



Financial Statements

MSC Canada

June 30, 2015

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 - 13

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, 2015, 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, 2015, 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 23, 2015

Chartered Accountants
Licensed Public Accountants

MSC Canada

Statement of Financial Position

Year ended June 30

	Administrative Fund	Discretionary Fund	Trusts Fund	Designated Funds	2015 Total	2014 Total
Assets						
Current						
Cash and cash equivalents	\$ 8,366	\$ 36,403	\$ 90,246	\$ 74,313	\$ 209,328	\$ 487,078
Short-term investments (Note 3)	-	696,704	366,000	721,739	1,784,443	1,931,956
Accounts receivable and accrued interest	34,871	-	-	-	34,871	32,523
Due from related party (Note 4)	-	-	78,396	-	78,396	82,429
Prepaid expenses	30,112	-	-	-	30,112	18,320
	<u>73,349</u>	<u>733,107</u>	<u>534,642</u>	<u>796,052</u>	<u>2,137,150</u>	<u>2,552,306</u>
Long-term						
Long-term investments (Note 5)	-	-	149,570	103,500	253,070	272,775
Property and equipment (Note 6)	838,021	-	-	-	838,021	842,327
	<u>\$ 911,370</u>	<u>\$ 733,107</u>	<u>\$ 684,212</u>	<u>\$ 899,552</u>	<u>\$ 3,228,241</u>	<u>\$ 3,667,408</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 38,745	\$ -	\$ -	\$ -	\$ 38,745	\$ 74,980
Fund balances						
Unrestricted	34,604	733,107	-	-	767,711	960,732
Invested in property and equipment	838,021	-	-	-	838,021	842,327
Internally restricted	-	-	97,735	-	97,735	106,377
Externally restricted	-	-	586,477	899,552	1,486,029	1,682,992
	<u>872,625</u>	<u>733,107</u>	<u>684,212</u>	<u>899,552</u>	<u>3,189,496</u>	<u>3,592,428</u>
	<u>\$ 911,370</u>	<u>\$ 733,107</u>	<u>\$ 684,212</u>	<u>\$ 899,552</u>	<u>\$ 3,228,241</u>	<u>\$ 3,667,408</u>

On behalf of the Board of Directors

Director

Director

MSC Canada

Statement of Revenue and Expenditures

Year ended June 30

	Administrative Fund	Discretionary Fund	Trusts Fund	Designated Funds (Note 7)	2015 Total	2014 Total
Revenue						
Donations	\$ 336,432	\$ 283,668	\$ 10,752	\$ 9,288,182	\$ 9,919,034	\$ 9,796,482
Legacies	-	493,055	41,250	-	534,305	1,536,260
Investment income (Note 8)	-	46,639	1,756	16,757	65,152	109,844
	<u>336,432</u>	<u>823,362</u>	<u>53,758</u>	<u>9,304,939</u>	<u>10,518,491</u>	<u>11,442,586</u>
Expenditures						
Distribution to ministry	-	-	-	10,248,667	10,248,667	10,398,330
Missions support (publications, conferences, travel)	153,997	-	-	-	153,997	169,543
Administration						
Human resources	350,634	-	-	-	350,634	350,310
Office and miscellaneous	54,493	-	-	-	54,493	59,582
Facility	29,556	-	-	-	29,556	29,537
Bank charges and credit card fees	27,051	-	-	-	27,051	23,352
Professional fees	21,859	-	-	-	21,859	24,564
	<u>637,590</u>	<u>-</u>	<u>-</u>	<u>10,248,667</u>	<u>10,886,257</u>	<u>11,055,218</u>
Excess (deficiency) of revenue over expenditures before undernoted item	(301,158)	823,362	53,758	(943,728)	(367,766)	387,368
Amortization	(35,166)	-	-	-	(35,166)	(28,976)
Excess (deficiency) of revenue over expenditures	<u>\$ (336,324)</u>	<u>\$ 823,362</u>	<u>\$ 53,758</u>	<u>\$ (943,728)</u>	<u>\$ (402,932)</u>	<u>\$ 358,392</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)	2015 Total	2014 Total
Fund balances, beginning of year	\$ 888,362	\$ 914,697	\$ 704,587	\$ 1,084,782	\$ 3,592,428	\$ 3,234,036
Excess (deficiency) of revenue over expenditures	(336,324)	823,362	53,758	(943,728)	(402,932)	358,392
Interfund transfers from Discretionary Fund (Note 9)	313,350	(1,007,952)	-	694,602	-	-
Interfund transfers from Trusts Fund (Note 9)	<u>7,237</u>	<u>3,000</u>	<u>(74,133)</u>	<u>63,896</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 872,625</u>	<u>\$ 733,107</u>	<u>\$ 684,212</u>	<u>\$ 899,552</u>	<u>\$ 3,189,496</u>	<u>\$ 3,592,428</u>

See accompanying notes to the financial statements.

MSC Canada

Statement of Cash Flows

Year ended June 30	2015	2014
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenue over expenditures	\$ (402,932)	\$ 358,392
Items not affecting cash		
Amortization of property and equipment	35,166	28,976
Receipt of donated investments	(109,675)	(188,492)
Net realized loss on investments	4,235	47
Net unrealized gain on investments	<u>(35,192)</u>	<u>(48,317)</u>
	<u>(508,398)</u>	<u>150,606</u>
Change in non-cash working capital items		
Accounts receivable and accrued interest	(2,348)	(5,499)
Due from related party	4,033	(373)
Prepaid expenses	(11,792)	6,591
Accounts payable and accrued liabilities	<u>(36,235)</u>	<u>28,710</u>
	<u>(46,342)</u>	<u>29,429</u>
	<u>(554,740)</u>	<u>180,035</u>
Investing		
Purchase of property and equipment	(30,860)	(50,467)
Purchase of investments	(174,417)	(431,765)
Proceeds on sale of investments	<u>482,267</u>	<u>363,558</u>
	<u>276,990</u>	<u>(118,674)</u>
Increase in cash and cash equivalents	(277,750)	61,361
Cash and cash equivalents		
Beginning of year	<u>487,078</u>	<u>425,717</u>
End of year	<u>\$ 209,328</u>	<u>\$ 487,078</u>
Cash and cash equivalents consist of:		
Cash and outstanding cheques	\$ 85,400	\$ 228,354
B2B Trust high interest investment account	123,929	31,660
Money market and investment savings account	<u>-</u>	<u>227,064</u>
	<u>\$ 209,329</u>	<u>\$ 487,078</u>

See accompanying notes to the financial statements.

MSC Canada

Notes to Financial Statements

June 30, 2015

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, 2015

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 trust 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
Computer software	5 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, 2015

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>2015</u>	<u>2014</u>
Stewards Canada bonds, redeemable on demand, 3.50%	\$ 641,000	\$ 641,000
Various dividend paying common and preferred shares	461,427	484,601
Corporate bonds and Real Estate Investment Trusts	225,873	373,028
Mutual funds	331,142	298,248
Guaranteed investment certificates and term deposits	125,000	75,078
Strategic investments (non-interest bearing)	<u>1</u>	<u>60,001</u>
	<u>\$ 1,784,443</u>	<u>\$ 1,931,956</u>

4. Due from related party and related party transactions

	<u>2015</u>	<u>2014</u>
Due from related party	<u>\$ 78,396</u>	<u>\$ 82,249</u>

During a prior fiscal year, the Organization signed a loan agreement with Christian Centre BEREA, a related party, in Slovakia for 56,400 EUR (2014 – 56,400 EUR). The Canadian dollar equivalent value at June 30, 2015 is \$78,396 (2014 - \$82,249). The loan is interest-free, unsecured and due September 15, 2020.

MSC Canada

Notes to Financial Statements

June 30, 2015

5. Long-term investments

	<u>2015</u>	<u>2014</u>
Trusts Fund		
Link Charity Canada GIC investment bearing interest at 3.50%, maturing June 24, 2019	\$ 207,000	\$ 200,000
Austrian bank investment contract bearing interest at 5.00%, maturing October 1, 2017	26,731	28,106
Cash surrender value of life insurance policies	17,142	16,173
London Life guaranteed income annuity contract with guaranteed payments until November 8, 2015	2,197	7,776
Manulife Balanced Fund	<u>-</u>	<u>20,720</u>
	<u>\$ 253,070</u>	<u>\$ 272,775</u>

6. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Office and warehouse condominium	\$ 923,963	\$ 124,878	\$ 799,085	\$ 817,564
Furniture and equipment	31,756	27,866	3,890	9,008
Computer equipment	10,870	8,874	1,996	2,856
Computer software	45,343	12,293	33,050	12,899
Vehicles	<u>4,369</u>	<u>4,369</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,016,301</u>	<u>\$ 178,280</u>	<u>\$ 838,021</u>	<u>\$ 842,327</u>

MSC Canada

Notes to Financial Statements

June 30, 2015

7. Designated funds

	<u>June 30, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Transfers from Discretionary</u>	<u>Transfers from Trusts</u>	<u>June 30, 2015</u>
Relief and development	\$ 253,757	\$ 1,098,048	\$ 996,384	\$ 18,425	\$ -	\$ 373,846
Missions and ministry	578,131	7,856,235	8,663,082	450,172	63,896	285,352
Emergency guarantees	75,500	-	-	-	-	75,500
Accts	1,808	150,067	185,624	34,500	-	751
Retired missionaries and home workers	6,274	58,480	230,100	165,805	-	459
Short-term teams	165,521	137,734	144,391	4,600	-	163,464
Missionary education assistance	3,791	4,375	29,086	21,100	-	180
	<u>\$ 1,084,782</u>	<u>\$ 9,304,939</u>	<u>\$ 10,248,667</u>	<u>\$ 694,602</u>	<u>\$ 63,896</u>	<u>\$ 899,552</u>

8. Investment income

	<u>2015</u>	<u>2014</u>
Investment income consists of the following:		
Interest and dividends	\$ 34,195	\$ 61,574
Net realized loss on sale of investments	(4,235)	(47)
Net unrealized gain on investments	<u>35,192</u>	<u>48,317</u>
	<u>\$ 65,152</u>	<u>\$ 109,844</u>

9. Internal transfers

The \$1,007,952 (2014 - \$939,007) 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 \$74,133 (2014 - \$95,537), and therefore were transferred to funds to be disbursed in future periods.

MSC Canada

Notes to Financial Statements

June 30, 2015

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 (2014 - \$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 (2014 - \$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.

MSC Canada

Notes to Financial Statements

June 30, 2015

12. Forward foreign exchange contracts

During the fiscal year ended June 30, 2015, the Organization entered into forward foreign exchange contracts to mitigate the effect of changes in foreign currency exchange rates. At June 30, 2015, the contracts outstanding at a base amount of CDN\$616,764, US\$492,670 at rates between 1.240 and 1.264. Any gain or loss accrues to the workers. The fair value of the contracts are not significantly different from the base amount at year end.
