

Financial Statements of

**POWER TO CHANGE
MINISTRIES**

Years ended June 30, 2013 and June 30, 2012



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INDEPENDENT AUDITORS' REPORT

To the Members of Power to Change Ministries

We have audited the accompanying financial statements of Power to Change Ministries (the "Entity") which comprise the statements of financial position as at June 30, 2013, June 30, 2012 and July 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended June 30, 2013 and June 30, 2012, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, Power to Change 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 and we were not able to determine whether any adjustments might be necessary to donation revenue, deficiency of revenues over expenses and assets and fund balances.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2013, June 30, 2012 and July 1, 2011 and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

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

Chartered Accountants

November 14, 2013
Abbotsford, British Columbia

POWER TO CHANGE MINISTRIES

Statements of Financial Position

June 30, 2013, June 30, 2012 and July 1, 2011

	June 30, 2013	June 30, 2012	July 1, 2011
Assets			
Current assets:			
Cash	\$ 238,310	\$ 160,088	\$ -
Accounts receivable	373,328	590,925	906,183
Inventory	264,127	269,663	376,536
Prepaid expenses and deposits	335,132	359,640	237,934
	<u>1,210,897</u>	<u>1,380,316</u>	<u>1,520,653</u>
Capital assets (note 3)	239,942	235,252	297,017
Life insurance policy	217,400	217,400	-
	<u>\$ 1,668,239</u>	<u>\$ 1,832,968</u>	<u>\$ 1,817,670</u>

Liabilities and Fund Balances

Current liabilities:			
Cheques issued in excess of cash on hand	\$ -	\$ -	\$ 164,652
Accounts payable and accrued liabilities (note 4)	1,706,965	2,138,822	1,269,255
Demand loan (note 5)	-	135,000	-
	<u>1,706,965</u>	<u>2,273,822</u>	<u>1,433,907</u>
Due to related entity (note 6)	1,167,579	761,947	609,074
Fund balances:			
Capital asset fund	239,942	235,252	297,017
Ministry fund	(1,446,247)	(1,438,053)	(522,328)
	<u>(1,206,305)</u>	<u>(1,202,801)</u>	<u>(225,311)</u>
Commitments (note 9)			
	<u>\$ 1,668,239</u>	<u>\$ 1,832,968</u>	<u>\$ 1,817,670</u>

On behalf of the Board:



Director



Director

See accompanying notes to financial statements.

POWER TO CHANGE MINISTRIES

Statement of Operations

Years ended June 30, 2013

	Ministry Fund	Capital Asset Fund	2013 Total
Revenue:			
Contributions	\$ 28,299,558	\$ -	\$ 28,299,558
Conference registrations	1,150,544	-	1,150,544
Sale of literature and materials	472,965	-	472,965
Other	1,429,419	(1,773)	1,427,646
Interest	2,276	-	2,276
	31,354,762	(1,773)	31,352,989
Expenses:			
Business	2,095,654	-	2,095,654
Church	271,256	-	271,256
Education	9,411,510	-	9,411,510
Family	1,249,839	-	1,249,839
Government	423,856	-	423,856
Sport	3,959,460	-	3,959,460
Media	1,355,517	-	1,355,517
International	3,295,761	-	3,295,761
General Ministry Activity	3,962,428	-	3,962,428
	26,025,281	-	26,025,281
Fund-raising	3,026,808	-	3,026,808
Administration	1,450,316	-	1,450,316
Donations to related entities (note 6)	708,440	-	708,440
Amortization	-	145,648	145,648
	31,210,845	145,648	31,356,493
Deficiency of revenue over expenses	\$ 143,917	\$ (147,421)	\$ (3,504)

See accompanying notes to financial statements.

POWER TO CHANGE MINISTRIES

Statement of Operations

Year ended June 30, 2012

	Ministry Fund	Capital Fund	Asset Fund	2012 Total
Revenue:				
Contributions	\$ 27,221,547	\$ -	\$ -	\$ 27,221,547
Conference registrations	1,113,731	-	-	1,113,731
Sale of literature and materials	720,450	-	-	720,450
Other	1,717,204	(2,413)	-	1,714,791
Interest	872	-	-	872
	30,773,804	(2,413)	-	30,771,391
Expenses:				
Business	1,795,264	-	-	1,795,264
Church	434,141	-	-	434,141
Education	8,561,914	-	-	8,561,914
Family	919,353	-	-	919,353
Government	422,846	-	-	422,846
Sport	3,301,859	-	-	3,301,859
Media	2,032,408	-	-	2,032,408
International	2,946,977	-	-	2,946,977
General Ministry Activity	4,962,677	-	-	4,962,677
	25,377,439	-	-	25,377,439
Fund-raising	3,718,296	-	-	3,718,296
Administration	1,753,679	-	-	1,753,679
Donations to related entities (note 6)	732,751	-	-	732,751
Amortization	-	166,716	-	166,716
	31,582,165	166,716	-	31,748,881
Deficiency of revenue over expenses	\$ (808,361)	\$ (169,129)	\$ -	\$ (977,490)

See accompanying notes to financial statements.

POWER TO CHANGE MINISTRIES

Statements of Changes in Fund Balances

Years ended June 30, 2013 and June 30, 2012

June 30, 2013	Ministry Fund	Capital Asset Fund	Total
Fund balances, beginning of year	\$ (1,438,053)	\$ 235,252	\$ (1,202,801)
Excess (deficiency) of revenue over expenses	143,917	(147,421)	(3,504)
Interfund transfers during the year (note 7)	(152,111)	152,111	-
Fund balances, end of year	\$ (1,446,247)	\$ 239,942	\$ (1,206,305)

June 30, 2012	Ministry Fund	Capital Asset Fund	Total
Fund balances, beginning of year	\$ (522,328)	\$ 297,017	\$ (225,311)
Excess (deficiency) of revenue over expenses	(808,361)	(169,129)	(977,490)
Interfund transfers during the year (note 7)	(107,364)	107,364	-
Fund balances, end of year	\$ (1,438,053)	\$ 235,252	\$ (1,202,801)

See accompanying notes to financial statements.

POWER TO CHANGE MINISTRIES

Statements of Cash Flows

Years ended June 30, 2013 and June 30, 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (3,504)	\$ (977,490)
Items not involving cash:		
Amortization	145,648	166,716
Loss on sale of capital assets	1,773	10,837
Non-cash life insurance policy donation	-	(217,400)
	143,917	(1,017,337)
Change in non-cash operating working capital:		
Accounts receivable	217,597	315,258
Inventory	5,536	106,873
Prepaid expenses and deposits	24,508	(121,706)
Accounts payable and accrued liabilities	(431,857)	869,567
	(40,299)	152,655
Financing:		
Cheques issued (payment of cheques) in excess of cash on hand	-	(164,652)
Advances from (repayment of) demand loan	(135,000)	135,000
Advances from related entities	405,632	152,873
	270,632	123,221
Investments:		
Purchase of capital assets	(152,111)	(115,788)
Increase in cash	78,222	160,088
Cash, beginning of year	160,088	-
Cash, end of year	\$ 238,310	\$ 160,088

See accompanying notes to financial statements.

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

1. Purpose of organization:

Power to Change Ministries ("Power to Change") exists to glorify God by making the maximum contribution toward helping fulfill the Great Commission in Canada and around the world by developing movements of evangelism and discipleship. Power to Change Ministries is incorporated under the Canada 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 an extra-provincial society under the Society Act of British Columbia, a corporation under the Business Corporations Act of Alberta, and a corporation under the Corporations Information Act (Ontario).

On July 1, 2012, Power to Change adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook ("not-for-profit standards"). These are the first financial statements prepared in accordance with not-for-profit standards.

In accordance with the transitional provisions in not-for-profit standards, Power to Change has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is July 1, 2011 and all comparative information provided has been presented by applying not-for-profit standards.

There were no adjustments to net assets as at July 1, 2011 or deficiency of revenue over expenses for the year ended June 30, 2012 as a result of the transition to not-for-profit standards.

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with the accounting standards in CICA Handbook, Part III, accounting standards for not-for-profit organizations to meet the information needs of the members of Power to Change. The significant accounting policies are as follows:

(a) 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 donations received by Power to Change.

(ii) Capital Asset Fund:

The Capital Asset Fund includes donations and other funding received by Power to Change designated for the purchase of capital assets.

Contributed Services:

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.

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

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

2. Significant accounting policies (continued):

(b) Related entities:

(i) Campus Crusade for Christ Foundation:

Financial information relating to the Campus Crusade for Christ Foundation (the "Foundation"), a Foundation incorporated under the Canada Corporations Act having the object to fund such charitable organizations which carry out the charitable purposes of advancing the Christian religion, providing education and relieving poverty, is presented in Note 6(a). Power to Change controls the Foundation as the Foundation's board of directors are appointed by the directors of Power to Change. The financial position, results of operations and cash flows of the Foundation are not consolidated with those of Power to Change.

(ii) Global Aid Network:

Financial information relating to Global Aid Network ("GAIN"), a Society incorporated under the Canada Corporations Act having the object to fund, facilitate and carry-out projects of relief of human suffering, hunger and need both in Canada and worldwide as an extension of the biblical requirement to feed the hungry and meet the needs of the less fortunate, is presented in note 6(b). Power to Change controls GAIN as GAIN's board of directors are comprised of senior management and the board of directors of Power to Change. The financial position, results of operations and cash flows of GAIN are not consolidated with those of Power to Change.

(c) Inventory:

Inventory is valued at the lower of the original purchase price and replacement cost and consists of literature and audio-visual materials.

(d) Capital assets:

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

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

Equipment	3 to 10 years
Software	3 to 10 years

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

2. Significant accounting policies (continued):

(e) Foreign currency 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 determination of the excess (deficiency) of revenue over expenses.

(f) 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 carrying amount of inventory, life insurance policy, capital assets, and accounts receivable and accrued liabilities. Actual results could differ from those estimates.

(g) 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 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 Financial Statements

Years ended June 30, 2013 and June 30, 2012

3. Capital assets:

June 30, 2013	Cost	Accumulated amortization	Net book value
Equipment	\$ 3,274,170	\$ 3,034,228	\$ 239,942
Software	3,000,563	3,000,563	-
	\$ 6,274,733	\$ 6,034,791	\$ 239,942
June 30, 2012	Cost	Accumulated amortization	Net book value
Equipment	\$ 3,151,204	\$ 2,915,952	\$ 235,252
Software	3,000,563	3,000,563	-
	\$ 6,151,767	\$ 5,916,515	\$ 235,252
July 1, 2011	Cost	Accumulated amortization	Net book value
Equipment	\$ 3,049,922	\$ 2,896,115	\$ 153,807
Software	3,000,563	2,857,353	143,210
	\$ 6,050,485	\$ 5,753,468	\$ 297,017

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$97,288 (2012 - \$101,386), which includes amounts payable for payroll related taxes.

5. Demand loan:

Power to Change has a \$500,000 unsecured revolving demand loan with interest at prime. The loan has certain financial covenants. As at June 30, 2013, Power to Change has drawn nil (2012 - \$135,000) on this facility.

Effective September 9, 2013, the unsecured revolving demand loan has been replaced by a \$3,400,000 revolving demand loan with interest at prime and secured through a general security agreement and guarantees from the Foundation and GAIN.

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

6. Related entities:

(a) Campus Crusade for Christ Foundation:

A summary of the Foundation's financial position as at June 30, 2013, June 30, 2012 and July 1, 2011 and, operations and cash flows for the years ended June 30, 2013 and June 30, 2012 are as follows:

	June 30, 2013	June 30, 2012	July 1, 2011
Assets	\$ 9,674,584	\$ 9,275,179	\$ 9,105,262
Liabilities	(3,363,193)	(2,751,470)	(2,461,469)
Net assets	\$ 6,311,391	\$ 6,523,709	\$ 6,643,793
		June 30, 2013	June 30, 2012
Revenue	\$ 920,372	\$ 986,450	
Expenses	(1,132,690)	(1,106,634)	
Deficiency of revenue over expenses	\$ (212,318)	\$ (120,184)	
Cash flows provided by (used in):			
Operating activities	\$ (610,330)	\$ (288,159)	
Financing and investing	\$ 607,728	\$ (290,000)	

Power to Change had the following balances with the Foundation as at:

	June 30, 2013	June 30, 2012	June 30, 2011
Due to the Foundation	\$ 904,198	\$ 289,198	\$ -

For the year ended, Power to Change had the following transactions with the Foundation:

	June 30, 2013	June 30, 2012
Donation revenue	\$ 811,284	\$ 811,189
Donation expense	\$ 95,613	\$ 73,799
Rent expense	\$ 786,284	\$ 786,284

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

6. Related entities (continued):

(b) Global Aid Network:

A summary of GAIN's financial position as at June 30, 2013, June 30, 2012 and July 1, 2011 and operations and cash flows for the years ended June 30, 2013 and June 30, 2012 are as follows:

	June 30, 2013	June 30, 2012	July 1, 2011
Assets	\$ 1,600,443	\$ 1,574,479	\$ 1,358,832
Liabilities	(85,102)	(42,048)	(24,102)
Net assets	\$ 1,515,341	\$ 1,532,431	\$ 1,334,730

	June 30, 2013	June 30, 2012
Revenue	\$ 2,514,577	\$ 2,882,681
Expenses	(2,531,667)	(2,684,980)
Excess (deficiency) of revenue over expenses	\$ (17,090)	\$ 197,701

Cash flows provided by (used in):

Operating activities	\$ (61,761)	\$ 218,157
Financing and investing	\$ 273,466	\$ 136,307

Power to Change had the following balances with GAIN as at:

	June 30, 2013	June 30, 2012	June 30, 2011
Due to GAIN	\$ 263,381	\$ 472,749	\$ 609,074

For the year ended, Power to Change had the following balances and transactions with the Foundation:

	June 30, 2013	June 30, 2012
Administration fee revenue	\$ 367,552	\$ 359,321
Donation expense	\$ 602,327	\$ 658,952
Rent revenue	\$ 42,324	\$ 38,638

Transactions occur in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

7. Interfund transfers:

In 2013, the Ministry Fund transferred \$152,111 (2012 - \$107,364) to the Capital Asset Fund for capital asset acquisitions.

8. Allocation of expenses:

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

General & administration expenses have been allocated as follows:

	June 30, 2013	June 30, 2012
Fundraising	\$ 1,170,093	\$ 1,429,787
General Ministry Activity - Ministry Fund	2,450,143	1,700,134
	<u>\$ 3,620,236</u>	<u>\$ 3,129,921</u>

9. Commitments:

- (a) Power to Change rents its head office space in Langley from the Foundation. The minimum annual lease payment is \$786,284. This lease contract is for a period of one year, with an option to renew each year.
- (b) Power to Change has entered into operating leases for office space in Toronto, Guelph, Ottawa, Winnipeg, Edmonton and Montreal. Minimum annual lease payments including estimated triple net costs are approximately as follows:

2014	\$ 102,235
2015	\$ 64,495
2016	\$ 54,680
2017	\$ 21,893
2018	\$ 3,354

POWER TO CHANGE MINISTRIES

Notes to Financial Statements

Years ended June 30, 2013 and June 30, 2012

10. Financial risk:

(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. Power to Change does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2012.

(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. There has been no change to the risk exposures from 2012.

(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 the 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.