Consolidated Financial Statements of

POWER TO CHANGE MINISTRIES

And Independent Auditors' Report Thereon

Year ended June 30, 2019

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of Power to Change Ministries

We have audited the consolidated financial statements of Power to Change Ministries (the "Entity") which comprise:

- the consolidated statement of financial position as at June 30, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in fund balances for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the ***"Basis for Qualified Opinion***" section of our auditors' report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2019 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we are not able to determine whether any adjustments might be necessary to contributions and excess of revenues over expenses reported in the consolidated statements of operations and changes in fund balances and consolidated statement of cash flows for the years ended June 30, 2019 and June 30, 2018, current assets in the consolidated statement of financial position as at June 30, 2019 and June 30, 2018 and fund balances reported in the consolidated statement of changes in fund balances, both at the beginning and end of the year, for the years ending June 30, 2019 and June 30, 2018. Our opinion on the consolidated financial statements for the year ended June 30, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants

Abbotsford, Canada
November 22, 2019

POWER TO CHANGE MINISTRIES

Consolidated Statement of Financial Position

June 30, 2019, with comparative information for 2018

		2019		2018
Assets				
Current assets:				
Cash	$	3,225,096	$	2,714,618
Accounts receivable (note 2)		532,336		649,783
Inventory		231,293		181,358
Prepaid expenses and deposits		620,444		570,106
Short-term investments (note 4)		-		128,576
		4,609,169		4,244,441
Capital assets (note 3)		15,040,494		13,628,608
Investments (note 4)		795,009		1,178,464
	$	20,444,672	$	19,051,513
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	2,998,496	$	2,737,424
Demand loan (note 6)		865,000		-
Current portion of long-term debt (note 7)		139,941		140,883
		4,003,437		2,878,307
Deferred contributions		427,331		-
Long-term debt (note 7)		2,659,261		2,798,710
		7,090,029		5,677,017
Fund balances:				
Ministry fund		856,856		2,331,801
Externally restricted fund		256,495		679,106
Capital asset fund		12,241,292		10,363,589
		13,354,643		13,374,496
Commitments (note 9)				
	$	20,444,672	$	19,051,513

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

POWER TO CHANGE MINISTRIES

Consolidated Statement of Operations

Year ended June 30, 2019, with comparative information for 2018

	Ministry Fund	Externally Restricted Fund	Capital Asset Fund	2019 Total	2018 Total
Revenue:					
Contributions	$ 36,848,867	$ -	$ -	$ 36,848,867	$ 35,533,600
Conference registrations	1,817,192	-	-	1,817,192	2,078,146
Sale of literature and materials	337,064	-	-	337,064	311,613
Grants	-	600,168	-	600,168	982,709
Other	786,318	-	-	786,318	1,006,317
Investment income	16,128	-	-	16,128	28,769
Gift-in-kind contributions	123,779	-		123,779	86,865
	39,929,348	600,168	-	40,529,516	40,028,019
Expenses:					
Business	2,032,497	-	-	2,032,497	2,203,552
Church	465,231	-	-	465,231	309,191
Education	11,752,750	-	-	11,752,750	12,323,549
Family	2,618,809	-	-	2,618,809	2,490,965
Government	397,270	-	-	397,270	373,084
Sport	5,263,439	-	-	5,263,439	5,313,607
Media	1,365,211	-	-	1,365,211	1,405,708
International	5,027,905	-	-	5,027,905	3,649,726
General ministry activity	3,176,336	-	-	3,176,336	2,738,598
Relief and development	2,497,606	1,022,779	-	3,520,385	3,598,774
Child and youth development and assistance	264,977	-	-	264,977	132,224
	34,862,031	1,022,779	-	35,884,810	34,538,978
Fundraising	2,924,596	-	-	2,924,596	3,260,889
Administration	1,062,940	-	-	1,062,940	1,126,159
Interest on long-term debt	120,693	-	-	120,693	142,398
Amortization	-	-	556,330	556,330	538,869
	38,970,260	1,022,779	556,330	40,549,369	39,607,293
Excess (deficiency) of revenue over expenses	$ 959,088	$ (422,611)	$ (556,330)	$ (19,853)	$ 420,726

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Changes in Fund Balances

Year ended June 30, 2019, with comparative information for 2018

	Ministry Fund	Externally Restricted Fund	Capital Asset Fund	2019 Total	2018 Total
Balance, beginning of year	$ 2,331,801	$ 679,106	$ 10,363,589	$ 13,374,496	$ 12,953,770
Excess (deficiency) of revenue over expenses	959,088	(422,611)	(556,330)	(19,853)	420,726
Interfund transfers (note 10)	(2,434,033)	-	2,434,033	-	-
Balance, end of year	$ 856,856	$ 256,495	$ 12,241,292	$ 13,354,643	$ 13,374,496

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ (19,853)	$ 420,726
Items not involving cash:		
Amortization of capital assets	556,330	538,869
Unrealized loss on life insurance policies	17,949	15,267
Write-down of investments	35	70
	554,461	974,932
Changes in non-cash operating working capital:		
Accounts receivable	117,447	(378,681)
Inventory	(49,935)	8,786
Prepaid expenses and deposits	(50,338)	134,794
Accounts payable and accrued liabilities	261,072	146,181
Deferred contributions	427,331	-
	1,260,038	886,012
Financing:		
Proceeds from demand loan	865,000	-
Repayment of demand loan	-	(15,000)
Repayment of long-term debt	(140,391)	(128,634)
	724,609	(143,634)
Investing:		
Proceeds on sale of investments	494,047	-
Purchase of capital assets	(1,968,216)	(518,431)
	(1,474,169)	(518,431)
Increase in cash	510,478	223,947
Cash, beginning of year	2,714,618	2,490,671
Cash, end of year	$ 3,225,096	$ 2,714,618

See accompanying notes to consolidated financial statements.

Purpose of organization:

Power to Change Ministries ("Power to Change") exists to help people know Jesus and experience His Power to Change the world. Power to Change is incorporated under the Canada Not-for-profit Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act, and as such is not subject to income taxes. Power to Change is also registered as a corporation under the Business Corporations Act of Alberta, and a corporation under the Corporations Information Act (Ontario).

1. Significant accounting policies:

These consolidated financial statements have been prepared by management as Power to Change's general purpose financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Management has also prepared an additional set of financial statements on a non-consolidated basis in accordance with the provisions of Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Principles of consolidation:

These financial statements present the consolidated financial position and results of operations of Power to Change and the following controlled organizations:

Global Aid Network ("GAiN")
Campus Crusade for Christ Foundation ("CCCF")
Power to Change Foundation (the "Foundation")
SportAid International ("SAID")

Significant inter-entity transactions and balances within the group of consolidated entities have been eliminated.

(b) Revenue recognition:

Power to Change follows the restricted fund method of accounting for contributions, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

(i) Ministry Fund:

The Ministry Fund is the general fund and includes unrestricted revenue and contributions received by Power to Change.

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

(ii) Capital Asset Fund:

The Capital Asset Fund includes contributions, other funding received by Power to Change and transfers from the Ministry Fund designated for the purchase of capital assets.

(iii) Externally Restricted Fund:

The Externally Restricted Fund includes funding from grants designated for specific purposes.

All other revenue is recognized when the services are provided or when the goods are delivered.

Gifts-in-kind ("GIK") are valued at their estimated fair value at the time the contribution is made when a fair value can be determined and Power to Change would otherwise have purchased the items.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(c) Inventory:

Inventory consists of literature, audio-visual materials and aid supplies. Literature and audio visual materials are valued at the lower of the original purchase price and net realizable value, which is the estimated selling price in the normal course of operations less estimated costs to sell. Aid supplies are valued at the lower of the original purchase price and replacement cost.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life or improve the service potential of an asset are capitalized. When a capital asset no longer contributes to Power to Change's ability to provide services, its carrying amount is written down to its residual value, if any.

Amortization of capital assets is provided on a straight line basis as follows:

Asset	Rate
Building - Langley	30 years
Computer hardware	3 years
Equipment	3 years
Leasehold improvements	5 years
Software	3 years

Assets under development are not amortized until completed and available for use.

(e) Life insurance policies:

Power to Change is the owner and beneficiary of various life insurance policies. These policies are recorded at the cash surrender value. The premiums are paid by the donors of the policies.

(f) Foreign currency transactions and translation:

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rates in effect at the year end date. Revenues and expenses originating in foreign currencies are translated at the rate in effect at the date of the transaction. Exchange gains and losses are included in statement of operations.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and inventory, estimated useful lives of capital assets, fair value of life insurance policies and provision for accrued liabilities. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Power to Change has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Power to Change determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Power to Change expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(i) Allocation of expenses:

Power to Change engages in various programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. Power to Change also incurs general and administrative expenses that are common to the administration of the organization and each of its programs.

Power to Change allocates certain of its general and administrative expenses based on an estimate of costs and services provided. Administration and corporate governance are not allocated; other general operational expenses are allocated within the Ministry Fund as presented in the statement of operations.

2. Accounts receivable:

No allowance for doubtful accounts has been recorded against accounts receivable (2018 - nil).

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land:				
Langley	$ 2,376,000	$ -	$ 2,376,000	$ 2,376,000
Abbotsford	1,590,250	-	1,590,250	250,000
Building - Langley	12,624,000	2,356,472	10,267,528	10,562,088
Computer hardware	1,625,074	1,429,967	195,107	188,322
Equipment	1,602,816	1,478,988	123,828	101,536
Leasehold improvements	215,084	167,325	47,759	56,275
Building project under development	361,021	-	361,021	75,426
Software	212,479	133,478	79,001	18,961
	$ 20,606,724	$ 5,566,230	$ 15,040,494	$ 13,628,608

Building project under development relates to the development of a new building in Abbotsford, BC, that will replace the existing Langley building.

4. Investments:

	2019	2018
Life insurance policies	$ 787,634	$ 805,583
Trust units	7,375	372,881
Guaranteed investment certificates	-	128,576
	795,009	1,307,040
Less short-term investments	-	(128,576)
	$ 795,009	$ 1,178,464

The aggregate face value of the life insurance policies is $5,277,446 (2018 - $5,477,446) and will be recognized as revenue when received.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $2,370 (2018 - $5,007), which includes amounts payable for GST.

6. Demand loan:

Power to Change has a $3,400,000 revolving demand loan facility with the Royal Bank bearing interest at the bank's prime rate, secured through a general security agreement from CCCF and guarantees from GAiN and CCCF for $3,400,000. As at June 30, 2019, Power to Change has drawn $865,000 (2018 - nil) on this facility.

Power to Change has two letters of credit outstanding at June 30, 2019, in the amounts of $34,595 and US$148,684. While Power to Change is the borrower, the letters of credit were issued on behalf of CCCF and GAiN, respectively, who were the applicants.

CCCF has a $500,000 revolving demand loan facility with Royal Bank bearing interest at the bank's prime rate, secured through a general security agreement and guarantees from Power to Change and GAiN. As at June 30, 2019, CCCF has not drawn on this facility (2018 - nil).

7. Long-term debt:

	2019	2018
Mortgage payable in monthly instalments of $21,574 including interest at 4.05% per annum, maturing September 2019.	$ 2,799,202	$ 2,939,593
Current portion of long-term debt	(139,941)	(140,883)
	$ 2,659,261	$ 2,798,710

Subsequent to year-end, the mortgage was renewed under new terms, with monthly instalments of $22,737 including interest at 4.95%, maturing September 2020.

The mortgage is secured by the land and building as well as an assignment of insurance proceeds and rents.

Principal repayments are due approximately as follows:

2020	$ 139,941
2021	2,659,261
	$ 2,799,202

8. Allocation of expenses:

As described in the significant accounting policies, certain general and administrative expenses have been allocated to various programs.

General and administration expenses have been allocated as follows:

	2019	2018
Fundraising	$ 768,366	$ 777,537
General ministry activity	2,176,379	1,793,327
Administration	585,374	687,370
Relief and development	73,264	94,096
Child and youth development and assistance	11,948	3,932
	$ 3,615,331	$ 3,356,262

9. Commitments:

Power to Change occupies office space under long-term leases in Toronto, Guelph, Ottawa, Winnipeg, Edmonton and Montreal. Total estimated operating lease payments up to the end of the lease terms are as follows:

2020	$ 150,173
2021	121,909
2022	116,590
2023	41,912
2024	6,744
	$ 437,328

10. Interfund transfers:

In 2019, the Ministry Fund transferred $2,434,033 (2018 - $321,639) to the Capital Asset Fund for the purchase of capital assets and repayment of long-term debt.

11. Financial risks and concentration of risks:

(a) Currency risk:

Power to Change is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Power to Change receives contributions and incurs expenses denominated in foreign currencies and holds bank accounts denominated in foreign currencies. At year-end, cash held in European Euros converted to Canadian currency is $214,251 (2018 - $20,844) and cash held in US dollars converted to Canadian currency is $477,414 (2018 - $164,227). Power to Change does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that Power to Change will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Power to Change manages its liquidity risk by monitoring its operating requirements. Power to Change prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Power to Change is exposed to credit risk with respect to its accounts receivable. Power to Change assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(d) Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Power to Change is exposed to price risk with respect to investments. The risk associated with investments is managed through Power to Change's established investment policy.

(e) Interest rate risk:

Power to Change's demand loan has a variable interest rate that is based on the bank's prime rate. The variable interest rate subjects Power to Change to cash flow risk related to its demand loan. Power to Change does not currently enter into interest rate swaps to mitigate this risk. Power to Change is exposed to fair value risk with respect to its long-term debt which bears interest at a fixed rate.

There have been no changes to the risk exposures from 2018.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.