

MISSION AVIATION FELLOWSHIP OF CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

MISSION AVIATION FELLOWSHIP OF CANADA
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YEAR ENDED SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of: Mission Aviation Fellowship of Canada

We have audited the accompanying financial statements of Mission Aviation Fellowship of Canada, which comprise the statement of financial position as at September 30, 2016 and the statements of operations and changes in net assets, changes in net assets 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 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.

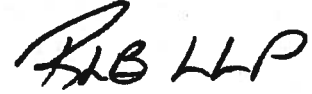
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not for profits organizations, the organization derives some revenue from the general public in the form of donations, fundraising activities, and other revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues 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 to revenues, excess of revenues over expenditures and cash flows from operations for the years ended September 30, 2016 and 2015, current assets as at September 30, 2016 and 2015, and net assets as at October 1 and September 30 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended September 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the 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 Mission Aviation Fellowship of Canada as at September 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

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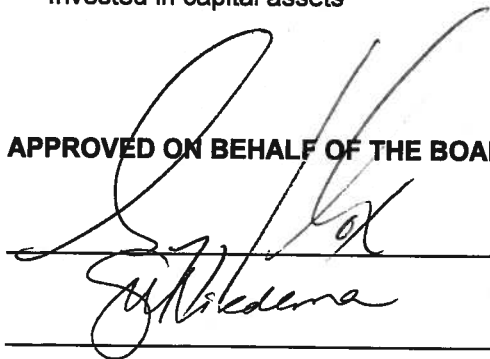
Guelph, Ontario
February 10, 2017

Chartered Professional Accountants
Licensed Public Accountants

MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 468,954	\$ 355,988
Investments	215,532	242,677
Accounts receivable	23,094	20,657
Prepaid expenses	202,004	184,911
Due from MAF agencies	<u>243,359</u>	<u>241,150</u>
	1,152,943	1,045,383
REMAINDER TRUST	27,437	27,437
CAPITAL ASSETS (note 4)	<u>2,771,486</u>	<u>2,887,587</u>
	<u>\$ 3,951,866</u>	<u>\$ 3,960,407</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 49,847	\$ 112,975
Government remittances payable	31,957	28,306
Due to MAF agencies	<u>263,463</u>	<u>181,882</u>
	<u>345,267</u>	<u>323,163</u>
NET ASSETS		
EXTERNALLY RESTRICTED		
Missionary fund	22,991	21,277
Special projects and programs	346,449	204,081
INTERNALLY RESTRICTED DENTAL FUND	15,689	35,414
UNRESTRICTED		
General mission purpose fund	449,984	488,885
Invested in capital assets	<u>2,771,486</u>	<u>2,887,587</u>
	<u>3,606,599</u>	<u>3,637,244</u>
	<u>\$ 3,951,866</u>	<u>\$ 3,960,407</u>

APPROVED ON BEHALF OF THE BOARD



**MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	EXTERNALLY RESTRICTED MISSIONARY FUND	EXTERNALLY RESTRICTED SPECIAL PROJECTS AND PROGRAMS	INTERNALLY RESTRICTED DENTAL FUND	UNRESTRICTED GENERAL MISSION PURPOSE FUND	UNRESTRICTED INVESTED IN CAPITAL ASSETS	TOTAL 2016	TOTAL 2015
BALANCE, beginning of year	\$ 21,277	\$ 204,081	\$ 35,414	\$ 488,885	\$ 2,887,587	\$ 3,637,244	\$ 3,627,115
REVENUES							
Contributions	3,675,566	895,610	0	1,043,394	0	5,614,570	6,044,426
Non-receipted income and interest	915,552	84,921	0	55,829	0	1,056,302	893,641
	<u>4,591,118</u>	<u>980,531</u>	<u>0</u>	<u>1,099,223</u>	<u>0</u>	<u>6,670,872</u>	<u>6,938,067</u>
EXPENSES	4,217,455	535,792	87,870	1,809,374	0	6,650,491	6,871,849
EXCESS (DEFICIENCY) BEFORE OTHER ITEMS	<u>373,663</u>	<u>444,739</u>	<u>(87,870)</u>	<u>(710,151)</u>	<u>0</u>	<u>20,381</u>	<u>66,218</u>
OTHER ITEMS							
PREMIUM TRANSFERS	0	0	68,145	0	0	68,145	73,341
AMORTIZATION	0	0	0	23,671	(158,314)	(134,643)	(62,085)
GAIN ON DISPOSAL OF CAPITAL ASSETS	0	0	0	20,150	0	20,150	0
LOSS ON EXCHANGE AND INVESTMENTS	0	0	0	(4,678)	0	(4,678)	(67,345)
	<u>0</u>	<u>0</u>	<u>68,145</u>	<u>39,143</u>	<u>(158,314)</u>	<u>(51,026)</u>	<u>(56,089)</u>
NET SURPLUS (DEFICIT) for the year	<u>373,663</u>	<u>444,739</u>	<u>(19,725)</u>	<u>(671,008)</u>	<u>(158,314)</u>	<u>(30,645)</u>	<u>10,129</u>
TRANSFERS BETWEEN ACCOUNTS (note 2 (d))	<u>(371,949)</u>	<u>(302,371)</u>	<u>0</u>	<u>632,107</u>	<u>42,213</u>	<u>0</u>	<u>0</u>
BALANCE, end of year	\$ <u>22,991</u>	\$ <u>346,449</u>	\$ <u>15,689</u>	\$ <u>449,984</u>	\$ <u>2,771,486</u>	\$ <u>3,606,599</u>	\$ <u>3,637,244</u>

See notes to the financial statements

MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
REVENUES		
Donations		
Missionary support	\$ 3,675,566	\$ 3,742,741
Special projects and programs	895,610	1,277,827
General missions	961,543	1,056,364
Gifts in kind (note 5)	<u>81,851</u>	<u>30,057</u>
	5,614,570	6,106,989
Program fees	18,000	6,103
Interest	1,860	1,328
Other revenue and non-receipted donations	<u>1,036,442</u>	<u>823,647</u>
	<u>6,670,872</u>	<u>6,938,067</u>
EXPENDITURES		
Missionary support	4,217,455	4,096,217
Special projects and programs	535,792	987,120
Dental costs	87,870	62,459
Development, international operations and recruitment (schedule 1)	410,036	371,092
General administration (schedule 2)	631,496	718,174
Fundraising costs (schedule 3)	<u>767,842</u>	<u>636,787</u>
	<u>6,650,491</u>	<u>6,871,849</u>
SURPLUS FROM OPERATIONS	<u>20,381</u>	<u>66,218</u>
OTHER		
Amortization	(134,643)	(62,085)
Premium transfers	68,145	73,341
Gain on disposal of fixed assets	20,150	0
Loss on exchange and investments	<u>(4,678)</u>	<u>(67,345)</u>
	<u>(51,026)</u>	<u>(56,089)</u>
(DEFICIT) SURPLUS FOR THE YEAR	(30,645)	10,129
NET ASSETS, beginning of year	<u>3,637,244</u>	<u>3,627,115</u>
NET ASSETS, end of year	<u>\$ 3,606,599</u>	<u>\$ 3,637,244</u>

MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net (deficit) surplus for the year	\$ (30,645)	\$ 10,129
Items not requiring an outlay of cash		
Amortization	158,314	89,150
Loss on disposal of capital assets	(20,150)	0
Remainder trust	<u>0</u>	<u>(1,306)</u>
	107,519	97,973
Changes in non-cash working capital		
Investments	27,145	(59,827)
Accounts receivable	(2,437)	(3,822)
Government remittances payable	3,651	24,158
Prepaid expenses	(17,093)	(79,450)
Due from MAF agencies	(2,209)	(38,530)
Accounts payable	(63,128)	14,910
Due to MAF agencies	<u>81,581</u>	<u>(472,746)</u>
	<u>135,029</u>	<u>(517,334)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(49,213)	(44,443)
Proceeds on disposal of capital assets	<u>27,150</u>	<u>0</u>
	<u>(22,063)</u>	<u>(44,443)</u>
NET INCREASE (DECREASE) IN CASH	112,966	(561,777)
NET CASH, BEGINNING OF YEAR	<u>355,988</u>	<u>917,765</u>
NET CASH, END OF YEAR	<u>\$ 468,954</u>	<u>\$ 355,988</u>

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. PURPOSE OF THE ORGANIZATION

Mission Aviation Fellowship of Canada is a national corporation providing aviation and communications service to local churches, missions and non-government organizations in developing countries of the world. It is also a registered charitable organization and, as such, is exempt from income taxes under provisions of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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

The organization follows the restricted fund method of accounting for contributions.

Unrestricted general purpose mission fund

The unrestricted general mission purpose fund reports resources available for the organization's general operating activities.

Externally restricted missionary fund

This pooled missionary fund reports resources that are to be expended on the support of missionaries. This fund is externally restricted.

Externally restricted special projects and programs

The special projects and programs fund reports contributions that are to be expended on projects and programs, as directed by the donors, and they have been set up by the Mission Aviation Fellowship of Canada board and management. This fund is externally restricted.

Externally restricted capital campaign fund

The capital campaign fund reports contributions that are to be expended on the purchase of new aircraft. This fund is externally restricted. The fund currently has a nil balance.

Internally restricted dental fund

The dental fund reports resources that are to be expended on medical expenses of mission staff. This fund is internally restricted.

(b) REVENUE RECOGNITION

The organization follows the restricted fund method of accounting for contributions in which externally restricted contributions are recognized upon receipt in the appropriate fund corresponding to the purpose for which they were contributed. Externally restricted contributions of the unrestricted general mission purpose fund are recognized as revenue when the related expenditure occurs. Unrestricted contributions are recognized in the unrestricted general mission purpose fund when received or receivable and collection is reasonably assured.

Interest income is recognized in the period the related investment accrues interest and other revenue is recognized when earned and collection is reasonably assured.

(c) REMAINDER TRUST

The organization accounts for its remainder trust at management's best estimate of the present value of future cash flows.

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INTERFUND TRANSFERS

Premium transfers are made between Restricted Funds to record allocations from Missionary Support to Dental Fund. Restricted Funds make transfers to the Unrestricted General Missions based on a set formula and can be reduced at the Board of Director's discretion.

(e) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Building	- 5 % declining balance basis
Office equipment	- 25 % declining balance basis
Computer	- 33 1/3 % declining balance basis
Film and photographic equipment	- 20 % declining balance basis
Vehicle	- 30 % declining balance basis
Aircraft	- 20 years straight line basis

Amortization is recorded at 50% of the above rates in the year of addition provided the capital asset is put into use.

(f) 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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates relate to the useful life of capital assets, the valuation of the remainder trust and the valuation of prepaid expenses. Actual results could differ from those estimates.

(g) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net surplus.

Financial assets measured at amortized cost include cash, accounts receivable, remainder trust and due from MAF agencies.

Financial liabilities measured at amortized cost include the accounts payable and due to MAF agencies.

The organization's financial assets measured at fair value consist of investments.

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) **FINANCIAL INSTRUMENTS (continued)**

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net surplus.

Transaction costs

The organization recognizes its transaction costs in net surplus in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(h) **CONTRIBUTED SERVICES AND IN KIND DONATIONS**

During the year, a number of organizations and individuals may donate materials to the organization and a number of volunteers may contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed services are not recorded in the financial statements.

Contributed assets and materials used in the normal course of operations, are recognized in the financial statements as gifts in kind when the fair value can be reasonably estimated.

(i) **IMPAIRMENT OF LONG LIVED ASSETS**

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(j) **FOREIGN OPERATIONS, ASSETS AND MEASUREMENT UNCERTAINTY**

The organization follows the policy of expensing all costs for overseas operations (other than aircraft) and expensing property and equipment through special projects and programs expenditures, unless these amounts represent advances which are to be repaid. This policy is based upon the practice that such assets, while generally deployable under the direction of the organization, are not always accessible for redeployment due to foreign property titling regulations, international fund transfer and foreign currency and exchange limitations. Accordingly, these assets and operations are not included in the financial statements.

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from their financial instruments.

The extent of the organization's exposure to these risks did not change in 2016 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

Currency risk

Currency risk refers to the risk that the fair value of the financial instruments or future cash flows associated with them will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The organization is exposed to United States dollar foreign exchange rate risk on their cash in the amount of \$41,532 (2015 - \$55,562) denominated in Canadian dollars.

The organization is exposed to foreign exchange rate risk on their due from (to) MAF agencies, in the following amounts:

	2016	2015
United States dollar	\$ (263,463)	\$ (181,882)
UK pound sterling	£ 1,540	£ 0

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the organization not being able to liquidate assets in a timely manner at a reasonable price.

The organization meets its liquidity requirements by preparing and monitoring operational budgets and cash flows, and holding assets that can be readily converted to cash.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2016	Net 2015
Building	\$ 337,717	\$ 216,924	\$ 120,793	\$ 127,150
Office equipment	53,235	36,908	16,327	21,769
Computer	79,574	56,394	23,180	26,797
Film and photographic equipment	3,128	2,360	768	960
Land	26,511	0	26,511	33,511
Vehicle	19,750	15,542	4,208	6,012
Aircraft	<u>4,136,040</u>	<u>1,556,341</u>	<u>2,579,699</u>	<u>2,671,388</u>
	<u>\$ 4,655,955</u>	<u>\$ 1,884,469</u>	<u>\$ 2,771,486</u>	<u>\$ 2,887,587</u>

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

5. CONTRIBUTED ASSETS

During the year, the following gifts in kind were received:

	2016	2015
Shares of publicly traded companies	\$ 81,601	\$ 26,061
Silent auction miscellaneous items	<u>250</u>	<u>3,996</u>
	<u>\$ 81,851</u>	<u>\$ 30,057</u>

The fair value of the contributed assets was recorded in the financial statements of the organization as gifts in kind.

6. COMMITMENTS

The organization has various operating leases with annual payments as follows:

2017	\$ 15,770
2018	15,770
2019	15,770
2020	15,770
2021	<u>6,505</u>
	<u>\$ 69,585</u>

7. COMPARATIVE FIGURES

Certain figures presented for corresponding purposes have been reclassified to conform to the current year's presentation.

MISSION AVIATION FELLOWSHIP OF CANADA

**SCHEDULE OF EXPENDITURES - DEVELOPMENT, INTERNATIONAL
OPERATIONS AND RECRUITMENT**

(Schedule 1)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Advertising	\$ 20	\$ 0
Conference and special events	589	789
Consulting and counselling	676	0
Insurance	3,215	4,417
General office	191	405
IT software and domain fees	1,430	0
Payroll and benefits	357,430	310,682
Phone	2,272	2,684
Postage and courier	859	617
Printing and stationery	1,065	617
Promotional materials	1,775	1,327
Public relations	3,299	1,104
Resource material	67	0
Subscriptions, memberships and library	1,479	1,446
Technical evaluations	0	5,353
Training	5,699	3,953
Travel	29,799	37,497
Vehicle	171	201
	<u>\$ 410,036</u>	<u>\$ 371,092</u>

MISSION AVIATION FELLOWSHIP OF CANADA

SCHEDULE OF EXPENDITURES - GENERAL ADMINISTRATION

(Schedule 2)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Advertising	\$ 498	\$ 917
Amortization	23,671	27,065
Audio visual resource	100	252
Audit and legal	18,929	14,791
Board meetings	16,074	34,311
Conference and special events	325	227
Consulting	4,853	18,467
Contributions - CCCC	500	200
Electronic mail	28,510	10,637
Executive search committee	0	33,017
General office	11,831	16,179
Insurance	11,358	11,348
MAF International	0	1,259
Non cash donation	250	2,689
Office equipment repair and maintenance	23,349	43,069
Payroll and benefits	349,420	343,363
Phone	12,721	8,837
Postage and courier	13,394	22,781
Printing and stationery	13,642	12,717
Promotional materials	182	2,438
Property and rentals	32,661	33,242
Public relations	4,350	4,322
Resource material	311	0
Service charges	40,174	43,658
Subscriptions, memberships and library	11,400	8,953
Travel	12,270	20,331
Training	168	2,231
Vehicle	555	873
	<u>\$ 631,496</u>	<u>\$ 718,174</u>

MISSION AVIATION FELLOWSHIP OF CANADA
SCHEDULE OF EXPENDITURES - FUNDRAISING COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(Schedule 3)

	2016	2015
Advertising	\$ 3,975	\$ 5,437
Audio visual resource	824	739
Conference and special events	15,472	5,787
Consulting	50,822	10,651
Electronic mail	0	426
General office	3,509	4,457
IT software and domain fees	1,424	0
Payroll and benefits	464,305	450,244
Phone	3,835	3,955
Postage and courier	45,327	43,640
Printing and stationery	66,416	53,391
Promotional materials	34,863	13,496
Public relations	3,305	932
Resource material	338	0
Subscriptions, memberships and library	740	1,536
Training	7,552	1,117
Travel	<u>65,135</u>	<u>40,979</u>
	<u>\$ 767,842</u>	<u>\$ 636,787</u>