



Financial Statements

SIM Canada

September 30, 2016

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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, 2016 and the statements of activities and changes in fund balances, 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, 2016 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 14, 2017

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	2016 Total	2015 Total
Assets					
Current					
Cash	\$ 701,206	\$ -	\$ -	\$ 701,206	\$ 360,823
Accounts receivable	95,905	-	-	95,905	310,216
Prepaid expenditures	<u>51,387</u>	-	-	<u>51,387</u>	<u>42,282</u>
	848,498	-	-	848,498	713,321
Investments (Note 4)	4,791,239	1,728,938	1,916,287	8,436,464	8,106,114
Cash surrender value of donated life insurance policy	104,959	-	-	104,959	102,996
Prepaid funeral expenses	-	68,908	-	68,908	65,000
Property and equipment (Note 5)	<u>991,728</u>	-	<u>85,000</u>	<u>1,076,728</u>	<u>961,933</u>
	<u>\$ 6,736,424</u>	<u>\$ 1,797,846</u>	<u>\$ 2,001,287</u>	<u>\$ 10,535,557</u>	<u>\$ 9,949,364</u>
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 185,495	\$ -	\$ -	\$ 185,495	\$ 209,102
Due to affiliated organizations (Note 6)	244,623	-	-	244,623	369,532
Amounts held for missionaries	368,669	-	-	368,669	244,975
Notes payable (Note 7)	-	-	131,828	131,828	131,828
Support designated for future purposes (Note 8)	<u>95,980</u>	-	-	<u>95,980</u>	<u>101,380</u>
	894,767	-	131,828	1,026,595	1,056,817
Revocable trusts (Note 9)	-	-	<u>1,104,072</u>	<u>1,104,072</u>	<u>1,118,565</u>
	<u>894,767</u>	-	<u>1,235,900</u>	<u>2,130,667</u>	<u>2,175,382</u>
Fund balances					
Unrestricted					
General	157,200	-	-	157,200	-
Missionary	3,221,884	-	-	3,221,884	2,861,892
Projects	1,149,020	-	-	1,149,020	1,040,857
Invested in property and equipment	1,091,728	-	-	1,091,728	976,933
Internally restricted					
Board Initiated Fund	221,825	-	-	221,825	331,067
Retirement Assistance Fund (Note 10)	-	1,797,846	-	1,797,846	1,797,846
Externally restricted (Note 11)					
Irrevocable Trusts	-	-	680,387	680,387	680,387
Donated Properties	-	-	85,000	85,000	85,000
	<u>5,841,657</u>	<u>1,797,846</u>	<u>765,387</u>	<u>8,404,890</u>	<u>7,773,982</u>
	<u>\$ 6,736,424</u>	<u>\$ 1,797,846</u>	<u>\$ 2,001,287</u>	<u>\$ 10,535,557</u>	<u>\$ 9,949,364</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	Total 2016	Total 2015
Support and revenue	\$ 10,669,025	\$ 256,956	\$ -	\$ 10,925,981	\$ 11,365,589
Other income	<u>614,995</u>	<u>142,886</u>	<u>-</u>	<u>757,881</u>	<u>239,291</u>
	11,284,020	399,842	-	11,683,862	11,604,880
Expenditures	<u>10,434,628</u>	<u>618,326</u>	<u>-</u>	<u>11,052,954</u>	<u>10,864,071</u>
Excess (deficiency) of support and revenue over expenditures	849,392	(218,484)	-	630,908	740,809
Fund balances, beginning of year	5,210,749	1,797,846	765,387	7,773,982	7,033,173
Interfund transfers (Note 12)	<u>(218,484)</u>	<u>218,484</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,841,657</u>	<u>\$ 1,797,846</u>	<u>\$ 765,387</u>	<u>\$ 8,404,890</u>	<u>\$ 7,773,982</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 2016	Total 2015
Support and revenue							
Contributions	\$ 1,323,632	\$ 6,316,140	\$ 1,395,168	\$ -	\$ -	\$ 9,034,940	\$ 8,906,138
International contributions	43,973	939,644	9,369	-	-	992,986	998,343
Legacies and bequests	<u>315,873</u>	<u>250,000</u>	<u>75,226</u>	-	-	<u>641,099</u>	<u>755,036</u>
	1,683,478	7,505,784	1,479,763	-	-	10,669,025	10,659,517
Net investment income	45,065	-	12,671	-	1,409	59,145	83,927
Unrealized gains on investments	428,854	-	-	-	25,895	454,749	7,563
Miscellaneous income and sales	<u>100,386</u>	<u>-</u>	<u>715</u>	<u>-</u>	<u>-</u>	<u>101,101</u>	<u>94,002</u>
	<u>2,257,783</u>	<u>7,505,784</u>	<u>1,493,149</u>	<u>-</u>	<u>27,304</u>	<u>11,284,020</u>	<u>10,845,009</u>
Expenditures							
Missionary support	641,330	5,082,733	-	-	-	5,724,063	5,590,286
Projects	-	-	1,275,744	-	-	1,275,744	1,157,623
Ministry	-	1,483,736	-	-	-	1,483,736	1,462,768
General and administrative	731,095	201,440	-	46,583	-	979,118	1,081,754
Home ministry	474,766	-	-	-	-	474,766	470,978
Retirement benefits	50,695	377,883	-	-	-	428,578	427,971
Fundraising	<u>68,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,623</u>	<u>111,600</u>
	<u>1,966,509</u>	<u>7,145,792</u>	<u>1,275,744</u>	<u>46,583</u>	<u>-</u>	<u>10,434,628</u>	<u>10,302,980</u>
Excess (deficiency) of support and revenue over expenditures	291,274	359,992	217,405	(46,583)	27,304	849,392	542,029
Fund balances, beginning of year	-	2,861,892	1,040,857	976,933	331,067	5,210,749	4,715,798
Interfund transfers (Note 12)	<u>(134,074)</u>	<u>-</u>	<u>(109,242)</u>	<u>161,378</u>	<u>(136,546)</u>	<u>(218,484)</u>	<u>(47,078)</u>
Fund balances, end of year	<u>\$ 157,200</u>	<u>\$ 3,221,884</u>	<u>\$ 1,149,020</u>	<u>\$ 1,091,728</u>	<u>\$ 221,825</u>	<u>\$ 5,841,657</u>	<u>\$ 5,210,749</u>

See accompanying notes to the financial statements.

SIM Canada

Statement of Cash Flows

Year ended September 30 2016 2015

Increase (decrease) in cash

Operating

Excess of support and revenue over expenditures	\$ 630,908	\$ 740,809
Items not affecting cash		
Amortization of property and equipment	46,583	51,353
Net gains on investments included in other income	(590,254)	(9,948)
Donated life insurance policy	(1,963)	(10,952)
Loss on disposition of property and equipment	<u>-</u>	<u>13,658</u>
	<u>85,274</u>	<u>784,920</u>

Change in non-cash working capital items

Accounts receivable	214,311	(84,792)
Prepaid expenditures	(9,105)	(6,578)
Accounts payable and accrued liabilities	(23,607)	(55,704)
Due to affiliated organizations	(124,909)	(61,221)
Amounts held for missionaries	123,694	(22,091)
Prepaid funeral expenses	(3,908)	<u>4,997</u>

176,476 (225,389)

261,750 559,531

Financing

Disbursements of support designated for future purposes (Note 8)	(5,400)	(5,400)
Repayment of notes payable	-	(39,500)
Net decrease in revocable trusts	(14,493)	<u>(13,238)</u>
	<u>(19,893)</u>	<u>(58,138)</u>

Investing

Net redemptions (purchases) of investments	259,904	(462,787)
Purchase of property and equipment	(161,378)	<u>(90,380)</u>
	<u>98,526</u>	<u>(553,167)</u>

Increase (decrease) in cash **340,383** (51,774)

Cash

Beginning of year	<u>360,823</u>	412,597
End of year	<u>\$ 701,206</u>	<u>\$ 360,823</u>

SIM Canada

Notes to Financial Statements

September 30, 2016

1. Description of the Organization

SIM Canada (the "Organization") 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.

SIM Canada 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".

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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Notes to Financial Statements

September 30, 2016

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.

SIM Canada

Notes to Financial Statements

September 30, 2016

2. Summary of significant accounting policies (continued)

Financial instruments

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

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.

SIM Canada

Notes to Financial Statements

September 30, 2016

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 2016 amounted to \$161,378 (2015 - \$90,380) 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.

SIM Canada

Notes to Financial Statements

September 30, 2016

4. Investments

	<u>2016</u>	<u>2015</u>
Pooled equity and bond funds	\$ 8,169,431	\$ 7,838,134
Mortgage loan receivable, bearing interest at 3% due November, 2017 or upon sale of the home	167,033	167,980
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>
	<u>\$ 8,436,464</u>	<u>\$ 8,106,114</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 mortgage loan receivable and 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>2016</u> Net Book Value	<u>2015</u> Net Book Value
National office building	\$ 1,501,299	\$ 692,337	\$ 808,962	\$ 702,355
Missionary residences	216,156	59,320	156,836	157,901
Furniture and equipment	821,263	710,619	110,644	101,294
Automobiles	<u>26,567</u>	<u>26,281</u>	<u>286</u>	<u>383</u>
	<u>\$ 2,565,285</u>	<u>\$ 1,488,557</u>	<u>\$ 1,076,728</u>	<u>\$ 961,933</u>

No amortization is recorded on certain missionary residences having a cost for land and buildings totalling \$85,000 (2015 - \$85,000) held for eventual sale (Note 11). Amortization is recorded as part of general and administrative expenditures.

SIM Canada

Notes to Financial Statements

September 30, 2016

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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 101,380	\$ 106,780
Withdrawals	<u>(5,400)</u>	<u>(5,400)</u>
Balance, end of year	<u>\$ 95,980</u>	<u>\$ 101,380</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.

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Notes to Financial Statements

September 30, 2016

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, health, dental and housing allowances 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.

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 Financial Statements

September 30, 2016

12. Interfund transfers

Interfund transfers received (distributed) for the year ended September 30, 2016 consist of the following:

	General Fund	Projects	Property Fund	Board Initiated Fund	Retirement Assistance	Restricted Funds
Net purchase of property and equipment	\$ (161,378)	\$ -	\$ 161,378	\$ -	\$ -	\$ -
Transfer from Board Initiated Fund	27,304	-	-	(27,304)	-	-
Transfer to Retirement Assistance Fund	-	(109,242)	-	(109,242)	218,484	-
	<u>\$ (134,074)</u>	<u>\$ (109,242)</u>	<u>\$ 161,378</u>	<u>\$ (136,546)</u>	<u>\$ 218,484</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 (2015 - \$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 (2015 - \$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 and international equities at year-end are \$2,430,868 (2015 - \$2,215,430). Cash in overdraft in US bank accounts at year-end is \$137,019 (2015 - \$405,242).

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Notes to Financial Statements

September 30, 2016

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.
