

MISSION AVIATION FELLOWSHIP OF CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

MISSION AVIATION FELLOWSHIP OF CANADA
INDEX TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Changes in Net Assets	6
Statement of Operations	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 13
Schedule of Expenditures - Development, International Operations and Recruitment	14
Schedule of Expenditures - General Administration	15
Schedule of Expenditures - Fundraising Costs	16



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, 2018 and the statements of operations, 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 profit 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, net (deficit) surplus for the year and cash flows from operations for the years ended September 30, 2018 and 2017, current assets as at September 30, 2018 and 2017, and net assets as at October 1 and September 30 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended September 30, 2017 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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Handwritten signature in black ink that reads "RLB LLP". The letters are stylized and cursive.


Guelph, Ontario
February 20, 2019


Chartered Professional Accountants
Licensed Public Accountants

**MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018**

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 498,496	\$ 411,086
Investments	1,420,098	1,779,250
Accounts receivable	9,911	19,056
Government remittances receivable	26,708	41,376
Prepaid expenses	212,740	160,641
Due from MAF agencies	<u>204,490</u>	<u>181,050</u>
	2,372,443	2,592,459
REMAINDER TRUST	27,437	27,437
CAPITAL ASSETS (note 4)	<u>1,440,622</u>	<u>1,449,603</u>
	<u>\$ 3,840,502</u>	<u>\$ 4,069,499</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 72,375	\$ 79,075
Government remittances payable	56,688	65,168
Due to MAF agencies	<u>182,807</u>	<u>293,188</u>
	311,870	437,431
NET ASSETS		
EXTERNALLY RESTRICTED		
Missionary fund	10,769	7,182
Special projects and programs	252,458	121,686
UNRESTRICTED		
General mission purpose fund	1,824,783	2,053,597
Invested in capital assets	<u>1,440,622</u>	<u>1,449,603</u>
	<u>3,528,632</u>	<u>3,632,068</u>
	<u>\$ 3,840,502</u>	<u>\$ 4,069,499</u>

APPROVED ON BEHALF OF THE BOARD





MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	EXTERNALLY RESTRICTED MISSIONARY FUND	EXTERNALLY RESTRICTED SPECIAL PROJECTS AND PROGRAMS	UNRESTRICTED GENERAL MISSION PURPOSE FUND	UNRESTRICTED INVESTED IN CAPITAL ASSETS	TOTAL 2018	TOTAL 2017
BALANCE, beginning of year	\$ 7,182	\$ 121,686	\$ 2,053,597	\$ 1,449,603	\$ 3,632,068	\$ 3,606,599
REVENUES						
Contributions	3,408,967	623,527	1,433,211	0	5,465,705	5,612,731
Non-receipted income and interest	947,287	124,565	118,568	0	1,190,420	1,013,932
Gifts in kind	7,101	50,112	25,283	0	82,496	69,259
	<u>4,363,355</u>	<u>798,204</u>	<u>1,577,062</u>	<u>0</u>	<u>6,738,621</u>	<u>6,695,922</u>
EXPENSES	<u>4,008,393</u>	<u>595,950</u>	<u>2,216,026</u>	<u>0</u>	<u>6,820,369</u>	<u>6,863,385</u>
SURPLUS (DEFICIT) FROM OPERATIONS, BEFORE OTHER ITEMS	<u>354,962</u>	<u>202,254</u>	<u>(638,964)</u>	<u>0</u>	<u>(81,748)</u>	<u>(167,463)</u>
OTHER ITEMS						
PREMIUM TRANSFERS	0	0	0	0	0	12,705
AMORTIZATION	0	0	18,151	(83,116)	(64,965)	(94,760)
GAIN ON DISPOSAL OF CAPITAL ASSETS	0	0	0	0	0	108,835
GAIN ON EXCHANGE AND INVESTMENTS	<u>0</u>	<u>0</u>	<u>43,277</u>	<u>0</u>	<u>43,277</u>	<u>166,152</u>
	<u>0</u>	<u>0</u>	<u>61,428</u>	<u>(83,116)</u>	<u>(21,688)</u>	<u>192,932</u>
NET SURPLUS (DEFICIT) for the year	<u>354,962</u>	<u>202,254</u>	<u>(577,536)</u>	<u>(83,116)</u>	<u>(103,436)</u>	<u>25,469</u>
TRANSFERS BETWEEN ACCOUNTS (note 2 (d))	<u>(351,375)</u>	<u>(71,482)</u>	<u>348,722</u>	<u>74,135</u>	<u>0</u>	<u>0</u>
BALANCE, end of year	<u>\$ 10,769</u>	<u>\$ 252,458</u>	<u>\$ 1,824,783</u>	<u>\$ 1,440,622</u>	<u>\$ 3,528,632</u>	<u>\$ 3,632,068</u>

See notes to the financial statements

MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
REVENUES		
Donations		
Missionary support	\$ 3,408,967	\$ 3,557,680
Special projects and programs	623,527	800,976
General missions	1,433,211	1,254,075
Gifts in kind (note 5)	<u>82,496</u>	<u>69,259</u>
	5,548,201	5,681,990
Program fees	30,000	0
Interest	10,959	2,082
Other revenue and non-receipted donations	<u>1,149,461</u>	<u>1,011,850</u>
	<u>6,738,621</u>	<u>6,695,922</u>
EXPENDITURES		
Missionary support	4,008,393	4,120,780
Special projects and programs	595,950	727,228
Dental costs	0	28,394
Development, international operations and recruitment (schedule 1)	627,632	509,503
General administration (schedule 2)	790,429	666,413
Fundraising costs (schedule 3)	<u>797,965</u>	<u>811,067</u>
	<u>6,820,369</u>	<u>6,863,385</u>
DEFICIT FROM OPERATIONS	<u>(81,748)</u>	<u>(167,463)</u>
OTHER		
Amortization	(64,965)	(94,760)
Premium transfers	0	12,705
Gain on disposal of capital assets	0	108,835
Gain on exchange and investments	<u>43,277</u>	<u>166,152</u>
	<u>(21,688)</u>	<u>192,932</u>
NET (DEFICIT) SURPLUS FOR THE YEAR	(103,436)	25,469
NET ASSETS, beginning of year	<u>3,632,068</u>	<u>3,606,599</u>
NET ASSETS, end of year	<u>\$ 3,528,632</u>	<u>\$ 3,632,068</u>

MISSION AVIATION FELLOWSHIP OF CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net (deficit) surplus for the year	\$ (103,436)	\$ 25,469
Items not requiring an outlay of cash		
Amortization	83,116	116,014
Gain on disposal of capital assets	<u>0</u>	<u>(108,835)</u>
	(20,320)	32,648
Changes in non-cash working capital		
Accounts receivable	9,145	4,038
Government remittances receivable	14,668	(22,417)
Prepaid expenses	(52,099)	41,363
Due from MAF agencies	(23,440)	62,309
Accounts payable	(6,700)	29,228
Due to MAF agencies	(110,381)	29,725
Government remittances payable	<u>(8,480)</u>	<u>14,252</u>
	<u>(197,607)</u>	<u>191,146</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(74,135)	(369,641)
Investments	359,152	(1,563,718)
Proceeds on disposal of capital assets	<u>0</u>	<u>1,684,345</u>
	<u>285,017</u>	<u>(249,014)</u>
NET INCREASE (DECREASE) IN CASH	87,410	(57,868)
NET CASH, BEGINNING OF YEAR	<u>411,086</u>	<u>468,954</u>
NET CASH, END OF YEAR	<u>\$ 498,496</u>	<u>\$ 411,086</u>

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. PURPOSE OF THE ORGANIZATION

Mission Aviation Fellowship (MAF) 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) 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.

(b) FUND ACCOUNTING

The organization has the following funds:

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.

(c) REMAINDER TRUST

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

(d) INTERFUND TRANSFERS

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.

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 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.

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.

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 the financial instruments.

The extent of the organization's exposure to these risks did not change in 2018 compared to the previous period.

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

3. FINANCIAL INSTRUMENTS (continued)

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 foreign exchange rate risk on their cash in the amount of \$18,622 (2017 - \$78,554) and on their investments in the amount of \$1,335,696 (2017 - \$1,512,744), denominated in Canadian dollars.

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

	2018	2017
United States dollar	\$ (182,807)	\$ (293,188)

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 2018	Net 2017
Building	\$ 344,564	\$ 230,117	\$ 114,447	\$ 120,470
Office equipment	54,194	44,262	9,932	12,611
Computer	92,812	72,827	19,985	20,000
Film and photographic equipment	3,128	2,637	491	614
Land	26,511	0	26,511	26,511
Vehicle	19,750	17,688	2,062	2,946
Aircraft	<u>2,785,426</u>	<u>1,518,232</u>	<u>1,267,194</u>	<u>1,266,451</u>
	<u>\$ 3,326,385</u>	<u>\$ 1,885,763</u>	<u>\$ 1,440,622</u>	<u>\$ 1,449,603</u>

5. CONTRIBUTED ASSETS

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

	2018	2017
Shares of publicly traded companies	<u>\$ 82,496</u>	<u>\$ 69,259</u>

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

MISSION AVIATION FELLOWSHIP OF CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

6. COMMITMENTS

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

2019	\$	15,770
2020		90,770
2021		81,505
2022		75,000
2023		75,000
Thereafter		<u>231,000</u>
	\$	<u>569,045</u>

MISSION AVIATION FELLOWSHIP OF CANADA

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

(Schedule 1)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
Advertising	\$ 607	\$ 2,448
Audio visual resource	0	317
Audit and legal	0	140
Conference and special events	4,842	1,640
Consulting and counselling	644	914
General office	1,691	1,693
Insurance	1,022	3,288
IT software and domain fees	77	237
Payroll and benefits	526,349	413,008
Phone	4,002	2,939
Postage and courier	1,215	754
Printing and stationery	3,111	1,281
Promotional materials	4,185	1,051
Public relations	5,335	3,040
Resource material	279	0
Service charges	0	123
Subscriptions, memberships and library	541	796
Technical evaluations	1,863	0
Training	529	2,685
Travel	68,439	72,063
Vehicle	2,901	1,086
	<u>\$ 627,632</u>	<u>\$ 509,503</u>

MISSION AVIATION FELLOWSHIP OF CANADA

SCHEDULE OF EXPENDITURES - GENERAL ADMINISTRATION

(Schedule 2)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
Advertising	\$ 2,551	\$ 16
Amortization	18,151	21,253
Audio visual resource	0	104
Audit and legal	21,091	17,455
Board meetings	18,548	18,310
Conference and special events	621	0
Consulting	33,641	7,927
Contributions - CCCC	100	1,000
General office	16,386	13,684
Insurance	12,255	14,695
IT software and domain fees	39,681	28,842
Office equipment repair and maintenance	16,391	25,330
Payroll and benefits	439,255	354,165
Phone	16,738	13,427
Postage and courier	18,039	19,288
Printing and stationery	7,415	5,760
Promotional materials	1,366	741
Property and rentals	29,048	36,965
Public relations	4,660	5,681
Service charges	56,321	43,671
Subscriptions, memberships and library	14,340	15,809
Training	2,301	311
Travel	16,257	20,628
Vehicle	5,273	1,351
	<u>\$ 790,429</u>	<u>\$ 666,413</u>

MISSION AVIATION FELLOWSHIP OF CANADA
SCHEDULE OF EXPENDITURES - FUNDRAISING COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(Schedule 3)

	2018	2017
Advertising	\$ 8,087	\$ 5,240
Audio visual resource	0	768
Conference and special events	26,655	21,767
Consulting	54,154	23,317
General office	5,408	2,942
Insurance	474	0
IT software and domain fees	23,168	11,190
Payroll and benefits	499,542	554,898
Phone	3,732	2,859
Postage and courier	46,911	52,493
Printing and stationery	53,241	55,352
Promotional materials	15,330	13,507
Public relations	3,007	2,265
Resource material	282	168
Service charges	0	265
Subscriptions, memberships and library	1,285	959
Training	1,106	591
Travel	<u>55,583</u>	<u>62,486</u>
	<u>\$ 797,965</u>	<u>\$ 811,067</u>