
SCA INTERNATIONAL
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SCA International
LONDON
Ontario

Qualified Opinion

We have audited the accompanying financial statements of SCA International which comprise the statement of financial position as at December 31, 2022 and the statement of operations and changes in fund balances, and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2022 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the entity derives revenues from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, deficiency of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and fund balances as at December 31 for both the 2022 and 2021 years.

Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 qualified 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 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.

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

Those charged with governance are responsible for overseeing the entity's financial reporting process.

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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 the entity'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 the entity'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 the entity 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.

NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
May 15, 2023

SCA INTERNATIONAL
STATEMENT OF FINANCIAL POSITION

As at December 31,

2022

2021

	Operating Fund	Field Missionaries	Total	Total
ASSETS				
Current				
Cash	\$ 556,508	\$ -	\$ 556,508	\$ 748,890
HST recoverable	579	-	579	737
Prepaid expenses and other assets	10,790	-	10,790	12,686
Mortgage receivable (Note 2)	187,730	-	187,730	187,730
	<u>\$ 755,607</u>	<u>\$ -</u>	<u>\$ 755,607</u>	<u>\$ 950,043</u>
Cash Surrender Value of Life Insurance Policy	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,965</u>
	<u>\$ 755,607</u>	<u>\$ -</u>	<u>\$ 755,607</u>	<u>\$ 984,008</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 1,225	\$ -	\$ 1,225	\$ 2,656
Government remittances payable	1,057	-	1,057	1,051
	<u>\$ 2,282</u>	<u>\$ -</u>	<u>\$ 2,282</u>	<u>\$ 3,707</u>

FUND BALANCES

Field Missionaries - Restricted	\$ -	\$ -	\$ -	\$ 122
Operating - Unrestricted	753,325	-	753,325	980,179
	<u>\$ 753,325</u>	<u>\$ -</u>	<u>\$ 753,325</u>	<u>\$ 980,301</u>
	<u>\$ 755,607</u>	<u>\$ -</u>	<u>\$ 755,607</u>	<u>\$ 984,008</u>

Contingent Liability (Note 3)

Approved by the Board:

_____ Director

_____ Director

SCA INTERNATIONAL**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**

For the year ended December 31,

2022**2021**

	Operating Fund	Field Missionaries	Total	Total
REVENUES				
Contributions	\$ 19,685	\$ 275	\$ 19,960	\$ 26,027
Interest and other income	<u>6,476</u>	<u>-</u>	<u>6,476</u>	<u>21,313</u>
	<u>\$ 26,161</u>	<u>\$ 275</u>	<u>\$ 26,436</u>	<u>\$ 47,340</u>
EXPENSES				
Special missions and ministries	\$ 132,893	\$ -	\$ 132,893	\$ 116,969
Salaries, benefits, and contracts (Note 6)	57,747	-	57,747	57,888
Professional fees	25,815	-	25,815	19,221
Property tax	11,775	-	11,775	-
General administrative	5,917	-	5,917	5,938
Promotion	4,221	-	4,221	2,098
Occupancy	4,072	-	4,072	3,657
Bank charges	3,555	-	3,555	3,659
Insurance	2,970	-	2,970	2,863
Telephone	2,184	-	2,184	2,770
Postage and shipping	1,353	-	1,353	2,242
Travel	513	-	513	509
Non-ministry centre ministries	-	397	397	4,343
	<u>\$ 253,015</u>	<u>\$ 397</u>	<u>\$ 253,412</u>	<u>\$ 222,157</u>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	\$ (226,854)	\$ (122)	\$ (226,976)	\$ (174,817)
Administration fee (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (226,854)	\$ (122)	\$ (226,976)	\$ (174,817)
FUND BALANCE - Beginning	<u>980,179</u>	<u>122</u>	<u>980,301</u>	<u>1,155,118</u>
FUND BALANCE - Ending	<u>\$ 753,325</u>	<u>\$ -</u>	<u>\$ 753,325</u>	<u>\$ 980,301</u>

See accompanying notes

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SCA INTERNATIONAL

STATEMENT OF CASH FLOWS

For the year ended December 31,

2022

2021

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Deficiency of revenues over expenses	\$ (226,976)	\$ (174,817)
Items not affecting cash		
Change in cash surrender value of life insurance policy	<u>759</u>	<u>852</u>
	\$ (226,217)	\$ (173,965)
Net change in non-cash working capital balances:		
HST recoverable	158	172
Prepaid expenses and other assets	1,896	3,481
Accounts payable and accrued liabilities	(1,431)	(2,204)
Government remittances payable	<u>6</u>	<u>(9)</u>
	\$ (225,588)	\$ (172,525)

INVESTING ACTIVITIES

Proceeds from cash surrender of life insurance policy	\$ 33,206	\$ -
Decrease in mortgages receivable	<u>-</u>	<u>364,682</u>
	\$ 33,206	\$ 364,682

INCREASES (DECREASE) IN CASH

\$ (192,382) \$ 192,157

CASH - Beginning

748,890 556,733

CASH - Ending

\$ 556,508 \$ 748,890

See accompanying notes

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SCA INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NATURE OF OPERATIONS

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 Good News.

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.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies:

a) Fund Accounting

Resources are classified into funds according to the activities or objectives specified as follows:

The unrestricted **Operating** fund reports revenues and expenses related to the operations and administration of the Organization.

The restricted **Field Missionaries** fund reports revenues and expenses related to the camps and other activities of the joint ministry including missionary salaries.

b) Cash and Cash Equivalents

Cash and cash equivalents consists solely of bank balances.

c) Investment Accounted for at the Redemption Amount

The cash surrender value of life insurance policy is accounted for based on the amount that could be realized under the policy at the date of the statement of financial position. Changes in the cash surrender value during the year are recognized as an expense or recovery of insurance premium paid.

d) Revenue Recognition

The Organization follows the restricted fund method of accounting for contributions. Externally restricted contributions are recognized as revenue in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the Operating fund. Restricted contributions for which there is no fund are accounted for using the deferral method.

Funds provided by fundraising events are recognized in the appropriate fund as revenue upon the receipt of funds when the events are held. Interest and other income is recognized as revenue when earned and collection is reasonably assured.

SCA INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

e) **Contributed Services**

The mission of the Organization 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.

f) **Financial Instruments**

Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments accounted for at the redemption amount which are measured at fair value. Changes in fair value are recognized in the excess (deficiency) of revenues over expenses.

Financial assets measured at amortized cost include cash and the mortgage receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Other than investments accounted for at the redemption amount, the Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess (deficiency) of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **MORTGAGE RECEIVABLE**

As part of the sale of property in Manitoba, 2016, the Organization took back a mortgage. The mortgage receivable matured June 30, 2021, but was not paid back (see Note 3 for related lawsuit). As a result, the Organization is in the legal process of foreclosing on the property. The mortgage receivable balance has not been impaired as it is expected that the underlining property's value is in excess of the receivable balance. The book value of the mortgage receivable has not changed since the prior year.

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3. CONTINGENT LIABILITY

In 2020, the Organization had a claim filed against it requesting compensation of approximately \$159,000 for allegedly undisclosed problems associated with the sale of the Manitoba property in 2016. The Organization has contested this claim. Neither the possible outcome, nor the amount of possible settlement can be foreseen. Therefore, no provision has been recognized in the financial statements.

4. ADMINISTRATION FEE

During the year, the Organization transferred \$Nil (2021 - \$405) from the Field Missionaries fund to the Operating fund to cover the administrative costs of the Field Missionaries fund activities.

5. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at December 31, 2022:

a) **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's main credit risks relate to its mortgage receivable. Credit risk is mitigated somewhat as the mortgage is secured by property.

b) **Liquidity Risk**

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Organization manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

c) **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.

6. RELATED PARTY TRANSACTIONS

The Organization's Ministry Director is the spouse of the secretary of the board of directors and received compensation of \$44,848 (2021 - \$44,848). Related party transactions were carried out in the normal course of operations and were measured at the exchange amount which is the amount of consideration agreed to by the related parties.