



Financial Statements

MSC Canada

June 30, 2023

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Independent Auditor's Report

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To the Members of
MSC Canada

Opinion

We have audited the financial statements of MSC Canada, which comprise the statement of financial position as at June 30, 2023, and the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MSC Canada as at June 30, 2023, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MSC Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing MSC Canada's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate MSC Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MSC Canada's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MSC Canada's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MSC Canada's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MSC Canada to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Markham, Canada
November 18, 2023

Chartered Professional Accountants
Licensed Public Accountants

MSC Canada

Statement of Financial Position

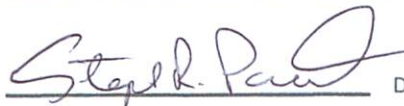
Year ended June 30

	2023					2022				
	Operations Fund	General Fund	Ministry Funds	Trust Funds	Total	Operations Fund	General Fund	Ministry Funds	Trust Funds	Total
Assets										
Current										
Cash and cash equivalents	\$ 256,628	\$ 490,687	\$ -	\$ 93,542	\$ 840,857	\$ 303,992	\$ 481,845	\$ -	\$ 428,054	\$ 1,213,891
Short-term investments (Note 3)	-	4,808,907	-	2,024,409	6,833,316	-	4,422,551	-	1,837,266	6,259,817
Accounts receivable and accrued interest	48,702	61,991	-	37,180	147,873	42,835	-	-	-	42,835
Prepaid expenses	30,636	-	-	-	30,636	7,541	-	-	-	7,541
Due from (to) other funds	-	(3,537,932)	3,537,932	-	-	-	(2,957,215)	2,957,215	-	-
Loan receivable (Note 4)	-	-	-	47,974	47,974	-	-	-	57,523	57,523
	335,966	1,823,653	3,537,932	2,203,105	7,900,656	354,368	1,947,181	2,957,215	2,322,843	7,581,607
Long-term										
Long-term investments (Note 5)	-	1,455,981	-	943,883	2,399,864	-	800,000	-	550,222	1,350,222
Property and equipment (Note 6)	783,848	-	-	-	783,848	728,160	-	-	-	728,160
	\$ 1,119,814	\$ 3,279,634	\$ 3,537,932	\$ 3,146,988	\$ 11,084,368	\$ 1,082,528	\$ 2,747,181	\$ 2,957,215	\$ 2,873,065	\$ 9,659,989
Liabilities										
Accounts payable and accrued liabilities	\$ 42,481	\$ -	\$ -	\$ -	\$ 42,481	\$ 77,730	\$ -	\$ -	\$ -	\$ 77,730
Fund balances										
Unrestricted	-	3,279,634	-	-	3,279,634	-	2,747,181	-	-	2,747,181
Invested in property and equipment	783,848	-	-	-	783,848	728,160	-	-	-	728,160
Internally restricted	293,485	-	1,655,853	157,267	2,106,605	276,638	-	910,181	208,035	1,394,854
Externally restricted	-	-	1,882,079	2,989,721	4,871,800	-	-	2,047,034	2,665,030	4,712,064
	1,077,333	3,279,634	3,537,932	3,146,988	11,041,887	1,004,798	2,747,181	2,957,215	2,873,065	9,582,259
	\$ 1,119,814	\$ 3,279,634	\$ 3,537,932	\$ 3,146,988	\$ 11,084,368	\$ 1,082,528	\$ 2,747,181	\$ 2,957,215	\$ 2,873,065	\$ 9,659,989

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

	2023					2022				
	Operations Fund	General Fund	Ministry Funds	Trust Funds	Total	Operations Fund	General Fund	Ministry Funds	Trust Funds	Total
Revenue										
Donations (Note 4)	\$ 815,850	\$ 502,540	\$ 15,210,620	\$ 266,549	\$ 16,795,559	\$ 727,538	\$ 631,371	\$ 15,773,941	\$ 352,193	\$ 17,485,043
Legacies	6,000	8,725,935	8,000	247,407	8,987,342	-	1,567,769	145,711	77,865	1,791,345
Investment income (Note 7)	25,183	357,392	-	120,475	503,050	29,506	162,739	-	94,145	286,390
	<u>847,033</u>	<u>9,585,867</u>	<u>15,218,620</u>	<u>634,431</u>	<u>26,285,951</u>	<u>757,044</u>	<u>2,361,879</u>	<u>15,919,652</u>	<u>524,203</u>	<u>19,562,778</u>
Expenditures										
Support of mission personnel worldwide	82,684	419,500	11,620,488	223,075	12,345,747	50,352	-	10,872,675	164,718	11,087,745
Missions supplies and services (Note 4)	198,834	6,535,000	4,176,159	44,496	10,954,489	85,927	1,103,967	4,397,074	60,000	5,646,968
Staff salaries and benefits	823,813	-	-	-	823,813	657,067	-	-	-	657,067
Travel	219,938	-	11,945	-	231,883	110,044	-	6,248	-	116,292
Office and miscellaneous	120,411	-	18,972	-	139,383	104,852	-	44,308	-	149,160
Shipping and postage	119,363	-	90	-	119,453	120,855	-	-	-	120,855
Facility	78,823	-	-	-	78,823	71,359	-	-	-	71,359
Web and software	45,525	-	-	-	45,525	38,441	-	-	-	38,441
Professional fees	37,546	-	-	-	37,546	23,704	-	-	-	23,704
Bank charges and credit card fees	17,335	-	-	-	17,335	27,233	-	-	-	27,233
	<u>1,744,272</u>	<u>6,954,500</u>	<u>15,827,654</u>	<u>267,571</u>	<u>24,793,997</u>	<u>1,289,834</u>	<u>1,103,967</u>	<u>15,320,305</u>	<u>224,718</u>	<u>17,938,824</u>
Excess (deficiency) of revenue over expenditures before amortization	(897,239)	2,631,367	(609,034)	366,860	1,491,954	(532,790)	1,257,912	599,347	299,485	1,623,954
Amortization	(32,326)	-	-	-	(32,326)	(34,006)	-	-	-	(34,006)
Excess (deficiency) of revenue over expenditures	\$ (929,565)	\$ 2,631,367	\$ (609,034)	\$ 366,860	\$ 1,459,628	\$ (566,796)	\$ 1,257,912	\$ 599,347	\$ 299,485	\$ 1,589,948

See accompanying notes to the financial statements.

MSC Canada
Statement of Changes in Fund Balances
Year ended June 30

	Operations Fund	General Fund	Ministry Funds	Trust Funds	2023 Total	2022 Total
Fund balances, beginning of year	\$ 1,004,798	\$ 2,747,181	\$ 2,957,215	\$ 2,873,065	\$ 9,582,259	\$ 7,992,311
Excess (deficiency) of revenue over expenditures	(929,565)	2,631,367	(609,034)	366,860	1,459,628	1,589,948
Interfund transfers from General Fund (Note 8)	985,505	(2,160,716)	1,175,211	-	-	-
Interfund transfers from Trust Funds (Note 8)	<u>16,595</u>	<u>61,802</u>	<u>14,540</u>	<u>(92,937)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,077,333</u>	<u>\$ 3,279,634</u>	<u>\$ 3,537,932</u>	<u>\$ 3,146,988</u>	<u>\$ 11,041,887</u>	<u>\$ 9,582,259</u>

Fund balances						
Unrestricted	\$ -	\$ 3,279,634	\$ -	\$ -	\$ 3,279,634	\$ 2,747,181
Invested in property and equipment	783,848	-	-	-	783,848	728,160
Internally restricted	293,485	-	1,655,853	157,267	2,106,605	1,394,854
Externally restricted	<u>-</u>	<u>-</u>	<u>1,882,079</u>	<u>2,989,721</u>	<u>4,871,800</u>	<u>4,712,064</u>
	<u>\$ 1,077,333</u>	<u>\$ 3,279,634</u>	<u>\$ 3,537,932</u>	<u>\$ 3,146,988</u>	<u>\$ 11,041,887</u>	<u>\$ 9,582,259</u>

See accompanying notes to the financial statements.

MSC Canada

Statement of Cash Flows

Year ended June 30

2023

2022

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenditures	\$ 1,459,628	\$ 1,589,948
Items not affecting cash		
Amortization of property and equipment	32,326	34,006
Receipt of donated investments	(594,095)	(417,622)
Net realized losses (gains) on investments	80,079	(102,628)
Foreign exchange gains	(45,817)	(45,941)
Net unrealized losses on investments	39,620	160,878
	<u>971,741</u>	<u>1,218,641</u>

Change in non-cash working capital items

Accounts receivable and accrued interest	(105,038)	(17,085)
Prepaid expenses	(23,095)	11,748
Accounts payable and accrued liabilities	(35,249)	9,440
	<u>(163,382)</u>	<u>4,103</u>

808,359 1,222,744

Investing

Repayment of loan receivable	9,549	11,273
Purchase of investments	(8,102,239)	(2,907,808)
Proceeds on sale of investments	6,999,311	1,534,365
Purchase of property and equipment	(88,014)	(40,000)
	<u>(1,181,393)</u>	<u>(1,402,170)</u>

Decrease in cash and cash equivalents

(373,034) (179,426)

Cash and cash equivalents

 Beginning of year 1,213,891 1,393,317

 End of year \$ 840,857 \$ 1,213,891

Cash and cash equivalents consist of:

Cash	\$ 745,664	\$ 452,648
High interest investment savings accounts	<u>95,193</u>	<u>761,243</u>

\$ 840,857 \$ 1,213,891

MSC Canada

Notes to the Financial Statements

June 30, 2023

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. The Organization 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 Centre for 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:

Operations Fund

The Operations Fund accounts for the operating activities of the Organization. Contributions restricted for administration are included in this fund. The fund balance is to be used at the discretion of the Board. This fund also accounts for investments in property and equipment and any related debt obligations used for operations.

General Fund

The General Fund accounts for unrestricted donations and legacies that are to be used for the mission of the Organization at the discretion of the Board.

Ministry Funds

The Ministry 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. General funds allocated for special purposes are transferred and accounted for as Internally Restricted Ministry Funds. Once this is done, by policy, these funds may not be transferred back to the General Fund. Transfers are made between the Ministry Funds when the nature of the designation is consistent with different projects in the funds.

Trust Funds

The Trust Funds accounts for donations restricted by the donor as to the period in which the funds are to be spent and/or the purpose for which they are to be used. The Trust Funds also includes internally restricted funds transferred at the discretion of the Board and used for strategic mission investments and are subject to the period in which the funds are to be realized.

MSC Canada

Notes to the Financial Statements

June 30, 2023

2. Summary of significant accounting policies (continued)

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 revenue over expenditures as appropriate in the fiscal year they become known.

Investments

Investments held by the Organization are managed as individual portfolios within the separate funds. Earnings on investments include interest, dividends, and realized and unrealized gains and losses. Investments are segregated between General 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

Property and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of revenue and expenditures. Any impairment recognized is not reversed.

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, if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations are recognized as revenue of the General 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. Donated services are not recorded in the financial statements because of the difficulty of determining their value.

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.

MSC Canada

Notes to the Financial Statements

June 30, 2023

2. Summary of significant accounting policies (continued)

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Organization's financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, loan receivable, long-term investments and accounts payable.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value and subsequently measured at amortized cost except for investments quoted in the active market which are recorded at fair value. Financial assets and liabilities in related party transactions are initially and subsequently measured at cost. For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. Any impairment loss is recognized in the statement of revenue and expenditures.

3. Short-term investments

	<u>2023</u>	<u>2022</u>
General Fund		
Mortgage investment pool funds	\$ 1,480,403	\$ 1,416,516
Guaranteed investment certificates maturing between July 2023 and April 2024 (2022 – January and April 2023) at annual rates between 2.81% to 5.05% (2022 – 1.47% to 2.71%)	1,450,000	400,000
Various dividend paying common and preferred shares	1,020,939	1,250,550
Closed-end real estate investment funds	351,851	384,631
Gold and gold linked shares	233,880	450,897
Mutual funds	171,834	269,617
Link Charity Canada Charitable Loan Agreement bearing interest at 6.00%, maturing June 2024	100,000	-
Libro Credit Union guaranteed investment certificates maturing August 2022 at an annual rate of 1.05%	-	250,340
	<u>4,808,907</u>	<u>4,422,551</u>
Trust Funds		
Guaranteed investment certificates maturing between August 2023 and May 2024 (2022 - December 2022 to February 2023) at annual rates between 3.50% and 5.10% (2022 1.46% to 1.51%)	692,968	300,000
Mortgage investment pool funds	614,784	568,579
Stewards Canada bonds, redeemable on demand, 3.25%	384,581	968,687
Link Charity Canada Charitable Loan Agreement bearing interest at 3.50%, maturing June 2024	280,897	-
Mutual funds	51,179	-
	<u>2,024,409</u>	<u>1,837,266</u>
	<u>\$ 6,833,316</u>	<u>\$ 6,259,817</u>

MSC Canada

Notes to the Financial Statements

June 30, 2023

4. Related party transactions

Royal York Christian Foundation

The Royal York Christian Foundation (the "Foundation") was established to support missions in Canada. The Foundation was incorporated in 2004 and continued on May 28, 2014 under the Canada Not-for-profit Corporations Act. The Foundation is a registered Canadian charitable organization and is exempt from tax under the Income Tax Act (Canada). The Organization is related by virtue of the fact that two seats on the board of the Foundation (a minority) are occupied by individuals who are either directors or senior management of the Organization.

During the year, the Organization donated \$6,535,000 (2022 - \$1,103,967) to the Foundation, included in missions supplies and services in the General Fund in the statement of revenue and expenditures. During the year, the Foundation donated \$335,000 (2022 - \$355,098) to the Organization included in donations in the General Fund in the statement of revenue and expenditures.

Other

During a prior fiscal year, the Organization signed a loan agreement with Christian Centre BERA in Slovakia, a related party due to a common Board member, with an outstanding balance at June 30, 2023 of 33,200 EUR (2022 – 42,800 EUR). The Canadian dollar equivalent value at June 30, 2023 is \$47,974 (2022 – \$57,523). The loan is interest-free, unsecured and due on demand. The loan is anticipated to be paid back at a rate of 4,000 EUR per annum. As a result of changes in Board composition, as of year end, Christian Center BERA is no longer a related party.

5. Long-term investments

	<u>2023</u>	<u>2022</u>
General Fund		
Link Charity Canada Charitable Loan Agreement bearing interest at 4.00%, maturing June 2027	\$ 1,036,092	\$ 500,000
Bond maturing June 2032 at an annual rate of 5.09%	234,460	-
Cash surrender value of life insurance policies	185,429	-
Guaranteed investment certificate maturing April 2024 at an annual rate of 2.81%	-	200,000
Link Charity Canada Charitable Loan Agreement bearing interest at 6.00%, maturing June 2024	-	100,000
	<u>1,455,981</u>	<u>800,000</u>
Trust Funds		
Guaranteed investment certificates maturing January 2025 and January 2028 at annual rates between 4.35% to 4.78%	600,000	-
Libro Credit Union investment shares	132,781	126,278
Various other strategic investments	108,818	108,818
Bonds maturing August 2026 and March 2027 at annual rates between 2.36% and 3.44%	102,284	-
Link Charity Canada Charitable Loan Agreement bearing interest at 3.50%, maturing June 2024	-	271,223
Cash surrender value of life insurance policies	-	43,903
	<u>943,883</u>	<u>550,222</u>
	<u>\$ 2,399,864</u>	<u>\$ 1,350,222</u>

MSC Canada

Notes to the Financial Statements

June 30, 2023

6. Property and equipment

	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Office and warehouse condominium	\$ 946,902	\$ 273,168	\$ 673,734	\$ 669,734
Furniture and equipment	41,767	41,767	-	1,126
Computer equipment	34,139	27,422	6,717	1,702
Computer software	250,874	147,477	103,397	55,598
	<u>\$ 1,273,682</u>	<u>\$ 489,834</u>	<u>\$ 783,848</u>	<u>\$ 728,160</u>

7. Investment income

Investment income consists of the following:

	2023	2022
Interest and dividends	\$ 576,932	\$ 298,699
Net realized (loss) gain on sale of investments	(80,079)	102,628
Foreign exchange gain	45,817	45,941
Net unrealized loss on investments	(39,620)	(160,878)
	<u>\$ 503,050</u>	<u>\$ 286,390</u>

8. Interfund transfers

The \$2,160,716 (2022 - \$405,000) transferred from the General Fund to the Operations Fund, the Ministry Funds and the Trust 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

Funds transferred to the Ministry Funds were used in the year transferred.

Certain trust funds that are restricted based on time have now become available for disbursement in the amount of \$92,937 (2022 - \$38,806), and therefore were transferred as funds to be disbursed in future periods in accordance with the terms of the trust fund.

9. Foreign operations, assets and measurement uncertainty

The Organization has consistently followed the policy of expensing all costs for overseas operations, including 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, and international fund transfer and foreign currency exchange limitations. Accordingly, these assets are not included in the financial statements.

MSC Canada

Notes to the Financial Statements

June 30, 2023

10. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. There are no changes in risks from the prior year.

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 (2022 - \$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 (2022 - \$Nil).

Interest rate price risk

Interest rate price 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 in the amount of \$288,645 (2022 - \$281,483), GBP of \$98,546 (2022 - \$1,292), and Euros of \$10,519 (2022 - \$7,240), investments held in US dollars in the amount of \$ 1,196,861 (2022 - \$1,110,962), loan receivable denominated in Euros of \$47,974 (2022 - \$57,523), and forward exchange contracts for US dollars held of \$Nil (2022 - \$187,900) and GBP dollars held of \$2,008 (2022 - \$Nil) (Note 11).

MSC Canada
Notes to the Financial Statements
June 30, 2023

11. Forward foreign exchange contracts

During the fiscal year ended June 30, 2023, the Organization entered into forward foreign exchange contracts to mitigate the effect of changes in foreign currency exchange rates. One contract totalling GBP 1,194 (2022 – two contracts of US\$150,000) at 1.6817 (2022 – 1.2886) were outstanding at the end of the year end. The fair value of the contracts is not significantly different from the base amount.