Financial Statements of

LIFT CHURCH INC.

And Independent Auditors' Report thereon

Year ended August 31, 2021

KPMG LLP
80 King Street, Suite 620
St. Catharines ON L2R 7G1
Canada
Tel 905-685-4811
Fax 905-682-2008

INDEPENDENT AUDITORS' REPORT

To Members of LIFT Church Inc.

Qualified Opinion

We have audited the financial statements of LIFT Church Inc. (the Entity), which comprise:

- the statement of financial position as at August 31, 2021
- the statement of operations for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2021, and its results of operations and its 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 not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at August 31, 2021
- the fundraising and offering revenues and excess of revenues over expenses reported in the statements of operations for the year ended August 31, 2021
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the year ended August 31, 2021
- the excess of revenues over expenses reported in the statements of cash flows for the period ended August 31, 2021

Our opinion on the financial statements for the year ended August 31, 2021 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 financial statements in Canada and we have fulfilled our other 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 the 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 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 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 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 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 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner 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, Licensed Public Accountants

St. Catharines, Canada

October 20, 2021

LIFT CHURCH INC.

Statement of Financial Position

August 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 155,463	$ 137,747
Cash and cash equivalents – restricted	41,000	12,000
Investments	29,285	29,000
Investments - restricted	1,000	1,000
Accounts receivable (note 2)	32,633	21,254
Prepaid expenses	21,898	15,227
	281,279	216,228
Investments - restricted	40,265	40,000
Capital assets (note 3)	70,547	91,387
Gifts in kind (note 4)	–	15,100
	$ 392,091	$ 362,715
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 70,054	$ 37,212
Deferred contributions – gifts in kind (note 4)	–	15,100
Deferred government grant (note 6)	2,490	3,202
PAOC National loan (note 5)	–	8,962
	72,544	64,476
Long-term debt (note 6)	37,510	26,798
Net assets:		
Unrestricted	200,037	218,441
Internally restricted	82,000	53,000
	282,037	271,441
Commitment (note 7)		
	$ 392,091	$ 362,715

See accompanying notes to financial statements.

On behalf of the Board:

_____________________ Director

_____________________ Director

LIFT CHURCH INC.

Statement of Operations

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Fundraising	$ 491,355	$ 480,117
Offering	260,592	240,614
Strategic missional engagements	49,878	79,466
Government grants (note 6)	10,000	10,000
Miscellaneous	2,637	2,080
Sales	1,647	991
	816,109	813,268
Expenses:		
Staffing	326,057	319,104
Discipleship	216,009	100,080
Operations	133,308	113,239
Strategic missional engagements	60,272	51,865
Gatherings	29,684	47,973
Amortization of capital assets	25,314	22,012
Fundraising	13,452	24,350
Interest expense	1,417	385
Loss on disposal of capital assets	–	1,604
	805,513	680,612
Excess of revenue over expenses	$ 10,596	$ 132,656

See accompanying notes to financial statements.

LIFT CHURCH INC.

Statement of Changes in Net Assets

Year ended August 31, 2021, with comparative information for 2020

	Unrestricted	Internally Restricted	2021	2020
Balance, beginning of year	$ 218,441	$ 53,000	$ 271,441	$ 138,785
Excess of revenue over expenses	10,596	–	10,596	132,656
Transfer between funds	(29,000)	29,000	–	–
Balance, end of year	$ 200,037	$ 82,000	$ 282,037	$ 271,441

	Unrestricted	Internally Restricted	2020	2019
Balance, beginning of year	$ 105,785	$ 33,000	$ 138,785	$ 164,512
Excess (deficiency) of revenue over expenses	132,656	–	132,656	(25,727)
Transfer between funds	(20,000)	20,000	–	–
Balance, end of year	$ 218,441	$ 53,000	$ 271,441	$ 138,785

See accompanying notes to financial statements.

LIFT CHURCH INC.

Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in)		
Operating activities:		
Excess of revenue over expenses	$ 10,596	$ 132,656
Item not involving cash:		
Amortization of capital assets	25,314	22,012
Loss on disposal of capital assets	–	1,604
Government grant	(10,000)	(10,000)
Amortization of deferred government grant	712	–
Net change in non-cash operating working capital:		
Accounts receivable	(11,379)	18,873
Prepaid expenses	(6,671)	(3,198)
Accounts payable and accrued liabilities	32,842	5,925
Deferred government grant	(712)	–
	40,702	167,872
Investing activities:		
Purchase of investments	(550)	(70,000)
Purchase of capital assets	(4,474)	(48,302)
	(5,024)	(118,302)
Financing activities:		
Repayment of PAOC National loan	(8,962)	(16,318)
Proceeds from long-term debt	20,000	40,000
	11,038	23,682
Increase in cash	46,716	73,252
Cash and cash equivalents, beginning of period	149,747	76,495
Cash and cash equivalents, end of period	$ 196,463	$ 149,747
Cash and cash equivalents consist of:		
Cash and cash equivalents	$ 155,463	$ 137,747
Cash and cash equivalents – restricted	41,000	12,000
	$ 196,463	$ 149,747

See accompanying notes to financial statements.

LIFT Church Inc. (the "Organization") is a registered charity incorporated without share capital under the laws of Canada. The Organization is a registered charity under the Income Tax Act, and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook, the most significant of which are described below.

(a) Fund accounting:

The accounts of the Organization are maintained with the principles of fund accounting, using the deferral method. The purposes of the funds are as follows:

(i) Operating Fund:

The Operating Fund is established for the general operations of the Organization. All operational transactions, including those of a capital nature, are recorded in the accounts of this Fund.

(ii) Internally Restricted Fund:

The Internally Restricted Fund is established to record funds internally restricted by the Board of Directors.

(b) Revenue recognition:

The accounts of the Organization are maintained using the deferral method.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the fiscal period are accrued. Grants and donations relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the depreciation rate for the related capital assets.

Revenue from the sale of goods and services is recorded at the time of sale.

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments with maturity of less than 90 days. These short-term investments are recorded at cost which approximates current market value.

(d) Investments:

Investments includes guaranteed investment certificates which are recorded at cost which approximates current market value. Interest rates range from 0.30% - 0.95%.

(e) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the following estimated useful lives:

Asset	Useful life
Furniture and fixtures	8 years
Equipment	5 years
Leasehold improvements	5 years
Computer hardware	5 years
Vehicle	8 years

The carrying amount of an item of capital asset is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset’s carrying amount is not recoverable and exceeds its fair value.

(f) Contributed materials and services:

The Organization records the fair value of donated materials and services, determined based on arm's length market values, which they would normally have incurred as operating expenses with the exception of volunteer time. A substantial number of volunteers contribute a significant amount of their time to the Organization each period. Due to the difficulty in determining the fair value, volunteer services are not recognized in the financial statements.

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently measured at cost of amortized cost, unless management has elected to carry the instruments at fair value. The Organization 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 instruments 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, the Organization 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 the Organization expects to realize by exercising its right to any collateral.

(h) Use of estimates:

The preparation of the financial statements in conformity with the Canadian accounting standards for not-for-profit organizations 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable and provisions for accrued liabilities. Actual results could differ from those estimates.

(i) Government assistance:

The Organization periodically applies for financial assistance under available government incentive programs. Government assistance related to current expenses and revenue is included in the determination of excess of revenues over expenses for the period. The Organization recognizes government assistance on the statement of operations.

2. Accounts receivable:

	2021	2020
Harmonized sales tax	$ 5,712	$ 5,997
Government grants receivable	26,921	15,257
	$ 32,633	$ 21,254

3. Capital assets:

August 31, 2021	Cost	Accumulated amortization	Net book value
Furniture, fixtures and equipment	$ 92,531	$ 52,805	$ 39,726
Leasehold improvements	31,520	19,306	12,214
Computer hardware	8,789	5,801	2,988
Vehicle	20,230	4,611	15,619
	$ 153,070	$ 82,523	$ 70,547

August 31, 2020	Cost	Accumulated amortization	Net book value
Furniture, fixtures and equipment	$ 88,057	$ 38,607	$ 49,450
Leasehold improvements	31,520	12,172	19,348
Computer hardware	8,789	4,407	4,382
Vehicle	20,230	2,023	18,207
	$ 148,596	$ 57,209	$ 91,387

4. Gifts in kind:

During 2020, the Organization received a donation of $24,000 of grocery gift cards to be distributed to international students affected by the COVID-19 pandemic. As of August 31, 2021, $nil remains undistributed (2020 - $15,100) and has been recorded as an asset and related deferred contribution. Distributed amounts of $15,100 (2020 - $8,900) are included as a contribution and expense on the statement of operations as strategic missional engagements.

5. PAOC National loan:

During 2019, the Pentecostal Assemblies of Canada (the “PAOC”) loaned the Organization $30,000 through the Church Multiplication Fund. The loan is now fully repaid.

6. Long-term debt:

During 2020, the Organization obtained a loan of $40,000 through the Canada Emergency Business Account Loan Program. In 2021, the Organization applied for and received an additional $20,000 through the program. The loan bears no interest and requires no minimum monthly principal payments until December 31, 2022, at which point the unpaid balance is converted to a 3-year term loan bearing interest at 5%. Up to $20,000 loan forgiveness is available, provided the full outstanding balance of the loan is fully paid by December 31, 2022.

In accordance with accounting standards for not-for-profit organizations, the $40,000 repayable portion is shown at its fair value amount of $37,510, with the remaining $2,490 as a deferred government grant. Over the course of the interest free period, the deferred government grant will be amortized into income in accordance with the standards. In the current year, $1,398 (2020 - $nil) was recognized as both interest income and expense on the statement of operations.

7. Commitment:

The Organization is committed to payments under operating leases for premises through fiscal 2023 in the amount of $60,750. Annual payments are:

2022	$	48,600
2023		12,150
	$	60,750

8. Government assistance:

Government assistance earned during the year and recorded as recovery against the appropriate expense within the statement of operations was $72,986 (2020 - $69,606).

9. Financial risks and concentration of risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There have been no significant changes to the risk exposures from 2020.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. There have been no significant changes to the risk exposures from 2020.

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

(c) Other risks:

The Organization's main sources of revenue are fundraising and donations. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Federal and Provincial governments enacting emergency measures to combat the spread of the virus. The Organization closed the locations to members and moved to delivery of services in a virtual environment based on recommendations from Public Health Ontario.

In response to the adverse impact the pandemic has had on certain revenue streams, the Organization has undertaken certain financial assistance measures. The Federal government has provided financial relief in the form of loans totaling $60,000, of which $20,000 is forgivable and reported as a government grant when received.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.