



Financial Statements

MSC Canada

June 30, 2016

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# Independent Auditor's Report

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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, 2016, 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, 2016, 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 fiscal year.

*Grant Thornton LLP*

Markham, Canada  
November 15, 2016

Chartered Professional Accountants  
Licensed Public Accountants

# MSC Canada

## Statement of Financial Position

Year ended June 30

	Administrative Fund	Discretionary Fund	Trusts Fund	Designated Funds	Property Fund	2016 Total	2015 Total
<b>Assets</b>							
Current							
Cash and cash equivalents	\$ 146,343	\$ (78,270)	\$ 1,651,647	\$ 512,795	\$ -	\$ 2,232,515	\$ 209,328
Short-term investments (Note 3)	-	829,026	766,000	343,949	-	1,938,975	1,784,443
Accounts receivable and accrued interest	26,464	-	10,005	-	-	36,469	34,871
Due from related parties (Note 4)	-	-	180,957	-	-	180,957	78,396
Prepaid expenses	23,507	-	-	-	-	23,507	30,112
	<u>196,314</u>	<u>750,756</u>	<u>2,608,609</u>	<u>856,744</u>	<u>-</u>	<u>4,412,423</u>	<u>2,137,150</u>
Long-term							
Long-term investments (Note 5)	-	-	256,575	108,327	-	364,902	253,070
Property and equipment (Note 6)	-	-	-	-	835,211	835,211	838,021
	<u>\$ 196,314</u>	<u>\$ 750,756</u>	<u>\$ 2,865,184</u>	<u>\$ 965,071</u>	<u>\$ 835,211</u>	<u>\$ 5,612,536</u>	<u>\$ 3,228,241</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 55,987	\$ -	\$ -	\$ -	\$ -	\$ 55,987	\$ 38,745
<b>Fund balances</b>							
Unrestricted	140,327	750,756	-	-	-	891,083	767,711
Invested in property and equipment	-	-	-	-	835,211	835,211	838,021
Internally restricted	-	-	101,316	-	-	101,316	97,735
Externally restricted	-	-	2,763,868	965,071	-	3,728,939	1,486,029
	<u>140,327</u>	<u>750,756</u>	<u>2,865,184</u>	<u>965,071</u>	<u>835,211</u>	<u>5,556,549</u>	<u>3,189,496</u>
	<u>\$ 196,314</u>	<u>\$ 750,756</u>	<u>\$ 2,865,184</u>	<u>\$ 965,071</u>	<u>\$ 835,211</u>	<u>\$ 5,612,536</u>	<u>\$ 3,228,241</u>

On behalf of the Board of Directors

\_\_\_\_\_  
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)	Property Fund	2016 Total	2015 Total
<b>Revenue</b>							
Donations	\$ 342,638	\$ 278,183	\$ 2,209,099	\$ 9,604,958	\$ -	\$ 12,434,878	\$ 9,919,034
Legacies	1,355	584,113	347,210	34,458	-	967,136	534,305
Investment income (Note 8)	-	1,115	23,941	5,862	-	30,918	65,152
	<u>343,993</u>	<u>863,411</u>	<u>2,580,250</u>	<u>9,645,278</u>	<u>-</u>	<u>13,432,932</u>	<u>10,518,491</u>
<b>Expenditures</b>							
Distribution to ministry	-	-	-	10,355,593	-	10,355,593	10,248,667
Missions support (publications, conferences, travel)	189,969	-	-	-	-	189,969	153,997
<b>Administration</b>							
Human resources	364,881	-	-	-	-	364,881	350,634
Office and miscellaneous	44,969	-	-	-	-	44,969	54,493
Facility	33,908	-	-	-	-	33,908	29,556
Bank charges and credit card fees	26,724	-	-	-	-	26,724	27,051
Professional fees	12,495	-	-	-	-	12,495	21,859
	<u>672,946</u>	<u>-</u>	<u>-</u>	<u>10,355,593</u>	<u>-</u>	<u>11,028,539</u>	<u>10,886,257</u>
Excess (deficiency) of revenue over expenditures before undernoted item	(328,953)	863,411	2,580,250	(710,315)	-	2,404,393	(367,766)
Amortization	-	-	-	-	(37,340)	(37,340)	(35,166)
Excess (deficiency) of revenue over expenditures	<u>\$ (328,953)</u>	<u>\$ 863,411</u>	<u>\$ 2,580,250</u>	<u>\$ (710,315)</u>	<u>\$ (37,340)</u>	<u>\$ 2,367,053</u>	<u>\$ (402,932)</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)	Property Fund	<b>2016 Total</b>	2015 Total
Fund balances, beginning of year	\$ 872,625	\$ 733,107	\$ 684,212	\$ 899,552	\$ -	\$ <b>3,189,496</b>	\$ 3,592,428
Reallocate opening property and equipment balance	(838,021)	-	-	-	838,021	-	-
Excess (deficiency) of revenue over expenditures	(328,953)	863,411	2,580,250	(710,315)	(37,340)	<b>2,367,053</b>	(402,932)
Interfund transfers from Discretionary Fund (Note 9)	348,695	(862,095)	2,031	511,369	-	-	-
Interfund transfers from Trusts Fund (Note 9)	140,067	8,883	(401,309)	252,359	-	-	-
Property and equipment acquisitions	(34,530)	-	-	-	34,530	-	-
Interfund redistribution (Note 7)	<u>(19,556)</u>	<u>7,450</u>	<u>-</u>	<u>12,106</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 140,327</u>	<u>\$ 750,756</u>	<u>\$ 2,865,184</u>	<u>\$ 965,071</u>	<u>\$ 835,211</u>	<u>\$ <b>5,556,549</b></u>	<u>\$ 3,189,496</u>

See accompanying notes to the financial statements.

# MSC Canada

## Statement of Cash Flows

Year ended June 30	2016	2015
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess (deficiency) of revenue over expenditures	<b>\$ 2,367,053</b>	\$ (402,932)
Items not affecting cash		
Amortization of property and equipment	37,340	35,166
Receipt of donated investments	(90,271)	(109,675)
Net realized loss on investments	14,225	4,235
Net unrealized loss (gain) on investments	<u>42,586</u>	<u>(35,192)</u>
	<u><b>2,370,933</b></u>	<u>(508,398)</u>
Change in non-cash working capital items		
Accounts receivable and accrued interest	(1,598)	(2,348)
Due from related parties	(102,561)	4,033
Prepaid expenses	6,605	(11,792)
Accounts payable and accrued liabilities	<u>17,242</u>	<u>(36,235)</u>
	<u><b>(80,312)</b></u>	<u>(46,342)</u>
	<u><b>2,290,621</b></u>	<u>(554,740)</u>
<b>Investing</b>		
Purchase of property and equipment	(34,530)	(30,860)
Purchase of investments	(648,387)	(174,417)
Proceeds on sale of investments	<u>415,483</u>	<u>482,267</u>
	<u><b>(267,434)</b></u>	<u>276,990</u>
Increase (decrease) in cash and cash equivalents	<b>2,023,187</b>	(277,750)
Cash and cash equivalents		
Beginning of year	<u>209,328</u>	<u>487,078</u>
End of year	<u><b>\$ 2,232,515</b></u>	<u>\$ 209,328</u>
<hr/>		
Cash and cash equivalents consist of:		
Cash and outstanding cheques	\$ 384,947	\$ 85,400
High interest investment savings accounts	<u>1,847,568</u>	<u>123,928</u>
	<u><b>\$ 2,232,515</b></u>	<u>\$ 209,328</u>

See accompanying notes to the financial statements.



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# MSC Canada

## Notes to Financial Statements

June 30, 2016

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### 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.

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### 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.

##### *Property Fund*

The project fund accounts for investments in property and equipment and any related debt obligations.

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# MSC Canada

## Notes to Financial Statements

June 30, 2016

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### 2. Summary of significant accounting policies – continued

#### 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. Significant estimates include the determination of useful life of depreciable assets, the allowance for doubtful accounts receivable, and the accrual of liabilities. Actual results could differ from these estimates.

#### 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 and legacies are recognized as revenue of the appropriate fund in the fiscal year in which they are received or receivable. Unrestricted donations are recognized as revenue of the Discretionary 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 parties, long-term investments and accounts payable.

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# MSC Canada

## Notes to Financial Statements

June 30, 2016

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### 2. Summary of significant accounting policies – continued

#### Financial instruments - continued

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.

#### Cash equivalents

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

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### 3. Short-term investments

	<u>2016</u>	<u>2015</u>
Stewards Canada bonds, redeemable on demand, 3.50%	\$ 491,000	\$ 641,000
Various dividend paying common and preferred shares	356,507	461,427
Corporate bonds and Real Estate Investment Trusts	222,076	225,873
Mutual funds	333,092	331,142
Guaranteed investment certificates and term deposits	525,000	125,000
Strategic investments (non-interest bearing)	<u>11,300</u>	<u>1</u>
	<u>\$ 1,938,975</u>	<u>\$ 1,784,443</u>

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### 4. Due from related parties and related party transactions

	<u>2016</u>	<u>2015</u>
Due from related parties	<u>\$ 180,957</u>	<u>\$ 78,396</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 (2015 – 56,400 EUR). The Canadian dollar equivalent value at June 30, 2016 is \$80,957 (2015 - \$78,396). The loan is interest-free, unsecured and due September 15, 2020.

In addition, the Organization signed a promissory note in the amount of \$100,000 with Elim Homes Incorporated, a related party. The loan is interest-free, unsecured and due on demand.

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# MSC Canada

## Notes to Financial Statements

June 30, 2016

### 5. Long-term investments

	<u>2016</u>	<u>2015</u>
Trusts Fund		
Link Charity Canada GIC investment bearing interest at 3.50%, maturing June 24, 2019	\$ 216,653	\$ 207,000
Austrian bank investment contract bearing interest at 5.00%, maturing October 1, 2017	27,604	26,731
Cash surrender value of life insurance policies	20,360	17,142
Libro Credit Union investment shares	100,285	-
London Life guaranteed income annuity contract with guaranteed payments until November 8, 2015	-	2,197
	<u>\$ 364,902</u>	<u>\$ 253,070</u>

### 6. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Office and warehouse condominium	\$ 923,963	\$ 143,357	\$ 780,606	\$ 799,085
Furniture and equipment	31,756	29,304	2,452	3,890
Computer equipment	10,870	10,323	547	1,996
Computer software	79,874	28,268	51,606	33,050
Vehicles	4,369	4,369	-	-
	<u>\$ 1,050,832</u>	<u>\$ 215,621</u>	<u>\$ 835,211</u>	<u>\$ 838,021</u>

# MSC Canada

## Notes to Financial Statements

June 30, 2016

### 7. Designated funds

	June 30, 2015	Opening reclassification	Receipts	Expenditures	Transfer from Discretionary	Transfers from Trusts	Interfund redistribution	June 30, 2016
<b>Ministry Funds</b>								
Workers abroad	\$ -	\$ 120,466	\$ 4,889,546	\$ (5,612,005)	\$ 343,461	\$ 136,310	\$ 236,381	\$ 114,159
Home workers	-	31,065	2,776,805	(3,041,044)	24,396	96,049	137,162	24,433
Relief and development	373,846	76,459	941,361	(938,453)	13,562	10,000	(113,625)	363,150
Ministry projects	-	27,174	481,671	(482,130)	3,700	10,000	14,840	55,255
ACCTS	751	-	143,579	(157,622)	1,500	-	13,063	1,271
Short-term teams	163,464	-	127,954	(124,339)	3,000	-	(3,421)	166,658
Retired worker assistance	459	-	59,048	-	108,250	-	(161,000)	6,757
Education assistance fund	180	-	3,395	-	13,500	-	(16,872)	203
Emergency evacuation	75,500	-	-	-	-	-	-	75,500
General missions and ministries	285,352	(255,164)	221,919	-	-	-	(94,422)	157,685
	<u>\$ 899,552</u>	<u>\$ -</u>	<u>\$9,645,278</u>	<u>\$(10,355,593)</u>	<u>\$ 511,369</u>	<u>\$ 252,359</u>	<u>\$ 12,106</u>	<u>\$ 965,071</u>

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# MSC Canada

## Notes to Financial Statements

June 30, 2016

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### 8. Investment income

	<u>2016</u>	<u>2015</u>
Investment income consists of the following:		
Interest and dividends	\$ 87,729	\$ 34,195
Net realized loss on sale of investments	(14,225)	(4,235)
Net unrealized (loss) gain on investments	<u>(42,586)</u>	<u>35,192</u>
	<u>\$ 30,918</u>	<u>\$ 65,152</u>

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### 9. Internal transfers

The \$862,095 (2015 - \$1,007,952) transferred from the Discretionary Fund to the Administrative Fund and the Designated Funds were 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 \$401,309 (2015 - \$74,133), and therefore were transferred to funds to be disbursed in future periods.

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### 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.

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# MSC Canada

## Notes to Financial Statements

June 30, 2016

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### 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 (2015 - \$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 (2015 - \$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 would result in changes in the fair value of these financial instruments.

#### *Currency risk*

Currency risk is the risk arising from the change in price of one currency against another. The Organization is exposed to currency risk with respect to a portion of its cash balances held in US dollars, due from a related party being denominated in Euros and forward exchange contracts held.

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### 12. Forward foreign exchange contracts

During the fiscal year ended June 30, 2016, the Organization entered into forward foreign exchange contracts to mitigate the effect of changes in foreign currency exchange rates. At June 30, 2016, the contracts outstanding at a base amount of CDN\$313,712 and include contracts: US\$100,000 at a rate of 1.2835, Euro\$100,000 at a rate of 1.5075 and GBP\$20,000 at a rate of 1.7681. 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.

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