



Financial Statements

SIM Canada

September 30, 2018

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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, 2018 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 statement of 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, 2018 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 12, 2019

Chartered Professional Accountants
Licensed Public Accountants

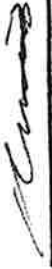
SIM Canada
Statement of Financial Position
 Year ended September 30

	Operating and Property Fund	Retirement Assistance Fund	Externally Restricted Funds	2018 Total	2017 Total
Assets					
Current					
Cash	\$ 659,729	\$ -	\$ -	\$ 659,729	\$ 690,926
Accounts receivable	112,544	-	-	112,544	72,186
Prepaid expenditures	86,911	-	-	86,911	83,628
	859,184	-	-	859,184	846,740
Investments (Note 4)	5,627,923	1,730,544	1,520,327	8,878,994	8,454,464
Cash surrender value of donated life insurance policy	71,581	-	-	71,581	77,548
Prepaid funeral expenses	64,302	-	-	64,302	68,908
Property and equipment (Note 5)	1,129,870	-	85,000	1,214,870	1,053,281
	\$ 7,689,558	\$ 1,797,846	\$ 1,605,327	\$ 11,091,931	\$ 10,511,041
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 215,679	\$ -	\$ -	\$ 215,679	\$ 149,788
Due to affiliated organizations (Note 6)	151,293	-	-	151,293	214,267
Amounts held for missionaries	301,958	-	-	301,958	369,560
Notes payable (Note 7)	7,717	-	57,576	65,293	131,828
Deferred revenue	34,625	-	-	34,625	40,025
Support designated for future purposes (Note 8)	711,272	-	57,576	768,848	905,448
	\$ 1,422,536	\$ -	\$ 115,152	\$ 1,537,688	\$ 1,490,634
Revolvable trusts (Note 9)					
	711,272	-	850,864	1,562,136	1,095,513
			908,440	1,615,712	2,000,961
Fund balances					
Unrestricted					
General	1,142,868	-	-	1,142,868	479,659
Invested in property and equipment	1,229,870	-	-	1,229,870	1,078,391
Internally restricted					
Missionary	2,978,974	-	-	2,978,974	2,812,857
Projects	1,522,351	-	-	1,522,351	1,364,758
Board Initiated Fund	103,223	-	-	103,223	211,692
Retirement Assistance Fund (Note 10)		1,797,846	-	1,797,846	1,797,846
Externally restricted (Note 11)			612,087	612,087	680,387
Irrevocable Trusts			85,000	85,000	85,000
Donated Properties	6,977,288	1,797,846	697,087	9,472,221	8,510,080
	\$ 7,689,558	\$ 1,797,846	\$ 1,605,327	\$ 11,091,931	\$ 10,511,041

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	Total 2018	Total 2017
Support and revenue	\$ 11,024,661	\$ 224,864	\$ -	\$ 11,249,525	\$ 11,197,404
Other income	<u>518,277</u>	<u>75,024</u>	<u>-</u>	<u>593,301</u>	<u>363,956</u>
	11,542,938	299,888	-	11,842,826	11,561,360
Expenditures	<u>10,363,861</u>	<u>516,826</u>	<u>-</u>	<u>10,880,687</u>	<u>11,456,170</u>
Excess (deficiency) of support and revenue over expenditures	1,179,077	(216,938)	-	962,139	105,190
Fund balances, beginning of year	5,946,847	1,797,846	765,387	8,510,080	8,404,890
Interfund transfers (Note 12)	<u>(148,638)</u>	<u>216,938</u>	<u>(68,300)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,977,286</u>	<u>\$ 1,797,846</u>	<u>\$ 697,087</u>	<u>\$ 9,472,219</u>	<u>\$ 8,510,080</u>

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 2018	Total 2017
Support and revenue							
Contributions	\$ 1,517,455	\$ 6,275,648	\$ 1,459,336	\$ -	\$ -	\$ 9,252,439	\$ 9,232,741
International contributions	34,578	917,608	9,990	-	-	962,176	995,569
Legacies and bequests	689,557	-	120,489	-	-	810,046	677,366
	<u>2,241,590</u>	<u>7,193,256</u>	<u>1,589,815</u>	<u>-</u>	<u>-</u>	<u>11,024,661</u>	<u>10,905,676</u>
Net investment income	327,152	-	1,568	-	2,773	331,493	280,884
Unrealized gains (losses) on investments	79,167	-	-	-	1,393	80,560	(65,375)
Miscellaneous income and sales	106,224	-	-	-	-	106,224	104,272
	<u>512,543</u>	<u>-</u>	<u>1,568</u>	<u>-</u>	<u>4,166</u>	<u>518,277</u>	<u>319,781</u>
	<u>2,754,133</u>	<u>7,193,256</u>	<u>1,591,383</u>	<u>-</u>	<u>4,166</u>	<u>11,542,938</u>	<u>11,225,457</u>
Expenditures							
Missionary support	614,899	4,783,129	-	-	-	5,398,028	5,704,059
Projects	-	-	1,325,321	-	-	1,325,321	1,610,022
Ministry	-	1,673,898	-	-	-	1,673,898	1,652,745
General and administrative	784,137	217,098	-	47,470	-	1,048,705	1,057,359
Home ministry	401,361	-	-	-	-	401,361	412,994
Retirement benefits	47,005	352,514	-	-	-	399,519	413,144
Fundraising	117,029	-	-	-	-	117,029	101,006
	<u>1,964,431</u>	<u>7,026,639</u>	<u>1,325,321</u>	<u>47,470</u>	<u>-</u>	<u>10,363,861</u>	<u>10,951,329</u>
Excess (deficiency) of support and revenue over expenditures	789,702	166,617	266,062	(47,470)	4,166	1,179,077	274,128
Fund balances, beginning of year	479,659	2,812,357	1,364,758	1,078,381	211,692	5,946,847	5,841,657
Interfund transfers (Note 12)	(126,493)	-	(108,469)	198,959	(112,635)	(148,638)	(168,938)
Fund balances, end of year	<u>\$ 1,142,868</u>	<u>\$ 2,978,974</u>	<u>\$ 1,522,351</u>	<u>\$ 1,229,870</u>	<u>\$ 103,223</u>	<u>\$ 6,977,286</u>	<u>\$ 5,946,847</u>

See accompanying notes to the financial statements.

SIM Canada Statement of Cash Flows

Year ended September 30	2018	2017
Increase (decrease) in cash		
Operating		
Excess of support and revenue over expenditures	\$ 962,139	\$ 105,190
Items not affecting cash		
Amortization of property and equipment included in general and administrative expenditures	47,470	48,378
Net unrealized (gains) losses on investments included in other income	(108,025)	104,389
Write down of life insurance policy included in general and administrative expenditures	5,967	27,411
Gain on disposition of property and equipment included in general and administrative expenditures	-	(624)
	<u>907,551</u>	<u>284,744</u>
Change in non-cash working capital items		
Accounts receivable	(40,358)	23,719
Prepaid expenditures	(3,283)	(32,241)
Prepaid funeral expenses	4,606	-
Accounts payable and accrued liabilities	65,911	(35,727)
Due to affiliated organizations	(62,974)	(30,356)
Amounts held for missionaries	(67,602)	891
Deferred revenue	7,717	-
	<u>(95,983)</u>	<u>(73,714)</u>
	<u>811,568</u>	<u>211,030</u>
Financing		
Withdrawal of support designated for future purposes (Note 8)	(5,400)	(55,955)
Decrease in notes payable	(74,252)	-
Net decrease in revocable trusts	(244,649)	(8,559)
	<u>(324,301)</u>	<u>(64,514)</u>
Investing		
Net purchases of investments	(319,505)	(122,389)
Proceeds on disposal of property and equipment	-	900
Purchase of property and equipment	(198,959)	(35,307)
	<u>(518,464)</u>	<u>(156,796)</u>
Decrease in cash	(31,197)	(10,280)
Cash		
Beginning of year	<u>690,926</u>	<u>701,206</u>
End of year	<u>\$ 659,729</u>	<u>\$ 690,926</u>

See accompanying notes to the financial statements.

SIM Canada

Notes to the Financial Statements

September 30, 2018

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.

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

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess (deficiency) of support revenue over expenditures as appropriate in the fiscal year they become known.

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 and the internally restricted funds. 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. 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.
- (b) The Property Fund represents revenue, expenditures and net assets related to property and equipment.
- (c) The Externally Restricted Fund amounts are those not currently available for use in the Organization's ministries until commitments regarding their use have been fulfilled. The investment income earned by these funds is included in operating and internally restricted investment income.

SIM Canada

Notes to the Financial Statements

September 30, 2018

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 and 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.

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

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.

SIM Canada

Notes to the Financial Statements

September 30, 2018

2. Summary of significant accounting policies (continued)

Financial instruments

The Organization's financial instruments include cash, accounts receivable, investments, accounts payable, 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.

Investments 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.

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 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.

Investment in property and equipment

Property and equipment comprise 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.

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 2018 amounted to \$198,959 (2017 - \$35,307) for renovations to the building and new furniture and equipment.

SIM Canada

Notes to the Financial Statements

September 30, 2018

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

Internally restricted funds

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

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.

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.

SIM Canada

Notes to the Financial Statements

September 30, 2018

4. Investments

	<u>2018</u>	<u>2017</u>
Equity	\$ 4,571,857	\$ 4,173,822
Fixed income	4,310,137	4,180,642
Missionary home loans receivable, non-interest bearing, due on sale of the homes at a specified percentage of the sale value	<u>-</u>	<u>100,000</u>
	<u>\$ 8,881,994</u>	<u>\$ 8,454,464</u>

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.

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018</u> <u>Net Book Value</u>	<u>2017</u> <u>Net Book Value</u>
National office building	\$ 1,639,239	\$ 725,492	\$ 913,747	\$ 811,623
Missionary residences	217,209	62,185	155,024	155,399
Furniture and equipment	<u>916,535</u>	<u>770,436</u>	<u>146,099</u>	<u>96,359</u>
	<u>\$ 2,772,983</u>	<u>\$ 1,558,113</u>	<u>\$ 1,214,870</u>	<u>\$ 1,063,381</u>

No amortization is recorded on certain missionary residences having a cost for land and buildings totalling \$85,000 (2017 - \$85,000) held for eventual sale (Note 11). Amortization of the remaining balances is recorded as part of general and administrative expenditures.

SIM Canada

Notes to the Financial Statements

September 30, 2018

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.

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.

8. Support designated for future purposes

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 40,025	\$ 95,980
Withdrawals	<u>(5,400)</u>	<u>(55,955)</u>
Balance, end of year	<u>\$ 34,625</u>	<u>\$ 40,025</u>

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.

SIM Canada

Notes to the Financial Statements

September 30, 2018

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.

Included in support and revenue is \$184,384 (2017 - \$244,950) of contributions and \$40,480 (2017 - \$46,778) of international contributions. Included in other income is \$47,559 (2017 - \$63,682 of losses) of investment income and \$27,465 of unrealized gains on investments (2017 - \$19,507 of unrealized losses).

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.

SIM Canada

Notes to the Financial Statements

September 30, 2018

12. Interfund transfers

Interfund transfers received (distributed) for the year ended September 30, 2018 consist of the following:

	General Fund	Projects Fund	Property Fund	Board Initiated Fund	Retirement Assistance Fund	Restricted Funds
Net purchase of property and equipment	\$ (198,959)	\$ -	\$ 198,959	\$ -	\$ -	\$ -
Transfer from Board Initiated Fund	4,166	-	-	(4,166)	-	-
Transfer from irrevocable trusts	68,300	-	-	-	-	(68,300)
Transfer to Retirement Assistance Fund	-	(108,469)	-	(108,469)	216,938	-
	<u>\$ (126,493)</u>	<u>\$ (108,469)</u>	<u>\$ 198,959</u>	<u>\$ (112,635)</u>	<u>\$ 216,938</u>	<u>\$ (68,300)</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 (2017 - \$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, amounts held for missionaries and notes payable. The Organization reduces its exposure to liquidity risk 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 (2017 - \$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 which are in foreign currencies as well as operating bank accounts held in foreign currencies. Investments in US investment accounts at year-end are \$2,541,491 (2017 - \$2,660,944). Cash in US bank accounts at year-end is \$67,051 (2017 - \$278,662 overdraft).

SIM Canada

Notes to the Financial Statements

September 30, 2018

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 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 on an active market since changes in market prices could result in changes in the fair value of these instruments.

14. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2018 financial statements.