

**SCA INTERNATIONAL**

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**2017 FINANCIAL STATEMENTS**

## **NETHERCOTT & COMPANY**

Chartered Professional Accountants

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### **INDEPENDENT AUDITOR'S REPORT**

To the Directors  
SCA INTERNATIONAL

We have audited the accompanying financial statements of SCA INTERNATIONAL, which comprise the statement of financial position as at December 31, 2017, and the statement of income, expenditure and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### *Basis for Qualified Opinion*

In common with many charitable organizations, the Organization derives income from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these incomes was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary for recorded donations, the excess income (expenses), cash flows from operating activities for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and fund balances as at January 1 and December 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly, because of the possible effects of this scope limitation.

#### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of SCA International as at December 31, 2017, 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.



Chartered Professional Accountants  
Licensed Public Accountants

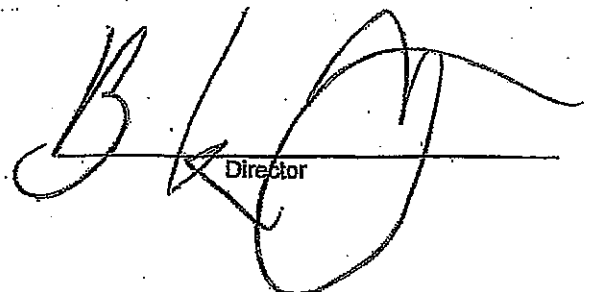
North York, Ontario  
May 7, 2018

**SCA INTERNATIONAL  
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017**

	<u>RESTRICTED FUNDS</u>	<u>UNRESTRICTED FUNDS CAPITAL</u>	<u>OPERATING</u>	<u>2017 TOTAL</u>	<u>2016 TOTAL</u>
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash	\$ 10,568	\$ -	\$ 495,848	\$ 506,416	\$ 175,950
Accounts receivable	-	-	435	435	176
HST recoverable	-	-	2,678	2,678	1,075
Prepaid expense	-	-	437	437	2,722
	<u>10,568</u>	<u>-</u>	<u>499,398</u>	<u>509,966</u>	<u>179,923</u>
<b>CAPITAL</b>					
Capital assets (Note 3)	-	109,375	-	109,375	628,716
<b>OTHER</b>					
Mortgage receivable (Note 4)	-	-	196,808	196,808	198,881
Cash surrender value of life insurance policy	-	-	37,094	37,094	37,815
	<u>-</u>	<u>-</u>	<u>37,094</u>	<u>37,094</u>	<u>37,815</u>
	<u>\$ 10,568</u>	<u>\$ 109,375</u>	<u>\$ 733,300</u>	<u>\$ 853,243</u>	<u>\$ 1,045,335</u>
<b>LIABILITIES</b>					
<b>CURRENT</b>					
Accounts payable and accrued	\$ -	\$ -	\$ 4,551	\$ 4,551	\$ 10,632
Private loan payable (Note 5)	-	-	-	-	61,572
	<u>-</u>	<u>-</u>	<u>4,551</u>	<u>4,551</u>	<u>72,204</u>
<b>FUND BALANCES</b>					
<b>RESTRICTED</b>					
Field missionaries	10,568	-	-	10,568	20,517
<b>UNRESTRICTED</b>					
Capital	-	109,375	-	109,375	567,144
Reserve for death benefit liability	-	-	32,500	32,500	32,500
Operating	-	-	696,249	696,249	352,970
	<u>10,568</u>	<u>109,375</u>	<u>728,749</u>	<u>848,692</u>	<u>973,131</u>
	<u>\$ 10,568</u>	<u>\$ 109,375</u>	<u>\$ 733,300</u>	<u>\$ 853,243</u>	<u>\$ 1,045,335</u>

Approved on behalf of the Board of Directors:

  
Director

  
Director

**SCA INTERNATIONAL**  
**STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>RESTRICTED FUNDS</u>	<u>UNRESTRICTED FUNDS CAPITAL</u>	<u>OPERATING</u>	<u>2017 TOTAL</u>	<u>2016 TOTAL</u>
<b>INCOME</b>					
Public support					
Contributions from					
- Canada	\$ 8,890	\$ -	\$ 37,306	\$ 46,196	\$ 95,065
- United States	-	-	453	453	1,552
	<u>8,890</u>	<u>-</u>	<u>37,759</u>	<u>46,649</u>	<u>96,617</u>
Other	-	-	24,565	24,565	20,076
	<u>8,890</u>	<u>-</u>	<u>62,324</u>	<u>71,214</u>	<u>116,693</u>
<b>EXPENDITURE</b>					
Eagle Bay Camp and Retreat Centre	-	-	-	-	-
Blueberry Bible Camp	-	-	-	-	-
Eagle's Nest Bible Camp	-	-	-	-	-
Eagle's Cove	-	-	-	-	-
Other ministry centre costs	-	-	7,587	7,587	23,552
Ministry salaries and benefits	-	-	9,238	9,238	25,685
Non-ministry centre ministries	18,039	-	-	18,039	20,450
Amortization	-	11,162	-	11,162	23,163
Special missions and ministries	-	-	24,109	24,109	7,346
Administrative salaries and benefits	-	-	54,896	54,896	55,977
Conferences and committees	-	-	-	-	367
Insurance	-	-	3,438	3,438	3,329
Promotion	-	-	830	830	11,050
Travel	-	-	-	-	2,592
Interest and bank charges	-	-	4,538	4,538	6,120
Occupancy	-	-	9,938	9,938	9,928
Postage and shipping	-	-	1,688	1,688	1,108
Telephone	-	-	1,470	1,470	3,282
Professional fees	-	-	6,640	6,640	6,236
Death benefit payment	-	-	-	-	12,500
General administrative	-	-	10,193	10,193	10,205
	<u>18,039</u>	<u>11,162</u>	<u>134,565</u>	<u>163,766</u>	<u>222,890</u>
<b>EXCESS EXPENDITURE OVER INCOME FOR YEAR FROM OPERATIONS</b>					
	<u>(9,149)</u>	<u>(11,162)</u>	<u>(72,241)</u>	<u>(92,552)</u>	<u>(106,197)</u>
Gain (loss) on sale of property	-	-	(31,887)	(31,887)	169,179
<b>Inter-fund transfers</b>					
Net book value of assets sold	-	(508,179)	508,179	-	-
Repayment of private loans	-	61,572	(61,572)	-	-
Administration fee	(800)	-	800	-	-
Other	-	-	-	-	-
	<u>(800)</u>	<u>(446,607)</u>	<u>447,407</u>	<u>-</u>	<u>-</u>
<b>EXCESS INCOME (EXPENDITURE) FOR YEAR</b>					
	<u>(9,949)</u>	<u>(457,769)</u>	<u>343,279</u>	<u>(124,439)</u>	<u>62,982</u>
Fund balances, beginning of year	<u>20,517</u>	<u>567,144</u>	<u>385,470</u>	<u>973,131</u>	<u>910,149</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 10,568</u>	<u>\$ 109,375</u>	<u>\$ 728,749</u>	<u>\$ 848,692</u>	<u>\$ 973,131</u>

NETHERCOTT COMPANY

**SCA INTERNATIONAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Operating activities		
Excess income (expenditure) for year	\$ (124,439)	\$ 62,982
Amortization	11,162	23,163
Loss (gain) on sale of property	<u>31,887</u>	<u>(169,179)</u>
	(81,390)	(83,034)
Decrease (increase) in non-cash working capital from the following:		
Accounts receivable	(259)	3,788
HST recoverable	(1,603)	1,351
Prepaid expense	2,285	1,918
Cash surrender value of life insurance policy	721	(85)
Accounts payable and accrued	<u>(6,081)</u>	<u>(22,984)</u>
	<u>(86,327)</u>	<u>(99,046)</u>
Investing activities		
Proceeds from disposals of capital assets	476,292	233,867
Decrease (increase) in mortgage receivable	<u>2,073</u>	<u>(198,881)</u>
	<u>478,365</u>	<u>34,986</u>
Financing activities		
Repayment of private loans	<u>(61,572)</u>	<u>(23,550)</u>
<b>INCREASE (DECREASE) IN CASH DURING YEAR</b>	330,466	(87,610)
Cash, beginning of year	<u>175,950</u>	<u>263,560</u>
<b>CASH, END OF YEAR</b>	<u>\$ 506,416</u>	<u>\$ 175,950</u>

**SCA INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. PURPOSE OF ORGANIZATION**

SCA International (the Organization) is an Evangelical Mission whose main purpose is to share the Good News (the Gospel) of Jesus Christ with those in Canada that do not have easy access to hearing such

The Organization was incorporated on December 20, 1939 under letters patent issued by The Canada Companies Act, 1934, and is a registered charity with a tax-exempt status under paragraph 149(1)(f) of the Income Tax Act and entitled to issue official receipts for donations received.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

*Fund Accounting*

In order to ensure the segregation of the regular operations of the organization from restricted donations, the financial statements are prepared using the restricted fund method utilizing separate funds as follows:

*Restricted funds - Field missionaries and ministry centres*

This fund is maintained to fund the camps and other activities of the joint ministry including missionary salaries.

*Unrestricted funds - Capital assets*

This fund represents capital assets purchased to be used for ongoing ministry purposes.

*Unrestricted funds - Operating*

This fund is maintained to finance the general operating activities of the joint ministry.

*Revenue Recognition*

The Organization follows the restricted fund method of accounting for contributions. Accordingly, restricted contributions are recognized as revenue in the project funds, and any undesignated contributions received are included in the General Fund. Contributions are recognized as revenue to the appropriate fund in the year received or receivable where the amount can be reasonably estimated and collection is reasonably

*Capital Assets*

Capital assets are recorded at cost, or fair market value at the time of acquisition in the case of donated

Amortization is provided on the straight-line basis as follows:

Buildings - 25 years

**SCA INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Contributed Services*

The Mission is dependent upon and thankful for the many hours contributed by its members. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

*Use of Estimates*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

*Financial Instruments*

The Organization measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets include cash and accounts receivable and the financial liabilities include accounts payable and private loan payable.

**3. CAPITAL ASSETS**

Capital assets are comprised as follows:

	2017		2016	
	Cost	Accumulated Amortization	Net Value	Net Value
Land	\$ 2,500	\$ -	\$ 2,500	\$ 285,175
Buildings	279,083	172,208	106,875	343,541
	\$ 281,583	\$ 172,208	\$ 109,375	\$ 628,716

**4. MORTGAGE RECEIVABLE**

As part of the sale of the property in Manitoba in 2016, the Organization took back a mortgage in the amount of \$200,000 on the property. The mortgage bears interest at the rate of 10 percent per annum until maturity, June 30, 2021. Monthly payments amount to \$1,789 blended as to principal and interest.

**SCA INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**5. PRIVATE LOAN PAYABLE**

	<u>2017</u>	<u>2016</u>
Loan payable in blended monthly payments of \$2,000, with interest at prime plus 0.25% due June 1, 2017 and secured by a lien on the head office unit in Newmarket:	\$ -	\$ 61,572

The loan was made to finance the purchase of the head office in Newmarket and has been fully repaid in the current year.

**6. MANAGEMENT OF RISKS**

**Exposure and concentration of risks**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentration of risk at December 31, 2017.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization has an accounts receivable as well as HST recoverable with minimal balances. In 2016 the Organization took back a mortgage on the property that was sold. All scheduled payments have been received and the mortgage is secured by the property. Therefore the Organization's management does not consider credit risk to be significant. There has been no change in the assessment of credit risk from the previous year.

*Liquidity Risk*

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization expects to meet its obligations by managing its working capital and generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the previous year.

*Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Organization is not exposed to significant market risk.