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**SCA INTERNATIONAL**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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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, 2020 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, 2020 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*

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.

As is common with many charitable organizations, SCA International derives part of its revenues from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of SCA International and we were not able to determine whether any adjustments might be necessary to revenues and the excess (deficiency) of revenues over expenses for the years ended December 31, 2020 and 2019, assets as at December 31, 2020 and 2019 and fund balances as at the beginning and end of the years ended December 31, 2020 and 2019. The audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

### *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.

*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*

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

April 13, 2021

**SCA INTERNATIONAL**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31,

2020

2019

	Operating Fund	Field Missionaries	Total	Total
<b>ASSETS</b>				
<b>Current</b>				
Cash	\$ 556,364	\$ 369	\$ 556,733	\$ 706,300
HST recoverable	909	-	909	1,131
Prepaid expenses and other assets	16,167	-	16,167	9,834
Current portion of mortgages receivable (Note 2)	<u>552,413</u>	<u>-</u>	<u>552,413</u>	<u>12,345</u>
	<u>\$ 1,125,853</u>	<u>\$ 369</u>	<u>\$ 1,126,222</u>	<u>\$ 729,610</u>
Mortgage Receivable (Note 2)	-	-	-	542,847
Cash Surrender Value of Life Insurance Policy	<u>34,817</u>	<u>-</u>	<u>34,817</u>	<u>35,679</u>
	<u>\$ 1,160,670</u>	<u>\$ 369</u>	<u>\$ 1,161,039</u>	<u>\$ 1,308,136</u>

**LIABILITIES**

**Current**

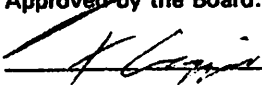
Accounts payable and accrued liabilities	\$ 5,921	\$ -	\$ 5,921	\$ 6,395
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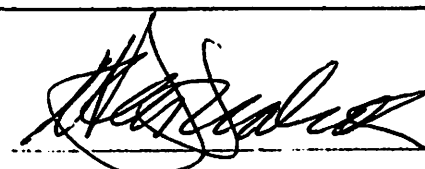
**FUND BALANCES**

Restricted	\$ -	\$ 369	\$ 369	\$ 313
Unrestricted	<u>1,154,749</u>	<u>-</u>	<u>1,154,749</u>	<u>1,301,428</u>
	<u>\$ 1,154,749</u>	<u>\$ 369</u>	<u>\$ 1,155,118</u>	<u>\$ 1,301,741</u>
	<u>\$ 1,160,670</u>	<u>\$ 369</u>	<u>\$ 1,161,039</u>	<u>\$ 1,308,136</u>

Contingent Liability (Note 3)

Approved by the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

See accompanying notes

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

For the year ended December 31,

2020

2019

	Field			Total
	Operating Fund	Missionaries	Total	
<b>REVENUES</b>				
Contributions	\$ 42,201	\$ 6,950	\$ 49,151	\$ 61,681
Interest and other income	<u>23,403</u>	<u>-</u>	<u>23,403</u>	<u>47,770</u>
	<u>\$ 65,604</u>	<u>\$ 6,950</u>	<u>\$ 72,554</u>	<u>\$ 109,451</u>
<b>EXPENSES</b>				
Special missions and ministries	\$ 90,458	\$ -	\$ 90,458	\$ 51,833
Administrative salaries, benefits, and contracts (Note 6)	55,665	-	55,665	67,019
Professional fees	45,458	-	45,458	15,926
Non-ministry centre ministries	-	6,268	6,268	7,892
General administrative	5,317	-	5,317	9,553
Bank charges	3,683	-	3,683	3,644
Postage and shipping	3,312	-	3,312	384
Insurance	3,183	-	3,183	2,808
Occupancy	3,153	-	3,153	10,592
Telephone	1,520	-	1,520	2,003
Promotion	789	-	789	236
Travel	212	-	212	9,303
Conferences and committees	159	-	159	179
Ministry salaries, benefits and contracts	-	-	-	5,129
Ministry centre costs	-	-	-	54
	<u>\$ 212,909</u>	<u>\$ 6,268</u>	<u>\$ 219,177</u>	<u>\$ 186,555</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:</b>	\$ (147,305)	\$ 682	\$ (146,623)	\$ (77,104)
Administration fee (Note 4)	<u>626</u>	<u>(626)</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	\$ (146,679)	\$ 56	\$ (146,623)	\$ (77,104)
<b>FUND BALANCE - Beginning</b>	<u>1,301,428</u>	<u>313</u>	<u>1,301,741</u>	<u>1,378,845</u>
<b>FUND BALANCE - Ending</b>	<u>\$ 1,154,749</u>	<u>\$ 369</u>	<u>\$ 1,155,118</u>	<u>\$ 1,301,741</u>

See accompanying notes

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**SCA INTERNATIONAL**  
**STATEMENT OF CASH FLOWS**

For the year ended October 31,

**2020****2019**

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**CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):****OPERATING ACTIVITIES**

Deficiency of revenues over expenses	\$ (146,623)	\$ (77,104)
Items not affecting cash		
Change in cash surrender value of life insurance policy	<u>862</u>	<u>680</u>
	\$ (145,761)	\$ (76,424)

## Net change in non-cash working capital balances:

HST recoverable	222	2,388
Prepaid expenses and other assets	(6,333)	(3,688)
Accounts payable and accrued liabilities	<u>(474)</u>	<u>(10,529)</u>
	\$ (152,346)	\$ (88,253)

**INVESTING ACTIVITIES**

Decrease in mortgages receivable	<u>2,779</u>	<u>8,330</u>
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**DECREASE IN CASH****\$ (149,567) \$ (79,923)****CASH - Beginning****706,300 786,223****CASH - Ending****\$ 556,733 \$ 706,300**

See accompanying notes

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**SCA INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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.

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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 at fair value. 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 mortgages 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. MORTGAGES RECEIVABLE**

As part of the sale of property in Manitoba, 2016, ("Mortgage 1") and in British Columbia, 2018, ("Mortgage 2"), the Organization took back mortgages which consist of the following:

	2020	2019
Mortgage 1 bearing interest at 10.0% per annum, repayable in monthly blended payments of \$1,789. The mortgage matures June 30, 2021. Secured by property.	\$ 189,224	\$ 192,002
Mortgage 2 - in default (refer to note below)	<u>363,189</u>	<u>363,189</u>
	\$ 552,413	\$ 555,192
Less: Current portion	<u>552,413</u>	<u>12,345</u>
	<u>\$ -</u>	<u>\$ 542,847</u>



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**SCA INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. MORTGAGES RECEIVABLE - Continued**

There has not been any payments on Mortgage 2 since October 2019. The Organization has, subsequent to year-end, sold the property for an amount exceeding the mortgage receivable balance. Therefore, the mortgage receivable has not been impaired. The mortgage was still active at year-end as the purchasers owned the property until the resale was completed.

**3. CONTINGENT LIABILITY**

During the year, 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 \$626 (2019 - \$585) 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, 2020:

**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 mortgages receivable. Credit risk is mitigated somewhat as the mortgages are secured by the properties.

**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.

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**SCA INTERNATIONAL**  
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**5. FINANCIAL INSTRUMENTS - continued**

**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 financial administrator is the spouse of the secretary of the board of directors and received compensation of \$43,300 (2019 - \$40,000) for administration services. 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.