



Financial Statements

SIM Canada

September 30, 2017

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# Independent Auditor's Report

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To the Members of  
SIM Canada

We have audited the accompanying financial statements of SIM Canada, which comprise the statement of financial position as at September 30, 2017 and the summary statements of activities and changes in fund balances, detailed statements of operating and property fund activities and 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 of 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 judgement, 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.

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, these financial statements present fairly, in all material respects, the financial position of SIM Canada as at September 30, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Markham, Canada  
January 13, 2018

Chartered Professional Accountants  
Licensed Public Accountants

# SIM Canada

## Statement of Financial Position

Year ended September 30

	Operating and Property Fund	Retirement Assistance Fund	Externally Restricted Funds	2017 Total	2016 Total
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 690,926	\$ -	\$ -	\$ 690,926	\$ 701,206
Accounts receivable	72,186	-	-	72,186	95,905
Prepaid expenditures	<u>83,628</u>	-	-	<u>83,628</u>	<u>51,387</u>
	846,740	-	-	846,740	848,498
Investments (Note 4)	4,817,798	1,728,938	1,907,728	8,454,464	8,436,464
Cash surrender value of donated life insurance policy	77,548	-	-	77,548	104,959
Prepaid funeral expenses	-	68,908	-	68,908	68,908
Property and equipment (Note 5)	<u>978,381</u>	-	<u>85,000</u>	<u>1,063,381</u>	<u>1,076,728</u>
	<u>\$ 6,720,467</u>	<u>\$ 1,797,846</u>	<u>\$ 1,992,728</u>	<u>\$ 10,511,041</u>	<u>\$ 10,535,557</u>
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	\$ 149,768	\$ -	\$ -	\$ 149,768	\$ 185,495
Due to affiliated organizations (Note 6)	214,267	-	-	214,267	244,623
Amounts held for missionaries	369,560	-	-	369,560	368,669
Notes payable (Note 7)	-	-	131,828	131,828	131,828
Support designated for future purposes (Note 8)	<u>40,025</u>	-	-	<u>40,025</u>	<u>95,980</u>
	773,620	-	131,828	905,448	1,026,595
Revocable trusts (Note 9)	-	-	1,095,513	1,095,513	1,104,072
	<u>773,620</u>	-	<u>1,227,341</u>	<u>2,000,961</u>	<u>2,130,667</u>
<b>Fund balances</b>					
<b>Unrestricted</b>					
General	479,659	-	-	479,659	157,200
Missionary	2,812,357	-	-	2,812,357	3,221,884
Projects	1,364,758	-	-	1,364,758	1,149,020
Invested in property and equipment	1,078,381	-	-	1,078,381	1,091,728
<b>Internally restricted</b>					
Board Initiated Fund	211,692	-	-	211,692	221,825
Retirement Assistance Fund (Note 10)	-	1,797,846	-	1,797,846	1,797,846
<b>Externally restricted (Note 11)</b>					
Irrevocable Trusts	-	-	680,387	680,387	680,387
Donated Properties	-	-	85,000	85,000	85,000
	<u>5,946,847</u>	<u>1,797,846</u>	<u>765,387</u>	<u>8,510,080</u>	<u>8,404,890</u>
	<u>\$ 6,720,467</u>	<u>\$ 1,797,846</u>	<u>\$ 1,992,728</u>	<u>\$ 10,511,041</u>	<u>\$ 10,535,557</u>

On behalf of the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements

## SIM Canada

### Summary Statements of Activities and Changes in Fund Balances

Year ended September 30

	Operating and Property Fund	Retirement Assistance Fund (Note 10)	Externally Restricted Funds	<b>Total 2017</b>	Total 2016
Support and revenue	\$ 10,905,676	\$ 291,728	\$ -	<b>\$ 11,197,404</b>	\$ 10,925,981
Other income	<u>319,781</u>	<u>44,175</u>	<u>-</u>	<b><u>363,956</u></b>	<u>757,881</u>
	11,225,457	335,903	-	<b>11,561,360</b>	11,683,862
Expenditures	<u>10,951,329</u>	<u>504,841</u>	<u>-</u>	<b><u>11,456,170</u></b>	<u>11,052,954</u>
Excess (deficiency) of support and revenue over expenditures	274,128	(168,938)	-	<b>105,190</b>	630,908
Fund balances, beginning of year	5,841,657	1,797,846	765,387	<b>8,404,890</b>	7,773,982
Interfund transfers (Note 12)	<u>(168,938)</u>	<u>168,938</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<b><u>\$ 5,946,847</u></b>	<b><u>\$ 1,797,846</u></b>	<b><u>\$ 765,387</u></b>	<b><u>\$ 8,510,080</u></b>	<b><u>\$ 8,404,890</u></b>

See accompanying notes to the financial statements.

## SIM Canada

### Detailed Statements of Operating and Property Fund Activities and Changes in Fund Balances

Year ended September 30

	General	Missionary	Projects	Property	Board Initiated Fund	Total 2017	Total 2016
Support and revenue							
Contributions	\$ 1,526,648	\$ 6,150,029	\$ 1,556,064	\$ -	\$ -	\$ 9,232,741	\$ 9,034,940
International contributions	24,071	948,481	23,017	-	-	995,569	992,986
Legacies and bequests	<u>510,864</u>	-	<u>166,502</u>	-	-	<u>677,366</u>	<u>641,099</u>
	2,061,583	7,098,510	1,745,583	-	-	10,905,676	10,669,025
Net investment income	265,545	-	5,574	-	9,765	280,884	59,145
Unrealized (losses) gains on investments	(61,524)	-	-	-	(3,851)	(65,375)	454,749
Miscellaneous income and sales	<u>104,272</u>	-	-	-	-	<u>104,272</u>	<u>101,101</u>
	<u>2,369,876</u>	<u>7,098,510</u>	<u>1,751,157</u>	-	<u>5,914</u>	<u>11,225,457</u>	<u>11,284,020</u>
Expenditures							
Missionary support	731,846	4,972,213	-	-	-	5,704,059	5,724,063
Projects	-	-	1,610,022	-	-	1,610,022	1,275,744
Ministry	-	1,652,745	-	-	-	1,652,745	1,483,736
General and administrative	795,469	213,512	-	48,378	-	1,057,359	979,118
Home ministry	412,994	-	-	-	-	412,994	474,766
Retirement benefits	47,166	365,978	-	-	-	413,144	428,578
Fundraising	<u>101,006</u>	-	-	-	-	<u>101,006</u>	<u>68,623</u>
	<u>2,088,481</u>	<u>7,204,448</u>	<u>1,610,022</u>	<u>48,378</u>	-	<u>10,951,329</u>	<u>10,434,628</u>
Excess (deficiency) of support and revenue over expenditures	281,395	(105,938)	141,135	(48,378)	5,914	274,128	849,392
Fund balances, beginning of year	157,200	3,221,884	1,149,020	1,091,728	221,825	5,841,657	5,210,749
Interfund transfers (Note 12)	<u>41,064</u>	<u>(303,589)</u>	<u>74,603</u>	<u>35,031</u>	<u>(16,047)</u>	<u>(168,938)</u>	<u>(218,484)</u>
Fund balances, end of year	<u>\$ 479,659</u>	<u>\$ 2,812,357</u>	<u>\$ 1,364,758</u>	<u>\$ 1,078,381</u>	<u>\$ 211,692</u>	<u>\$ 5,946,847</u>	<u>\$ 5,841,657</u>

See accompanying notes to the financial statements.

# SIM Canada

## Statement of Cash Flows

Year ended September 30	2017	2016
Increase (decrease) in cash		
<b>Operating</b>		
Excess of support and revenue over expenditures	\$ 105,190	\$ 630,908
Items not affecting cash		
Amortization of property and equipment included in administrative expenses	48,378	46,583
Net losses (gains) on investments included in other income	84,882	(590,254)
Write down of (donated) life insurance policy	27,411	(1,963)
Gain on disposition of property and equipment	<u>(624)</u>	<u>-</u>
	<u>265,237</u>	<u>85,274</u>
Change in non-cash working capital items		
Accounts receivable	23,719	214,311
Prepaid expenditures	(32,241)	(9,105)
Accounts payable and accrued liabilities	(35,727)	(23,607)
Due to affiliated organizations	(30,356)	(124,909)
Amounts held for missionaries	891	123,694
Prepaid funeral expenses	<u>-</u>	<u>(3,908)</u>
	<u>(73,714)</u>	<u>176,476</u>
	<u>191,523</u>	<u>261,750</u>
<b>Financing</b>		
Disbursements of support designated for future purposes (Note 8)	(55,955)	(5,400)
Net decrease in revocable trusts	<u>(8,559)</u>	<u>(14,493)</u>
	<u>(64,514)</u>	<u>(19,893)</u>
<b>Investing</b>		
Net (purchases) redemptions of investments	(102,882)	259,904
Proceeds on disposal of property and equipment	900	-
Purchase of property and equipment	<u>(35,307)</u>	<u>(161,378)</u>
	<u>(137,289)</u>	<u>98,526</u>
Increase (decrease) in cash	(10,280)	340,383
Cash		
Beginning of year	<u>701,206</u>	<u>360,823</u>
End of year	<u>\$ 690,926</u>	<u>\$ 701,206</u>

See accompanying notes to the financial statements.



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# **SIM Canada**

## **Notes to Financial Statements**

September 30, 2017

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### **1. Description of the Organization**

SIM Canada (the "Organization") is dedicated to glorifying God through evangelizing the unreached, ministering to human needs through activities such as relief and development and disciplining believers into churches equipped to fulfill Christ's Commission (Matthew 28:19, 20). These purposes are carried on globally in association with other SIM organizations outside Canada, operating as "SIM International".

SIM Canada is a not-for-profit corporation without share capital, subject to the Corporations Act of Ontario and is registered with the Canada Revenue Agency as a charitable organization.

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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.

#### **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 amounts of revenue and expenditures during the fiscal year. An area requiring the use of significant estimates is the estimated useful life of property and equipment. Actual results could differ from these estimates.

#### **Fund accounting**

Separate funds are maintained to account for and to report on the separate activities or objectives as determined by donors or by resolution of the Board of Directors (the "Board").

- (a) The Operating Fund includes general and shared funding. General funding consists of contributions, other revenue and related expenditures pertaining to the operations of the Organization which are not included in other funds. Shared funding includes contributions designated for approved budgets of missionaries and are classified under the headings of missionary and projects.
- (b) The Property Fund represents revenue, expenditures and net assets related to property and equipment.
- (c) The Restricted Funds include both Internally and Externally Restricted Funds. Internally Restricted Funds represent contributions that have been specifically restricted by the governing Board to provide investment income to be used for general and administrative purposes. The investment income earned by these funds is included in operating and restricted investment income. Externally Restricted Fund amounts are those not currently available for use in the Organization's ministries until commitments regarding their use have been fulfilled.

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# **SIM Canada**

## **Notes to Financial Statements**

September 30, 2017

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### **2. Summary of significant accounting policies (continued)**

#### **Support and revenue recognition**

The Organization follows the restricted fund method of accounting. Unrestricted contributions, legacies, bequests and grants are recognized as revenue of the Operating Fund in the fiscal year received or receivable.

Investment and other income is recognized when earned in accordance with the accrual basis of accounting. Investment income is allocated to the Restricted and Operating Funds based on the actual return earned by the assets held by the fund. Depending on the terms of the individual funds, this income is retained by the funds or transferred between the Operating Fund or other Restricted Funds.

Contributions which are externally restricted by the donor are recorded in the appropriate restricted fund in the fiscal year received, receivable or deferred as support designated for future purposes.

Allocation of resources that result from the imposition of internal restrictions are recorded as interfund transfers to the Restricted Funds.

#### **Property and equipment**

Purchased property and equipment are capitalized at cost. Amortization is provided over their estimated useful life using the following annual rates and methods:

National office building	2% diminishing balance basis
Missionary residences	0 - 2% diminishing balance basis
Furniture and equipment	25% diminishing balance basis
Automobiles	25% diminishing balance basis

#### **Contributed property and services**

Contributed property is recorded at fair value at the date of contribution when fair value is reasonably determinable. Contributed services are not recognized in the financial statements due to the difficulty in determining their fair value.

#### **Foreign operations**

All expenditures for operations in foreign countries are recorded as expenditures when remitted. This policy is based on the assumption that such funds would not return to the Organization once they are sent overseas.

#### **Interfund transfers**

Transfers between funds are made when resources of one fund have been authorized to finance activities and acquisitions in another fund.

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# **SIM Canada**

## **Notes to Financial Statements**

September 30, 2017

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### **2. Summary of significant accounting policies (continued)**

#### **Financial instruments**

The Organization's financial instruments include cash, accounts receivable, investments, missionary home loans receivable, accounts payable, due to affiliated organizations, amounts held for missionaries, notes payable and revocable trusts.

Financial instruments are initially recorded at fair value and subsequently measured at amortized cost except for investments, missionary home loans receivable, amounts held for missionaries, notes payable and revocable trusts.

Bond and pooled investment funds are recorded at fair value with any resulting gain or loss recorded as part of excess (deficiency) of support and revenue over expenditures for the fiscal year.

The missionary home loans receivable, amounts held for missionaries, notes payable and revocable trusts are measured at cost as the amortized cost values using the effective interest are not determinable given the undefined period of the obligations.

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### **3. Objectives, policies and processes for managing capital**

The Organization's capital is comprised of unrestricted funds, investment in property and equipment, internally restricted funds and externally restricted funds.

#### Unrestricted funds

Unrestricted funds include accumulated balances for the General, Missionary and Projects Fund.

The Board's objective is to maintain unrestricted fund balance reserve levels sufficient to provide for current and future financial needs. Staff members are provided with monthly financial reports which include details of these fund balances and the Board reviews these reports at least three times per fiscal year.

The Missionary and Projects Fund balances arise from donated funds for the ministry through a missionary or within the project that have not yet been disbursed to the designated area. These balances are actively managed daily against support agreements and project budgets by management in conjunction with each missionary or project manager. The balances will fluctuate depending upon the particular circumstances.

Year end balances are reviewed and approved by the Audit and Finance Committee and by the Board.

#### Investment in property and equipment

Property and equipment comprises an office building in Ontario containing a guest house and office furniture and computer equipment for operations. In addition, there is a mission house and a donated cottage included in capital.

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# **SIM Canada**

## **Notes to Financial Statements**

September 30, 2017

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### **3. Objectives, policies and processes for managing capital (continued)**

#### Investment in property and equipment (continued)

Capital budgets are approved by the Board as part of the annual budget approval process. Computer equipment is normally updated on a four year cycle. Capital spending is overseen by management and is reviewed by the Audit and Finance Committee and the Board at regular meetings.

Capital additions in fiscal 2017 amounted to \$35,307 (2016 - \$161,378) for renovations to the building and new furniture and equipment.

#### Internally restricted funds

Internally restricted funds include the Board Initiated Fund and the Retirement Assistance Fund.

The Board Initiated Fund was established from excess general funds and is specifically managed by the Board. The Fund is directed where the funds can be best utilized. Interest from this Fund is used in the operations of the Organization.

The principles related to the establishment, management and expenditures of the Retirement Assistance Fund are disclosed in Note 10. The expenditures from the Fund are approved by the Board as part of the annual budget approval process. Management oversees the administration of the Fund.

#### Externally restricted funds

Externally restricted funds include Irrevocable Trusts and Donated Properties. These funds have been donated to the Organization but will not be transferred to the Operating Fund until certain conditions have been met which, in most cases, is the death of the donor or beneficiary.

The terms of the trust agreements are overseen by management. The donated properties are maintained by the Organization.

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# SIM Canada

## Notes to Financial Statements

September 30, 2017

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### 4. Investments

	<u>2017</u>	<u>2016</u>
Pooled equity and bond funds	<b>\$ 8,354,464</b>	\$ 8,169,431
Mortgage loan received from staff member in December 2016	-	167,033
Missionary home loans receivable, non-interest bearing, due on sale of the homes at a specified percentage of the sale value	<u>100,000</u>	<u>100,000</u>
	<b><u>\$ 8,454,464</u></b>	<b><u>\$ 8,436,464</u></b>

The investments are managed to achieve the long-term objectives of the Organization and are subject to the conditions placed on the funds by the donors and the Board. Accordingly, the investments have been presented as a non-current asset. The value of the investments is subject to market fluctuations which can be significant.

The missionary home loans receivable are due from staff members of SIM Canada. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

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### 5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
National office building	\$ 1,520,432	\$ 708,809	<b>\$ 811,623</b>	\$ 808,962
Missionary residences	216,156	60,757	<b>155,399</b>	156,836
Furniture and equipment	837,437	741,078	<b>96,359</b>	110,644
Automobiles	-	-	-	286
	<u>\$ 2,574,025</u>	<u>\$ 1,510,644</u>	<b><u>\$ 1,063,381</u></b>	<b><u>\$ 1,076,728</u></b>

No amortization is recorded on certain missionary residences having a cost for land and buildings totalling \$85,000 (2016 - \$85,000) held for eventual sale (Note 11). Amortization is recorded as part of general and administrative expenditures.

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# SIM Canada

## Notes to Financial Statements

September 30, 2017

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### 6. Due to affiliated organizations

The Organization performs some of its activities through affiliated organizations. Affiliated organizations include other SIM offices around the world who work together to accomplish specific activities or pool resources for common charitable purposes. Amounts payable and receivable are settled on a monthly basis and are unsecured and non-interest bearing.

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### 7. Notes payable

The Organization receives funds in the form of non-interest bearing, unsecured, demand notes. These notes are invested and the investment income earned is used for ministry purposes.

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### 8. Support designated for future purposes

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 95,980	\$ 101,380
Withdrawals	<u>(55,955)</u>	<u>(5,400)</u>
Balance, end of year	<u>\$ 40,025</u>	<u>\$ 95,980</u>

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### 9. Revocable trusts

The Organization administers, as trustee, revocable (grantor) trusts that provide for a beneficial interest to the Organization at the grantor's death. The trusts are revocable at the discretion of the grantor with 45 days notice; therefore, the principal amounts are recorded as liabilities. The Organization pays out the net income earned on the related investments to the grantors on a quarterly basis. Upon the grantor's death, the remaining trust assets may be recorded as contributions revenue.

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# **SIM Canada**

## **Notes to Financial Statements**

September 30, 2017

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### **10. Retirement Assistance Fund**

The Organization provides post-employment benefits for eligible member employees and records the amount of benefits as expenditures in the period they are paid. Post-employment benefits include social assistance and medical insurance and are granted based on a needs test.

The underlying principle for the Organization is dependence upon God for the provision of its needs. It does not promise any fixed amenity for the benefits, but will distribute funds received to meet the needs of each member, subject to the proviso, "as the Lord provides". The Organization will not go into debt to fund any of its programs, including retirement. The retirement program is reviewed annually to evaluate the adequacy of the amenities and relevance to prevailing market conditions. This plan was curtailed in 1995; however, there are new retirees each year and, if applicable, the portion of their term prior to 1995 will be considered.

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### **11. Externally Restricted Funds**

The Organization administers, as trustee, irrevocable (grantor) trusts that provide for the payment of income earned thereon to the grantor or other designated beneficiaries. Upon death of the grantor, the trusts provide for the distribution of assets to the Organization. The trusts are recorded on the statement of activities as restricted contributions in the period received or receivable.

Included in property and equipment of the Externally Restricted Funds are residential properties which the Organization received as gifts (Note 5). These properties were recorded at fair market value at the time of the gift and are held for eventual sale.

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# SIM Canada

## Notes to Financial Statements

September 30, 2017

### 12. Interfund transfers

Interfund transfers received (distributed) for the year ended September 30, 2017 consist of the following:

	General and Missionary Fund	Projects	Property Fund	Board Initiated Fund	Retirement Assistance	Restricted Funds
Net purchase of property and equipment	\$ (35,307)	\$ -	\$ 35,307	\$ -	\$ -	\$ -
Disposal of property and equipment	276	-	(276)	-	-	-
Transfer from Board Initiated Fund	5,914	-	-	(5,914)	-	-
Transfer old ministry account	(233,408)	84,736	-	-	148,672	-
Transfer to Retirement Assistance Fund	-	(10,133)	-	(10,133)	20,266	-
	<u>\$ (262,525)</u>	<u>\$ 74,603</u>	<u>\$ 35,031</u>	<u>\$ (16,047)</u>	<u>\$ 168,938</u>	<u>\$ -</u>

### 13. Financial instruments

Transactions in financial instruments may result in the Organization assuming or transferring to another party one or more of the financial risks described below. The disclosures provide information that assists users of these financial statements in assessing the extent of risk related to 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 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 (2016 - \$Nil).

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable. The Organization reduces its exposure to liquidity risk related to accounts payable by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet obligations. Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2016 - \$Nil).

#### 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 through investments in pooled funds which are in foreign currencies as well as operating bank accounts held in foreign currencies. Investments in US investment accounts at year-end are \$2,660,944 (2016 - \$2,430,868). Cash in overdraft in US bank accounts at year-end is \$278,662 (2016 - \$137,019).



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# **SIM Canada**

## **Notes to Financial Statements**

September 30, 2017

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### **13. Financial instruments (continued)**

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on fixed income investments in pooled funds as the value of these investments will change with market fluctuations in 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 instruments.

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