



Financial Statements

MSC Canada

June 30, 2014

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Revenue and Expenditures	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

Independent Auditor's Report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T +1 416 366 0100
F +1 905 475 8906
www.GrantThornton.ca

To the Members of
MSC Canada

We have audited the accompanying financial statements of MSC Canada, which comprise the statement of financial position as at June 30, 2014, and the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 the auditor's 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, the auditor considers 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.

Independent Auditor's Report (continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MSC Canada as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Grant Thornton LLP

Markham, Canada
October 7, 2014

Chartered Accountants
Licensed Public Accountants

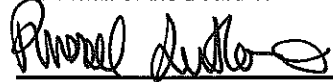
MSC Canada

Statement of Financial Position

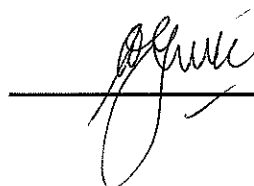
Year ended June 30

	Administrative Fund	Discretionary Fund	Trusts Fund	Designated Funds	2014 Total	2013 Total
Assets						
Current						
Cash and cash equivalents	\$ 74,662	\$ 91,800	\$ 83,383	\$ 237,233	\$ 487,078	\$ 425,717
Short-term investments (Note 3)	-	821,172	366,000	744,784	1,931,956	1,799,012
Accounts receivable and accrued interest	28,033	1,725	-	2,765	32,523	27,024
Due from related party (Note 4)	-	-	82,429	-	82,429	82,056
Prepaid expenses	18,320	-	-	-	18,320	24,911
	<u>121,015</u>	<u>914,697</u>	<u>531,812</u>	<u>984,782</u>	<u>2,552,306</u>	<u>2,358,720</u>
Long-term						
Long-term investments (Note 5)	-	-	172,775	100,000	272,775	100,750
Property and equipment (Note 6)	842,327	-	-	-	842,327	820,836
	<u>\$ 963,342</u>	<u>\$ 914,697</u>	<u>\$ 704,587</u>	<u>\$ 1,084,782</u>	<u>\$ 3,667,408</u>	<u>\$ 3,280,306</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 74,980	\$ -	\$ -	\$ -	\$ 74,980	\$ 46,270
Fund balances						
Unrestricted	46,035	914,697	-	-	960,732	1,000,237
Invested in property and equipment	842,327	-	-	-	842,327	820,836
Internally restricted	-	-	106,377	-	106,377	108,890
Externally restricted	-	-	598,210	1,084,782	1,682,992	1,304,073
	<u>888,362</u>	<u>914,697</u>	<u>704,587</u>	<u>1,084,782</u>	<u>3,592,428</u>	<u>3,234,036</u>
	<u>\$ 963,342</u>	<u>\$ 914,697</u>	<u>\$ 704,587</u>	<u>\$ 1,084,782</u>	<u>\$ 3,667,408</u>	<u>\$ 3,280,306</u>

On behalf of the Board of Directors


PRESIDENT

Director



Director

See accompanying notes to the financial statements.

MSC Canada Statement of Revenue and Expenditures

Year ended June 30

	Administrative Fund	Discretionary Fund	Trusts Fund	Designated Funds (Note 7)	2014 Total	2013 Total
Revenue						
Donations	\$ 278,922	\$ 288,075	\$ 58,937	\$ 9,170,548	\$ 9,796,482	\$ 9,725,827
Legacies	-	1,308,148	156,000	72,112	1,536,260	192,985
Investment income (Note 8)	-	71,552	17,438	20,854	109,844	210,507
	<u>278,922</u>	<u>1,667,775</u>	<u>232,375</u>	<u>9,263,514</u>	<u>11,442,586</u>	<u>10,129,319</u>
Expenditures						
Distribution to ministry	-	680,654	-	9,717,676	10,398,330	9,804,207
Missions support (publications, conferences, travel)	169,543	-	-	-	169,543	149,645
Administration						
Human resources	340,763	-	-	9,547	350,310	339,603
Office and miscellaneous	54,394	-	-	5,188	59,582	53,631
Facility	29,537	-	-	-	29,537	28,784
Professional fees	24,564	-	-	-	24,564	28,401
Bank charges and credit card fees	23,352	-	-	-	23,352	18,467
	<u>642,153</u>	<u>680,654</u>	<u>-</u>	<u>9,732,411</u>	<u>11,055,218</u>	<u>10,422,738</u>
Excess (deficiency) of revenue over expenditures before undernoted item	(363,231)	987,121	232,375	(468,897)	387,368	(293,419)
Amortization	<u>28,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,976</u>	<u>24,661</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (392,207)</u>	<u>\$ 987,121</u>	<u>\$ 232,375</u>	<u>\$ (468,897)</u>	<u>\$ 358,392</u>	<u>\$ (318,080)</u>

See accompanying notes to the financial statements.

MSC Canada Statement of Changes in Fund Balances

Year ended June 30

	Administrative Fund	Discretionary Fund	Trusts Fund	Designated Funds (Note 7)	2014 Total	2013 Total
Fund balances, beginning of year	\$ 959,627	\$ 861,446	\$ 567,749	\$ 845,214	\$ 3,234,036	\$ 3,552,116
Excess (deficiency) of revenue over expenditures	(392,207)	987,121	232,375	(468,897)	358,392	(318,080)
Interfund transfers from Discretionary Fund (Note 9)	313,350	(939,007)	-	625,657	-	-
Interfund transfers from Trusts Fund (Note 9)	<u>7,592</u>	<u>5,137</u>	<u>(95,537)</u>	<u>82,808</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 888,362</u>	<u>\$ 914,697</u>	<u>\$ 704,587</u>	<u>\$ 1,084,782</u>	<u>\$ 3,592,428</u>	<u>\$ 3,234,036</u>

See accompanying notes to the financial statements.

MSC Canada

Statement of Cash Flows

Year ended June 30

	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenue over expenditures	\$ 358,392	\$ (318,080)
Items not affecting cash		
Amortization of property and equipment	28,976	24,661
Gain on sale of property and equipment	-	(296,551)
Receipt of donated investments	(188,492)	(94,295)
Realized (gain) loss on investments	47	(140,404)
Unrealized gain on investments	<u>(48,317)</u>	<u>(767)</u>
	<u>150,606</u>	<u>(825,436)</u>
Change in non-cash working capital items		
Accounts receivable and accrued interest	(5,499)	(562)
Due from related party	(373)	(7,056)
Prepaid expenses	6,591	11,841
Accounts payable and accrued liabilities	<u>28,710</u>	<u>(2,669)</u>
	<u>29,429</u>	<u>1,554</u>
	<u>180,035</u>	<u>(823,882)</u>
Investing		
Purchase of property and equipment	(50,467)	(22,085)
Proceeds on sale of property and equipment	-	296,552
Purchase of investments	(431,765)	-
Proceeds on sale of investments	<u>363,558</u>	<u>973,310</u>
	<u>(118,674)</u>	<u>1,247,777</u>
Increase in cash and cash equivalents	61,361	423,895
Cash and cash equivalents		
Beginning of year	<u>425,717</u>	<u>1,822</u>
End of year	<u>\$ 487,078</u>	<u>\$ 425,717</u>
Cash and cash equivalents consist of:		
Cash and outstanding cheques	\$ 228,354	\$ 126,841
B2B Trust high interest investment account	31,660	4,606
Money market and investment savings account	<u>227,064</u>	<u>294,270</u>
	<u>\$ 487,078</u>	<u>\$ 425,717</u>

See accompanying notes to the financial statements.

MSC Canada

Notes to Financial Statements

June 30, 2014

1. Purpose of the Organization

The primary purpose of MSC Canada (the "Organization") is to aid, support, and assist Christian missionary endeavours throughout the world. MSC Canada is incorporated under the Ontario Corporations Act as a corporation without share capital. It is a registered charity under the Income Tax Act and is a member of the Canadian Council of Christian Charities.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Fund accounting

Separate funds are maintained to account for and to report on the separate activities or objectives as determined by funders or by resolution of the Board of Directors (the "Board"). For financial statement purposes, the funds have been grouped into the following categories:

Administrative Fund

The Administrative Fund accounts for the administrative activities of the Organization. Contributions restricted for administration are included in this fund.

Discretionary Fund

The Discretionary Fund accounts for donations and legacies that are to be used for the mission of the Organization at the discretion of the Board. The funds that are used for the support of missionaries and related ministry projects are shown as expenditures in the fund.

Trusts Fund

The Trusts Fund accounts for donations restricted by the donor as to the period in which the funds are to be spent. The Trusts Fund also includes internally restricted funds transferred at the discretion of the Board which are subject to the period in which the funds are to be spent.

Designated Funds

The Designated Funds account for the Organization's program delivery activities. These activities include workers and projects inside and outside Canada, missions and practical work teams, container shipping ministry, relief and development, retired missionaries and missionary education assistance. Donations are typically designated by the donor for one or more of these activities and expenditures are made for these special purposes. Discretionary funds allocated for special purposes are added to the Designated Funds by way of a transfer between funds. Once this is done, by policy these funds may not be transferred back to the Discretionary Fund.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the fiscal year. Actual results could differ from these estimates.

MSC Canada

Notes to Financial Statements

June 30, 2014

2. Summary of significant accounting policies – continued

Investments

Investments held by the Organization are managed as individual portfolios within the separate funds. Earnings on investments include interest, dividends, realized and unrealized gains and losses, less portfolio management fees. Investments are segregated between discretionary, restricted and trusts funds.

Property and equipment

Purchased property and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful life as follows:

Office and warehouse condominium	50 years
Furniture and equipment	5 years
Computer equipment	3 years
Vehicles	5 years

Revenue recognition

The Organization follows the restricted fund method of accounting for contributions. Restricted donations related to administration are deferred and recognized as revenue of the Administrative Fund in the fiscal year in which the related expenses are incurred. Unrestricted donations are recognized as revenue of the Discretionary Fund in the fiscal year in which they are received or receivable. All other restricted donations and legacies are recognized as revenue of the appropriate fund in the fiscal year in which they are received or receivable. Investment income is recognized as it is earned.

Contributed materials and services

Donated materials are recorded at fair value when this information is readily available, otherwise they are not recorded.

Contributed property and equipment are recognized at a nominal value when fair value at the date of contribution cannot be practicably determined. Gains or losses on the sale of contributed property and equipment are recorded in the fiscal year of the sale.

Financial instruments

The Organization's financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, due from related party, long-term investments and accounts payable.

Financial assets or liabilities obtained in arms-length transactions are initially measured at their fair value and financial assets or liabilities obtained in non-arms-length transactions are initially measured at their exchange amount. The Organization subsequently measures all financial instruments at amortized cost except for investments which are recorded at fair value. Unrealized gains or losses are reflected in the statement of revenue and expenditures as investment income.

MSC Canada

Notes to Financial Statements

June 30, 2014

2. Summary of significant accounting policies – continued

Cash equivalents

Cash equivalents consist principally of money market funds and other highly liquid instruments with original maturities of three months or less.

3. Short-term investments

	<u>2014</u>	<u>2013</u>
Stewards Canada bonds, redeemable on demand, 3.50%	\$ 641,000	\$ 641,000
Various dividend paying common and preferred shares	484,601	222,641
Corporate bonds and Real Estate Investment Trusts	373,028	317,082
Mutual funds	298,248	278,288
Guaranteed investment certificates and term deposits	75,078	320,000
Strategic investments (non-interest bearing)	<u>60,001</u>	<u>20,001</u>
	<u>\$ 1,931,956</u>	<u>\$ 1,799,012</u>

4. Due from related party and related party transactions

	<u>2014</u>	<u>2013</u>
Due from related party	<u>\$ 82,429</u>	<u>\$ 82,056</u>

During a prior fiscal year, the Organization signed a loan agreement with Christian Centre BEREA, a related party, in Slovakia for 60,000 EUR (\$75,000 CAD). The Canadian dollar equivalent value at June 30, 2014 is \$82,429. The loan is interest-free, unsecured and due September 15, 2020.

MSC Canada

Notes to Financial Statements

June 30, 2014

5. Long-term investments

	<u>2014</u>	<u>2013</u>
Trusts Fund		
Link Charity Canada GIC investment bearing interest at 4.00%, maturing June 24, 2019	\$ 200,000	\$ -
Austrian bank investment contract bearing interest at 5.00%, maturing October 1, 2017	28,106	26,300
Manulife Balanced Fund	20,720	47,616
Cash surrender value of life insurance policies	16,173	14,167
London Life guaranteed income annuity contract with guaranteed payments until November 8, 2015	<u>7,776</u>	<u>12,667</u>
	<u>\$ 272,775</u>	<u>\$ 100,750</u>

6. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Office and warehouse condominium	\$ 923,963	\$ 106,399	\$ 817,564	\$ 809,497
Furniture and equipment	31,756	22,748	9,008	9,239
Computer equipment	9,230	6,374	2,856	2,100
Software	16,124	3,225	12,899	-
Vehicles	<u>4,369</u>	<u>4,369</u>	<u>-</u>	<u>-</u>
	<u>\$ 985,442</u>	<u>\$ 143,115</u>	<u>\$ 842,327</u>	<u>\$ 820,836</u>

MSC Canada

Notes to Financial Statements

June 30, 2014

7. Designated funds

	<u>June 30, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Transfers from Discretionary</u>	<u>Transfers from Trusts</u>	<u>June 30, 2014</u>
Relief and development	\$ 339,928	\$ 1,002,059	\$ 1,203,679	\$ 115,449	\$ -	\$ 253,757
Missions and ministry	213,654	7,860,443	7,830,982	252,208	82,808	578,131
Emergency guarantees	75,500	-	-	-	-	75,500
Accts	2,176	164,019	196,887	32,500	-	1,808
Retired missionaries and home workers	2,252	66,822	252,800	190,000	-	6,274
Short-term teams	207,293	164,028	213,800	8,000	-	165,521
Missionary education assistance	4,411	6,143	34,263	27,500	-	3,791
	<u>\$ 845,214</u>	<u>\$ 9,263,514</u>	<u>\$ 9,732,411</u>	<u>\$ 625,657</u>	<u>\$ 82,808</u>	<u>\$ 1,084,782</u>

8. Investment income

	<u>2014</u>	<u>2013</u>
Investment income consists of the following:		
Interest and dividends	\$ 61,574	\$ 69,336
Net realized gain (loss) on sale of investments	(47)	140,404
Net unrealized gain on investments	<u>48,317</u>	<u>767</u>
	<u>\$ 109,844</u>	<u>\$ 210,507</u>

9. Internal transfers

The \$939,007 (2013 - \$459,328) transferred from the Discretionary Fund to the Administrative Fund and the Designated Funds was authorized by the Board for the following purposes:

- to cover administration costs
- to cover the increase in need for relief and development assistance
- to support retired missionaries and missionary education

Certain trust funds that are restricted to time have now become available for disbursement in the amount of \$95,537 (2013 - \$345,119), and therefore were transferred to funds to be disbursed in future periods.

MSC Canada

Notes to Financial Statements

June 30, 2014

10. Foreign operations, assets and measurement uncertainty

The Organization has consistently followed the policy of expensing all costs for overseas operations, property and equipment through distribution to ministry expenditures, unless these amounts represent advances which are to be repaid to the Organization. This policy is based upon the practice that such assets, while generally redeployable under the direction of the Organization, are not always accessible for redeployment due to foreign property regulations, international fund transfer and foreign currency exchange limitations. Accordingly, these assets are not included in the financial statements.

11. Financial instruments

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 meet its funding obligation. This risk is mitigated by the Organization through ensuring revenue is derived from qualified sources. The allowance for doubtful accounts in relation to accounts receivable is \$Nil (2013 - \$Nil).

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is therefore exposed to liquidity risk with respect to its accounts payable. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintains adequate cash reserves to pay vendors. Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2013 - \$Nil).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate price risk with respect to investments with fixed interest rates.

Market price risk

Market 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 whether those changes are caused by factors specific to the individual financial instrument issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to market price risk on its investments in equities quoted in an active market since changes in market prices could result in changes in the fair value of these financial instruments.
