	22,515
Telephone and utilities	23,692	20,756
Computer repairs and maintenance	22,852	21,591
Rent and strata fees	16,149	15,371
Office and postage	15,019	16,219
Insurance	7,892	6,336
Repairs and maintenance	6,912	11,537
Janitorial	5,791	6,124
Legal fees	4,357	13,129
Licenses, dues and membership	1,815	1,686
	\$ 153,876	\$ 160,709

Draft for discussion purposes only

CHRISTIAN AND MISSIONARY ALLIANCE - CANADIAN PACIFIC DISTRICT**Schedule of Operating Reserve Expenses****(Schedule 3)****Year Ended December 31, 2022**

	2022	2021
EXPENSES		
New Ventures	\$ 46,734	\$ 31,000
Severance	16,176	104,333
Foundation course	6,943	-
Scholarships and training	2,266	21,565
Donations	-	9,000
	\$ 72,119	\$ 165,898

Draft for discussion purposes only