

Consolidated Financial Statements of

**POWER TO CHANGE
MINISTRIES**

And Independent Auditor's Report Thereon

Year ended June 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Power to Change Ministries

Qualified Opinion

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, 2023
- 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 auditor's report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2023 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:

- the current assets reported in the statement of financial position as at June 30, 2023 and June 30, 2022
- the contributions and excess of revenue over expenses reported in the statement of operations for the years ended June 30, 2023 and June 30, 2022
- the fund balances at the beginning and end of the year, reported in the statement of changes in fund balances for the years ending June 30, 2023 and June 30, 2022
- the excess of revenue over expenses reported in the statement of cash flows for the years ended June 30, 2023 and June 30, 2022



Our opinion on the financial statements for the year ended June 30, 2022 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 **"Auditor's 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.

Auditor's 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 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 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 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Abbotsford, Canada
November 29, 2023

POWER TO CHANGE MINISTRIES

Consolidated Statement of Financial Position

June 30, 2023, with comparative information for 2022

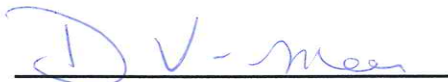
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,821,224	\$ 7,670,560
Accounts receivable (note 2)	236,675	334,743
Inventory	308,860	391,138
Prepaid expenses and deposits	790,534	1,073,286
Short-term investments (note 4)	-	2,000,000
	<u>9,157,293</u>	<u>11,469,727</u>
Capital assets (note 3)	11,336,479	6,668,554
Investments (note 4)	9,976,670	12,518,915
	<u>\$ 30,470,442</u>	<u>\$ 30,657,196</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 3,293,013	\$ 3,333,114
Deferred contributions	336,034	293,574
	<u>3,629,047</u>	<u>3,626,688</u>
Fund balances:		
Ministry fund	15,504,916	20,361,954
Capital asset fund	11,336,479	6,668,554
	<u>26,841,395</u>	<u>27,030,508</u>
Contingencies (note 6)		
Commitments (note 8)		
	<u>\$ 30,470,442</u>	<u>\$ 30,657,196</u>

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, 2023, with comparative information for 2022

	Ministry Fund	Capital Asset Fund	Total 2023	Total 2022
Revenue:				
Contributions	\$ 34,610,440	\$ -	\$ 34,610,440	\$ 33,344,909
Conference registrations	1,019,657	-	1,019,657	706,870
Sale of literature and materials	316,210	-	316,210	173,253
Other income	578,089	-	578,089	923,741
Investment income	994,902	-	994,902	720,005
Gifts-in-kind contributions	547,785	-	547,785	539,559
	38,067,083	-	38,067,083	36,408,337
Expenses:				
Business	1,717,234	-	1,717,234	1,299,345
Church	638,605	-	638,605	615,548
Education	8,642,909	-	8,642,909	8,652,710
Family	2,306,114	-	2,306,114	2,168,622
Government	271,716	-	271,716	270,015
Sport	5,103,545	-	5,103,545	4,448,841
Media	1,885,034	-	1,885,034	1,802,349
International	3,873,121	-	3,873,121	4,059,373
General ministry activity	4,271,306	-	4,271,306	2,772,389
Relief and development	4,774,704	-	4,774,704	4,176,729
Child and youth development and assistance	162,831	-	162,831	120,861
	33,647,119	-	33,647,119	30,386,782
Fundraising	2,426,849	-	2,426,849	2,727,429
Administration	1,537,507	-	1,537,507	1,475,277
Amortization of capital assets	-	352,313	352,313	192,195
	37,611,475	352,313	37,963,788	34,781,683
Excess (deficiency) of revenue over expenses before the undernoted	455,608	(352,313)	103,295	1,626,654
Unrealized loss on investments	(292,408)	-	(292,408)	(626,315)
Excess (deficiency) of revenue over expenses	\$ 163,200	\$ (352,313)	\$ (189,113)	\$ 1,000,339

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Changes in Fund Balances

Year ended June 30, 2023, with comparative information for 2022

	Ministry Fund	Capital Asset Fund	Total 2023	Total 2022
Balance, beginning of year	\$ 20,361,954	\$ 6,668,554	\$ 27,030,508	\$ 26,030,169
Excess (deficiency) of revenue over expenses	163,200	(352,313)	(189,113)	1,000,339
Interfund transfers (note 9)	(5,020,238)	5,020,238	-	-
Balance, end of year	\$ 15,504,916	\$ 11,336,479	\$ 26,841,395	\$ 27,030,508

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Consolidated Statement of Cash Flows

Year ended June 30, 2023, with comparative information for 2022

	2023	2022
Cash and equivalents provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ (189,113)	\$ 1,000,339
Items not involving cash:		
Amortization of capital assets	352,313	192,195
Gifts-in-kind contributions held as inventory	61,022	(253,274)
Unrealized loss (gain) on life insurance policies	(1,588)	25,858
Unrealized loss on investments	292,408	626,315
	515,042	1,591,433
Changes in non-cash operating working capital:		
Accounts receivable	98,068	1,392,244
Inventory	21,256	19,648
Prepaid expenses and deposits	282,752	(913,576)
Accounts payable and accrued liabilities	(40,101)	370,379
Deferred contributions	42,460	-
	919,477	2,460,128
Investing:		
Net withdrawal of investments	4,251,425	3,155,238
Purchase of capital assets	(5,020,238)	(4,007,747)
	(768,813)	(852,509)
Increase in cash and cash equivalents	150,664	1,607,619
Cash and cash equivalents, beginning of year	7,670,560	6,062,941
Cash and cash equivalents, end of year	\$ 7,821,224	\$ 7,670,560

See accompanying notes to consolidated financial statements.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements

Year ended June 30, 2023

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 ("CCCCF");
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.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

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.

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

Gifts-in-kind 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.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

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 - Abbotsford	30 years
Equipment	3 years
Computer hardware	3 years
Software	3 years

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 capital 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 the statement of operations.

(g) Cash and cash equivalents:

Cash and cash equivalents include term deposits and guaranteed income certificates with a maturity of more than three months if they are cashable at any time without penalty.

POWER TO CHANGE INDUSTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

1. Significant accounting policies (continued):

(h) 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.

(i) 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.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

1. Significant accounting policies (continued):

(j) 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 at June 30, 2023 (2022 - nil).

3. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land - Abbotsford	\$ 1,590,250	\$ -	\$ 1,590,250	\$ 1,590,250
Building - Abbotsford	8,753,594	103,125	8,650,469	-
Equipment	2,008,974	1,078,516	930,458	38,307
Computer hardware	1,750,937	1,593,773	157,164	164,250
Software	312,318	304,180	8,138	20,392
Building project under development	-	-	-	4,855,355
	\$ 14,416,073	\$ 3,079,594	\$ 11,336,479	\$ 6,668,554

The building was amortized starting from February 21, 2023, upon substantial completion and readiness for productive use.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

4. Investments:

	2023	2022
At amortized cost:		
Guaranteed investment certificate with RBC Bank, bearing interest at 2.42% per annum, matured in November 2022	\$ -	\$ 2,000,000
Life insurance policies	766,026	764,439
At fair market value:		
Fixed income	1,866,540	2,111,481
Pooled funds	5,660,536	7,635,598
Equity	1,682,017	2,005,833
Mutual funds	-	-
Trust units	1,551	1,564
	9,976,670	14,518,915
Less short-term investments	-	2,000,000
	\$ 9,976,670	\$ 12,518,915

The aggregate face value of the life insurance policies is \$5,378,942 (2022 - \$5,376,860) 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 \$41,792 (2022 - \$109,718), which consists of amounts payable for GST and Employer Health Tax.

6. Contingencies:

Power to Change has two letters (2022 - one letter) of credit outstanding at June 30, 2023, in the amount of \$251,910 (2022 - \$34,595). While Power to Change is the borrower, the letters of credit were issued on behalf of CCCF, who was the applicant.

CCCF also has two letters of credit outstanding at June 30, 2023, in the amounts of \$70,000 and \$5,000 (2022 - \$70,000, and \$5,000), respectively.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

7. Allocation of expenses:

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

	2023	2022
Fundraising	\$ 654,392	\$ 874,303
General ministry activity	2,148,599	1,805,872
Administration	833,668	787,251
Relief and development	116,428	-
Child and youth development and assistance	3,956	-
	<hr/> \$ 3,757,043	<hr/> \$ 3,467,426

8. Commitments:

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

2024	\$ 60,535
2025	18,609
2026	12,741
2027	1,248
	<hr/> \$ 93,133

9. Interfund transfers:

In 2023, the Ministry Fund transferred \$5,020,238 to the Capital Asset Fund (2022 - \$4,007,747) for the purchase of capital assets.

POWER TO CHANGE MINISTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

10. Financial risks and concentrations 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 \$67,183 (2022 - \$14,674) and cash held in US dollars converted to Canadian currency is \$769,879 (2022 - \$402,815). 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 cash and cash equivalents and 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. Power to Change has deposited cash and cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

(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:

Interest rate risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market interest rates. Power to Change is exposed to interest rate risk primarily through its fixed rate investments.

There has been no change to the risk exposures from the prior year.

POWER TO CHANGE INDUSTRIES

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2023

11. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform with the presentation of the 2022 financial statements.