Consolidated Financial Statements of

POWER TO CHANGE MINISTRIES

And Independent Auditors' Report Thereon

Year ended June 30, 2021

KPMG LLP
32575 Simon Avenue
Abbotsford BC V2T 4W6
Canada
Telephone (604) 854-2200
Fax (604) 853-2756

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, 2021
- 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, 2021 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, 2021 and June 30, 2020, current assets in the consolidated statement of financial position as at June 30, 2021 and June 30, 2020 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, 2021 and June 30, 2020. Our opinion on the consolidated financial statements for the year ended June 30, 2020 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 24, 2021

POWER TO CHANGE MINISTRIES

Consolidated Statement of Financial Position

June 30, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets:				
Cash	$	5,958,378	$	2,860,057
Accounts receivable (note 2)		1,726,987		2,238,072
Inventory		157,512		264,055
Prepaid expenses and deposits		159,710		226,245
Short-term investments (note 4)		17,111,226		-
		25,113,813		5,588,429
Capital assets (note 3)		2,853,002		15,142,825
Investments (note 4)		1,319,663		781,382
	$	29,286,478	$	21,512,636
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	3,256,309	$	3,031,937
Current portion of long-term debt (note 7)		-		182,380
		3,256,309		3,214,317
Deferred contributions		-		213,666
Long-term debt (note 7)		-		2,467,710
		3,256,309		5,895,693
Fund balances:				
Ministry fund		23,231,592		3,124,208
Capital asset fund		2,798,577		12,492,735
		26,030,169		15,616,943
Contingencies (note 6)				
Commitments (note 9)				
	$	29,286,478	$	21,512,636

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, 2021, with comparative information for 2020

	Ministry Fund	Externally Restricted Fund	Capital Asset Fund	2021 Total	2020 Total
Revenue:					
Contributions	$ 35,619,374	$ -	$ -	$ 35,619,374	$ 33,911,346
Conference registrations	222,132	-	-	222,132	928,016
Sale of literature and materials	113,275	-	-	113,275	222,004
Grants	-	182,077	-	182,077	-
Other (note 2)	3,272,503	-	-	3,272,503	4,596,422
Investment income	13,677	-	-	13,677	10,281
Gift-in-kind contributions	127,326	-		127,326	118,147
	39,368,287	182,077	-	39,550,364	39,786,216
Expenses:					
Business	1,153,132	-	-	1,153,132	1,543,395
Church	442,930	-	-	442,930	331,494
Education	8,464,925	-	-	8,464,925	9,714,974
Family	1,484,343	-	-	1,484,343	2,375,435
Government	348,506	-	-	348,506	377,503
Sport	3,833,262	-	-	3,833,262	4,616,809
Media	1,720,483	-	-	1,720,483	1,763,753
International	5,493,112	-	-	5,493,112	4,628,301
General ministry activity	3,058,286	-	-	3,058,286	3,521,171
Relief and development	3,894,419	-	-	3,894,419	3,202,293
Child and youth development and assistance	172,499	-	-	172,499	195,151
	30,065,897	-	-	30,065,897	32,270,279
Fundraising	2,941,549	-	-	2,941,549	3,110,855
Donations	2,000,000	-	-	2,000,000	-
Administration	1,423,568	-	-	1,423,568	1,439,856
Interest on long-term debt	79,699	-	-	79,699	123,036
Amortization	(230,930)	-	482,142	251,212	579,890
	36,279,783	-	482,142	36,761,925	37,523,916
Excess (deficiency) of revenue over expenses before the undernoted	3,088,504	182,077	(482,142)	2,788,439	2,262,300
Gain on sale of capital assets (note 3)	-	-	7,855,717	7,855,717	-
Excess of revenue over expenses	$ 3,088,504	$ 182,077	$ 7,373,575	$ 10,644,156	$ 2,262,300

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Changes in Fund Balances

Year ended June 30, 2021, with comparative information for 2020

	Ministry Fund	Externally Restricted Fund	Capital Asset Fund	2021 Total	2020 Total
Balance, beginning of year	$ 3,124,208	$ -	$ 12,492,735	$ 15,616,943	$ 13,354,643
Excess of revenue over expenses	2,857,574	182,077	7,373,575	10,413,226	2,262,300
Interfund transfers (note 10)	17,249,810	(182,077)	(17,067,733)	-	-
Balance, end of year	$ 23,231,592	$ -	$ 2,798,577	$ 26,030,169	$ 15,616,943

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Cash Flows

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 10,413,226	$ 2,262,300
Items not involving cash:		
Amortization of capital assets	251,212	579,890
Gifts-in-kind contributions held as inventory	94,464	(94,464)
Gain on sale of capital assets	(7,855,717)	-
Unrealized (gain) loss on life insurance policies	(19,055)	8,071
	2,884,130	2,755,797
Changes in non-cash operating working capital:		
Accounts receivable	511,085	(1,705,736)
Inventory	12,079	61,702
Prepaid expenses and deposits	66,535	394,199
Accounts payable and accrued liabilities	224,372	33,441
Deferred contributions	(213,666)	(213,665)
	3,484,535	1,325,738
Financing:		
Repayment of demand loan	-	(865,000)
Repayment of long-term debt	(2,650,090)	(149,112)
	(2,650,090)	(1,014,112)
Investing:		
Purchase of investments	(17,630,452)	-
Return of capital from investments	-	5,556
Proceeds from disposal of capital assets	19,971,818	-
Purchase of capital assets	(308,420)	(682,221)
	2,032,946	(676,665)
Increase (decrease) in cash	2,867,391	(365,039)
Cash, beginning of year	2,860,057	3,225,096
Cash, end of year	$ 5,727,448	$ 2,860,057

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.

1. Significant accounting policies (continued):

(g) Measurement uncertainty:

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.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from those estimates.

(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.

1. Significant accounting policies (continued):

(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 (2020 - nil).

	2021	2020
Accrued wage subsidy	$ 1,531,816	$ 2,081,922
Other receivables	195,171	156,150
	$ 1,726,987	$ 2,238,072

The accrued wage subsidy consists of the Canada Emergency Wage Subsidy (CEWS) in the amount of $1,531,816 (2020 - $2,081,922). CEWS revenue of $2,479,865 (2020 - $2,163,731) has been recorded as other income in the statement of operations.

3. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land:				
Langley	$ -	$ -	$ -	$ 2,376,000
Abbotsford	1,590,250	-	1,590,250	1,590,250
Building - Langley	-	-	-	9,985,568
Computer hardware	1,787,504	1,583,808	203,696	159,204
Equipment	1,234,231	1,166,530	67,701	74,295
Leasehold improvements	-	-	-	54,812
Building project under development	932,312	-	932,312	812,466
Software	312,318	253,275	59,043	90,230
	$ 5,856,615	$ 3,003,613	$ 2,853,002	$ 15,142,825

The Langley land and building were sold on April 30, 2021 for gross proceeds of $20,500,000 resulting in net proceeds of $17,525,177 (after payout of the mortgage of $2,504,491) and a gain on sale of capital assets of $7,855,717 recorded on the statement of operations. Building project under development relates to the development of a building in Abbotsford, BC.

4. Investments:

	2021	2020
At amortized cost:		
Guaranteed investment certificates with RBC Dominion Securities, bearing interest at 0.1% to 0.3%, maturing in May 2022	$ 17,111,226	$ -
Life insurance policies	790,296	778,642
At fair market value:		
Mutual funds - RBC Dominion Securities	526,921	-
Trust units	2,446	2,740
	18,430,889	781,382
Less short-term investments	17,111,226	-
	$ 1,319,663	$ 781,382

The aggregate face value of the life insurance policies is $5,367,446 (2020 - $5,367,446) 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 $38,106 (2020 - $80,268), which consists of amounts payable for GST and Employer Health Tax.

Also included in accounts payable and accrued liabilities is $213,666 (2020 - $213,666) of current deferred contributions.

6. Contingencies:

Power to Change has one letter of credit outstanding at June 30, 2021, 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 also has three letters of credit outstanding at June 30, 2021, in the amounts of $70,000, $29,546, and $5,000, respectively.

7. Long-term debt:

	2021	2020
Mortgage payable, repaid during the year	$ -	$ 2,650,090
Current portion of long-term debt	-	(182,380)
	$ -	$ 2,467,710

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:

	2021	2020
Fundraising	$ 929,809	$ 882,784
General ministry activity	1,839,898	2,173,381
Administration	871,199	987,305
Relief and development	-	30,999
Child and youth development and assistance	-	2,055
	$ 3,640,906	$ 4,076,524

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:

2022	$	369,809
2023		71,900
2024		10,943
	$	452,652

10. Interfund transfers:

In 2021, the Capital Asset Fund transferred $17,067,733 to the Ministry Fund (2020 - $831,333 from the Ministry Fund to the Capital Asset Fund) following the sale of the Langley property to be invested until needed for construction of the Abbotsford property and the Externally Restricted Fund transferred $182,077 to the Ministry Fund (2020 - $174,090 from the Ministry Fund to the Externally Restricted Fund).

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 $13,473 (2020 - $15,086) and cash held in US dollars converted to Canadian currency is $509,292 (2020 - $657,660). 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.

There have been no changes to the risk exposures from the prior year other than the pervasive impact of the ongoing COVID-19 pandemic which may lead to adverse changes in cash flows, assets, and liabilities, which may also have a direct impact on Power to Change's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time.