Financial Statements of

CATCH THE FIRE TORONTO

And Independent Auditors' Report thereon

Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Catch the Fire Toronto

Qualified Opinion

We have audited the financial statements of Catch the Fire Toronto (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in 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 December 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 donations and cafe sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues were 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 statements of financial position as at December 31, 2021 and December 31, 2020
- the donation revenues and cafe sales and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended December 31, 2021 and December 31, 2020

- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2021 and December 31, 2020
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2021 and December 31, 2020.

Our opinion on the financial statements for the year ended December 31, 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 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 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.
- 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, Licensed Public Accountants

Vaughan, Canada

May 18, 2022

CATCH THE FIRE TORONTO

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 493,042	$ 418,498
Accounts receivable	127,184	98,286
Inventories	51,410	86,911
Prepaid expenses and deposits	16,411	5,309
	688,047	609,004
Investments (note 4)	348,204	464,739
Capital assets (note 5)	5,818,891	5,995,961
	$ 6,855,142	$ 7,069,704
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 190,654	$ 195,604
Current portion of obligations under capital lease (note 8)	64,977	70,879
Due to related parties (note 3)	30,315	31,178
Deferred revenue	56,413	72,944
	342,359	370,605
Deferred capital contributions (note 9)	743,263	773,587
Obligations under capital lease (note 8)	115,961	180,938
	1,201,583	1,325,130
Net assets:		
Invested in capital assets (note 10)	4,910,171	4,986,038
Internally restricted (note 11)	348,204	464,739
Unrestricted	395,184	293,797
	5,653,559	5,744,574
Commitments (note 12)		
	$ 6,855,142	$ 7,069,704

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

CATCH THE FIRE TORONTO

Statement of Operations

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

	2021	2020
Revenue:		
Donations, church operations	$ 2,766,756	$ 2,701,514
School of ministry fees	316,438	590,747
Conference fees	52,729	7,613
Grants and other (note 3)	145,576	489,635
Sale of books and tapes	51,932	83,146
Cafe sales	122,042	205,510
Amortization of deferred capital contributions (note 9)	30,324	31,588
Foreign exchange gain	3,317	22,013
	3,489,114	4,131,766
Expenses		
Church operations (note 3)	2,961,178	3,210,917
Amortization	291,877	308,531
Cafe	73,954	148,904
Interest and credit card fees (note 8)	121,840	129,518
School of ministry	53,170	107,828
Books and tapes purchases (note 3)	39,434	45,520
Marketing	11,433	23,859
Missions	27,243	–
	3,580,129	3,975,077
Excess (deficiency) of revenue over expenses	$ (91,015)	$ 156,689

See accompanying notes to financial statements.

CATCH THE FIRE TORONTO

Statement of Changes in Net Assets

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

	Invested in capital assets (note 10)	Internally restricted (note 11)	Unrestricted	2021 Total	2020 Total
Net assets, beginning of year	$ 4,986,038	$ 464,739	$ 293,797	$ 5,744,574	$ 5,587,885
Excess (deficiency) of revenue over expenses	(261,553)	–	170,538	(91,015)	156,689
Interfund transfer (note 11)	–	(116,535)	116,535	–	–
Net change in investment in capital assets (note 10(b))	185,686	–	(185,686)	–	–
Net assets, end of year	$ 4,910,171	$ 348,204	$ 395,184	$ 5,653,559	$ 5,744,574

See accompanying notes to financial statements.

CATCH THE FIRE TORONTO

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ (91,015)	$ 156,689
Items not involving cash:		
Amortization	291,877	308,531
Amortization of deferred capital contributions	(30,324)	(31,588)
Change in non-cash operating working capital	(25,980)	52,320
	144,558	485,952
Financing:		
Repayment of capital lease obligations	(70,879)	(66,538)
Due to/from related parties	(863)	(173,283)
	(71,742)	(239,821)
Investments:		
Net change in investments	116,535	(154,650)
Additions to capital assets	(114,807)	(10,333)
	1,728	(164,983)
Increase in cash	74,544	81,148
Cash, beginning of year	418,498	337,350
Cash, end of year	$ 493,042	$ 418,498
Supplemental cash flow information:		
Additions to capital assets acquired under capital lease	$ –	$ 257,924

See accompanying notes to financial statements.

Catch the Fire Toronto (the "Church") was established in order to maintain and operate a church and related activities. The Church was incorporated under the Corporations Act (Ontario) without share capital. This includes the conduct of classes for religious education, meetings of a religious and evangelistic nature and television and radio productions. The Church also organizes missionary work and the distribution of religious literature and tapes.

The Church is a registered charitable organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

The Church filed Supplementary Letters Patent under the Corporations Act (Ontario) on September 9, 2011 to change its name from Toronto Airport Christian Fellowship to Catch the Fire Toronto.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

The Church follows the deferral method of accounting for contributions which include donations.

Unrestricted donations and 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 donations and contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining-balance basis, at a rate corresponding with the amortization for the related capital assets.

Commission and other revenue are recognized when revenue is earned and collection is reasonably assured. Books and tapes revenue are recognized when revenue is earned and collection is reasonably assured.

1. Significant accounting policies (continued):

(b) Inventories:

Inventories consist of books, tapes and food and are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Church's ability to provide services, or that the value of future economic benefits or service potential associated with the capital assets are less than the net carrying amount, it is written down to its residual value.

Amortization of capital assets other than land is calculated on a declining-balance basis at the following annual rates:

Buildings and improvements	4%
Equipment and furniture	20%
Computer equipment	30%

(d) Donated goods and services:

A substantial number of unpaid volunteers have made significant contributions of their time toward the operations of the Church. The value of this contributed time is not reflected in these financial statements, as such value is not capable of reasonable estimation.

(e) Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Revenue and expenses and allocations have been translated using exchange rates prevailing on the transaction date.

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Church 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, the Church 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 Church 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.

(g) Use of estimates:

The preparation of 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. Actual amounts could differ from those estimates.

2. Related entities:

(a) Toronto Airport Christian Fellowship U.S.A. Inc. ("TACF USA Inc."):

TACF USA Inc. was incorporated in 1997 for the purpose of communicating the gospel of Jesus Christ by means of television and radio programs in the United States of America. TACF USA Inc. is a registered charitable organization under the Internal Revenue Code (U.S.A.). The Church has the ability to control TACF USA Inc. by virtue of common membership in the Boards of Directors of the two organizations.

A summary of the financial information for TACF USA Inc. (original currency in U.S. dollars) as at and for the year ended December 31, 2021 with comparative information for 2020 is as follows (in Canadian dollars):

	2021	2020 (Unaudited)
Total assets	$ 45,069	$ 58,624
Total liabilities	5,263	2,828
	$ 39,806	$ 55,796
Total revenue	$ 5,164	$ 25,358
Total expenses	20,739	572,137
Deficiency of revenue over expenses	$ (15,575)	$ (546,779)

(b) Catch the Fire Canada and Catch the Fire World:

Catch the Fire Canada and Catch the Fire World exercise significant influence over the Church by virtue of board representation and common managerial personnel.

(i) Catch the Fire Canada ("CTFC"):

CTFC conducts charitable work and ministry operations outside of Toronto but within Canada. CTFC is a registered charitable organization under the Income Tax Act (Canada).

(ii) Catch the Fire World ("CTFW"):

CTFW conducts charitable work and ministry operations around the world. CTFW is a registered charitable organization under the Income Tax Act (Canada).

2. Related entities (continued):

(iii) Catch the Fire World USA Inc. ("CTFW USA"):

CTFW USA conducts charitable work and ministry operations in the United States. CTFW USA is a registered charitable organization under the North Carolina Department of the Secretary of State.

3. Related party transactions and balances:

In addition to the related entities in note 2, Partners in Harvest is a subsidiary of the Catch the Fire movement and shares office space with the Church.

	2021	2020
Amounts due from (to) related parties:		
CTFW	$ (31,920)	$ (28,858)
Partners in Harvest	4	6
TACF USA Inc.	3,432	–
CTFC	(1,831)	(2,326)
	$ (30,315)	$ (31,178)

The amounts due from (to) related parties are non-interest bearing, are unsecured and have no specified terms of repayment.

During the year, transactions with related parties were as follows:

	2021	2020
Administration fee charged to CTFW	$ 57,102	$ 38,413
Salary recovery from CTFW	51,185	50,000
Administration fee charged to CTFC	23,533	25,959
Purchases of books and CD inventories and paid royalties from a corporation and partnership in which directors of the Church have an ownership interest	(932)	–
Offerings to CTFW	(260,941)	(260,187)

These transactions were recorded at the exchange amount, which is the amount of consideration agreed to by the related parties.

4. Investments:

The long-term investment portfolio is comprised of cash and a Canadian money market fund.

5. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	$ 1,496,177	$ –	$ 1,496,177	$ 1,496,177
Buildings and improvements	7,729,339	3,808,003	3,921,336	3,981,794
Equipment and furniture	3,636,713	3,430,169	206,544	242,452
Computer equipment	95,289	76,105	19,184	27,407
Equipment under capital lease	362,401	186,751	175,650	248,131
	$ 13,319,919	$ 7,501,028	$ 5,818,891	$ 5,995,961

6. Credit facility:

The Church has a credit facility agreement providing for an operating loan up to $350,000, and a reducing demand loan up to $353,000. The operating loan and reducing demand loan bear interest at prime plus 1.75% (2020 - 1.75%) and are due on demand. At year end, no funds were drawn on the operating loan (2020 - nil) nor the reducing demand loan (2020 - nil).

The availability of credit is subject to a debt service coverage ratio covenant measured on an annual basis and capital expenditures approved limit.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $673 (2020 - $497), which includes amounts payable for non-resident withholding taxes and payroll related taxes.

8. Obligations under capital lease:

The Church has financed sound equipment by entering into a capital lease arrangement. Capital lease repayments are due as follows:

2022	$ 76,086
2023	62,292
2024	60,616
2025	2,660
Total minimum lease payments	201,654
Less amount representing interest (ranging from 0.79% - 7.82%)	20,716
Present value of net minimum capital lease payments	180,938
Current portion of obligations under capital leases	64,977
	$ 115,961

Interest of $15,059 (2020 - $18,411) relating to capital lease obligations has been included in interest and credit card fees.

9. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at a rate corresponding to the amortization rate for the related capital assets.

	2021	2020
Balance, beginning of year	$ 773,587	$ 805,175
Less amount recognized as revenue	30,324	31,588
Balance, end of year	$ 743,263	$ 773,587

Included in contributions received is $15,481 (2020 - $15,481) which has not yet been spent on capital assets at year end.

10. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2021	2020
Net book value of capital assets	$ 5,818,891	$ 5,995,961
Amounts financed by:		
Obligations under capital lease	180,938	251,817
Deferred capital contributions	727,782	758,106
	$ 4,910,171	$ 4,986,038

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Deficiency of expenses over revenue:		
Amortization of capital assets	$ (291,877)	$ (308,531)
Amortization of deferred capital contributions	30,324	31,588
	$ (261,553)	$ (276,943)
Capital assets acquired	$ 114,807	$ 268,257
Amounts financed by capital lease obligations	–	(257,924)
Repayment of obligations under capital lease	70,879	66,538
	$ 185,686	$ 76,871

11. Internally restricted fund:

The Board of Directors (the "Board") has approved an internally restricted fund to support its operations in the event of unanticipated changes. During the year, the Board approved a balance of $348,204 (2020 - $464,739). The internally restricted amounts are not available without approval of the Board.

12. Commitments:

The Church is committed under a non-cancelable lease agreement for rental of equipment and several leases for Sunday service space at multiple locations. Future minimum annual rental payments are approximately as follows:

2022	$ 25,814
2023	12,578
	$ 38,392

13. Indemnification of officers and directors:

The Church has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Church. The nature of the indemnity prevents the Church from reasonably estimating the maximum exposure. The Church has purchased directors' and officers' liability insurance with respect to this indemnification.

14. Financial risks:

(a) General economic risk:

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Church is not known at this time. The current challenging economic climate may lead to adverse changes in cash flows and/or working capital levels, which may have a direct impact on the results and financial position of the Church in the future.

(b) Foreign currency risk:

The Church is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of operations, the Church transacts in U.S. dollars. The Church does not currently enter into forward contracts to mitigate this risk.