Consolidated Financial Statements of

POWER TO CHANGE MINISTRIES

And Independent Auditors' Report Thereon

Year ended June 30, 2020

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, 2020
- 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, 2020 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, 2020 and June 30, 2019, current assets in the consolidated statement of financial position as at June 30, 2020 and June 30, 2019 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, 2020 and June 30, 2019. Our opinion on the consolidated financial statements for the year ended June 30, 2019 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Abbotsford, Canada
November 18, 2020

POWER TO CHANGE MINISTRIES

Consolidated Statement of Financial Position

June 30, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 2,860,057	$ 3,225,096
Accounts receivable (note 2)	2,238,072	532,336
Inventory	264,055	231,293
Prepaid expenses and deposits	226,245	620,444
	5,588,429	4,609,169
Capital assets (note 3)	15,142,825	15,040,494
Investments (note 4)	781,382	795,009
	$ 21,512,636	$ 20,444,672
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 3,031,937	$ 2,998,496
Demand loan (note 6)	-	865,000
Current portion of long-term debt (note 7)	182,380	139,941
	3,214,317	4,003,437
Deferred contributions	213,666	427,331
Long-term debt (note 7)	2,467,710	2,659,261
	5,895,693	7,090,029
Fund balances:		
Ministry fund	3,124,208	856,856
Externally restricted fund	-	256,495
Capital asset fund	12,492,735	12,241,292
	15,616,943	13,354,643
Commitments (note 9)		
Impact of COVID-19 (note 14)		
	$ 21,512,636	$ 20,444,672

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, 2020, with comparative information for 2019

	Ministry Fund	Externally Restricted Fund	Capital Asset Fund	2020 Total	2019 Total
Revenue:					
Contributions	$ 33,911,346	$ -	$ -	$ 33,911,346	$ 36,815,370
Conference registrations	928,016	-	-	928,016	1,817,192
Sale of literature and materials	222,004	-	-	222,004	337,064
Grants	-	-	-	-	600,168
Other (notes 2 and 12)	3,006,422	-	1,590,000	4,596,422	786,318
Investment income	10,281	-	-	10,281	16,128
Gift-in-kind contributions	118,147	-		118,147	157,276
	38,196,216	-	1,590,000	39,786,216	40,529,516
Expenses:					
Business	1,543,395	-	-	1,543,395	2,032,497
Church	331,494	-	-	331,494	465,231
Education	9,714,974	-	-	9,714,974	11,752,750
Family	2,375,435	-	-	2,375,435	2,618,809
Government	377,503	-	-	377,503	397,270
Sport	4,616,809	-	-	4,616,809	5,263,439
Media	1,763,753	-	-	1,763,753	1,365,211
International	4,628,301	-	-	4,628,301	5,027,905
General ministry activity	3,521,171	-	-	3,521,171	3,176,336
Relief and development	2,771,708	430,585	-	3,202,293	3,520,385
Child and youth development and assistance	195,151	-	-	195,151	264,977
	31,839,694	430,585	-	32,270,279	35,884,810
Fundraising	3,110,855	-	-	3,110,855	2,924,596
Administration	1,439,856	-	-	1,439,856	1,062,940
Interest on long-term debt	123,036	-	-	123,036	120,693
Amortization	-	-	579,890	579,890	556,330
	36,513,441	430,585	579,890	37,523,916	40,549,369
Excess (deficiency) of revenue over expenses	$ 1,682,775	$ (430,585)	$ 1,010,110	$ 2,262,300	$ (19,853)

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Changes in Fund Balances

Year ended June 30, 2020, with comparative information for 2019

	Ministry Fund	Externally Restricted Fund	Capital Asset Fund	2020 Total	2019 Total
Balance, beginning of year	$ 856,856	$ 256,495	$ 12,241,292	$ 13,354,643	$ 13,374,496
Excess (deficiency) of revenue over expenses	1,682,775	(430,585)	1,010,110	2,262,300	(19,853)
Interfund transfers (note 10)	584,577	174,090	(758,667)	-	-
Balance, end of year	$ 3,124,208	$ -	$ 12,492,735	$ 15,616,943	$ 13,354,643

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ 2,262,300	$ (19,853)
Items not involving cash:		
Amortization of capital assets	579,890	556,330
Gifts-in-kind contributions held as inventory	(94,464)	-
Unrealized loss on life insurance policies	8,071	17,949
Write-down of investments	-	35
	2,755,797	554,461
Changes in non-cash operating working capital:		
Accounts receivable	(1,705,736)	117,447
Inventory	61,702	(49,935)
Prepaid expenses and deposits	394,199	(50,338)
Accounts payable and accrued liabilities	33,441	261,072
Deferred contributions	(213,665)	427,331
	1,325,738	1,260,038
Financing:		
Proceeds from (repayment of) demand loan	(865,000)	865,000
Repayment of long-term debt	(149,112)	(140,391)
	(1,014,112)	724,609
Investing:		
Proceeds on sale of investments	-	494,047
Return of capital from investments	5,556	-
Purchase of capital assets	(682,221)	(1,968,216)
	(676,665)	(1,474,169)
Increase (decrease) in cash	(365,039)	510,478
Cash, beginning of year	3,225,096	2,714,618
Cash, end of year	$ 2,860,057	$ 3,225,096

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"); and
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.

(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.

1. Significant accounting policies (continued):

(d) Capital assets (continued):

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.

Power to Change reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to Power to Change's ability to provide goods and services, or that the value of the future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement of operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

(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 (2019 - nil).

	2020	2019
Accrued wage subsidy	$ 2,081,922	$ -
Other receivables	156,150	532,336
	$ 2,238,072	$ 532,336

The accrued wage subsidy consists of the Canada Emergency Wage Subsidy (CEWS) in the amount of $2,081,922 for Period 1 (March 15 to April 11, 2020) and Period 2 (April 12 to May 9, 2020). This has been recorded as other income in the statement of operations.

3. Capital assets:

			2020	2019
	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	1,590,250
Building - Langley	12,636,600	2,651,032	9,985,568	10,267,528
Computer hardware	1,704,454	1,545,250	159,204	195,107
Equipment	1,631,592	1,557,297	74,295	123,828
Leasehold improvements	247,131	192,319	54,812	47,759
Building project under development	812,466	-	812,466	361,021
Software	285,685	195,455	90,230	79,001
	$ 21,284,178	$ 6,141,353	$ 15,142,825	$ 15,040,494

Building project under development relates to the development of a new property in Abbotsford, BC.

4. Investments:

		2020		2019
Life insurance policies	$	778,642	$	787,634
Trust units		2,740		7,375
	$	781,382	$	795,009

The aggregate face value of the life insurance policies is $5,367,446 (2019 - $5,277,446) 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 $80,406 (2019 - $2,370), which includes $994 (2019 - $2,370) payable for GST and $79,412 (2019 - nil) payable for Employer Health Tax.

Also included in accounts payable and accrued liabilities is $213,666 of current deferred contributions.

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, 2020, Power to Change has not drawn on this facility (2019 - $865,000).

Power to Change has one letter of credit outstanding at June 30, 2020, in the amount of $34,595. While Power to Change is the borrower, the letter of credit was issued on behalf of CCCF, who was the applicant.

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, 2020, CCCF has not drawn on this facility (2019 - nil).

7. Long-term debt:

	2020	2019
Mortgage payable in monthly instalments of $22,737 including interest at the bank's prime lending rate plus 1% per annum, maturing September 2020.	$ 2,650,090	$ 2,799,202
Current portion of long-term debt	(182,380)	(139,941)
	$ 2,467,710	$ 2,659,261

Subsequent to year-end, the mortgage was renewed under new terms, with monthly instalments of $22,737 including interest at the bank's prime lending rate plus 1.1% per annum, maturing September 2021.

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:

2021	$ 182,380
2022	2,467,710
	$ 2,650,090

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:

	2020	2019
Fundraising	$ 882,784	$ 768,366
General ministry activity	2,173,381	2,176,379
Administration	987,305	585,374
Relief and development	30,999	73,264
Child and youth development and assistance	2,055	11,948
	$ 4,076,524	$ 3,615,331

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:

2021	$	144,970
2022		150,644
2023		71,900
2024		10,943
	$	378,457

10. Interfund transfers:

In 2020, the Ministry Fund transferred $831,333 (2019 - $2,434,033) to the Capital Asset Fund for the purchase of capital assets and repayment of long-term debt, $174,090 (2019 - nil) to the Externally Restricted Fund from the Ministry Fund to cover expenses in the Externally Restricted Fund in excess of revenue, and $1,590,000 arising from a forfeited property purchase deposit was transferred from the Capital Fund to the Ministry Fund for use in general operations.

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 $15,086 (2019 - $214,251) and cash held in US dollars converted to Canadian currency is $657,660 (2019 - $477,414). 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.

11. Financial risks and concentration of risks (continued):

(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 and long-term debt have variable interest rates that are based on the bank's prime rate. The variable interest rates subject Power to Change to cash flow risk. Power to Change does not currently enter into interest rate swaps to mitigate this risk.

There have been no changes to the risk exposures from the prior year other than the pervasive potential impact of COVID-19 (see note 14).

12. Other income:

Other income in the capital asset fund consists of a forfeited deposit of $2,000,000 from a buyer who backed out of a purchase of the property in Langley, BC, in March 2020, net of fees of $410,000 (including non-refundable portion of GST) paid to the real estate agent.

13. Comparative information:

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

14. Impact of COVID-19:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation presents uncertainty over Power to Change's future cash flows and may have a significant impact on its future revenues and expenses. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on Power to Change is not practicable at this time.