

The Samaritan's Purse - Canada

Consolidated Financial Statements
December 31, 2017



April 27, 2018

Independent Auditor's Report

**To the Members of the Board
The Samaritan's Purse - Canada**

We have audited the accompanying consolidated financial statements of The Samaritan's Purse - Canada, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of operations and changes in fund balances and cash flows for the year then ended and the related notes, which comprise 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

*PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825*

*PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Samaritan's Purse - Canada derives revenues from contributions and gifts in kind, 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 Samaritan's Purse - Canada. Therefore, we were not able to determine whether any adjustments might be necessary to contributions and gifts in kind, excess (deficiency) of revenue over expenditures, and cash flows from operations 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 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of The Samaritan's Purse - Canada 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.



PricewaterhouseCoopers LLP

Chartered Professional Accountants

The Samaritan's Purse - Canada
 Consolidated Statement of Financial Position
 As at December 31, 2017

	2017 \$	2016 \$
Assets		
Current		
Cash	13,014,887	7,048,747
Short-term investments (note 3)	1,113,597	1,876,789
Accounts receivable (note 4)	807,809	660,050
Prepaid expenses	82,961	200,032
Inventory	101,608	110,728
	15,120,862	9,896,346
Investments (note 3)	5,887,408	11,124,595
Capital assets (note 5)	6,345,434	6,474,057
	27,353,704	27,494,998
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	1,211,852	1,151,729
Fund balances		
Unrestricted	8,228,915	7,133,414
Internally restricted – invested in capital assets	6,345,434	6,474,057
Externally restricted (note 7)	11,567,503	12,735,798
	26,141,852	26,343,269
	27,353,704	27,494,998
Commitments and subsequent events (note 11)		

Approved by the Board of Directors


 _____ Director
 
 _____ Director

The accompanying notes are an integral part of these consolidated financial statements.

The Samaritan's Purse - Canada

Consolidated Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2017

				2017	2016
	General Fund \$	Capital Fund \$	Ministry Fund \$	Total \$	Total \$
Revenue					
Contributions (note 8)	8,595,073	-	23,298,573	31,893,646	30,562,114
Gifts in kind (note 9)	202,849	-	25,230,897	25,433,746	28,353,260
Investment income	93,990	-	10,754	104,744	125,734
Gain on sale of capital assets	-	12,000	-	12,000	-
	8,891,912	12,000	48,540,224	57,444,136	59,041,108
Expenditures					
Ministry expenses	-	-	42,827,905	42,827,905	49,327,224
Other missionary projects and supporting services	3,873,869	278,449	4,512,266	8,664,584	7,701,001
	3,873,869	278,449	47,340,171	51,492,489	57,028,225
Fundraising	1,171,941		583,875	1,755,816	1,817,689
General and administrative support for ministries	1,807,044	274,506	2,315,698	4,397,248	4,072,862
	2,978,985	274,506	2,899,573	6,153,064	5,890,551
Excess (deficiency) of revenue over expenditures	2,039,058	(540,955)	(1,699,520)	(201,417)	(3,877,668)
Fund balance – Beginning of year	7,133,414	6,474,057	12,735,798	26,343,269	30,220,937
Inter fund transfer to Ministry Fund	(531,225)	-	531,225	-	-
Inter fund transfer – capital asset purchases	(412,332)	412,332	-	-	-
Fund balance – End of year	8,228,915	6,345,434	11,567,503	26,141,852	26,343,269

The accompanying notes are an integral part of these consolidated financial statements.

The Samaritan's Purse - Canada

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures in the General Fund	2,039,058	714,992
Deficiency of revenue over expenditures in the Ministry Fund	(1,699,520)	(4,022,869)
	<u>339,538</u>	<u>(3,307,877)</u>
Changes in non-cash working capital		
Accounts receivable	(147,759)	340,540
Prepaid expenses	117,071	(77,726)
Inventory	9,120	52,560
Accounts payable and accrued liabilities	60,123	(9,790)
	<u>378,093</u>	<u>(3,002,293)</u>
Investing activities		
Purchase of capital assets	(424,332)	(317,268)
Purchase of investments	(1,452,968)	(12,329,419)
Proceeds on sale of investments	7,453,347	13,493,206
Proceeds on sale of capital assets	12,000	-
	<u>5,588,047</u>	<u>846,519</u>
Increase (decrease) in cash during the year	<u>5,966,140</u>	<u>(2,155,774)</u>
Cash – Beginning of year	<u>7,048,747</u>	<u>9,204,521</u>
Cash – End of year	<u>13,014,887</u>	<u>7,048,747</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Samaritan's Purse - Canada

Notes to Consolidated Financial Statements

December 31, 2017

1 Nature of the organization

The Samaritan's Purse - Canada (the Organization) was incorporated under Part II of the Canada Corporations Act in 1973 and was continued under the Canada Not for Profit Corporations Act on November 8, 2013. The Organization is a not-for-profit nondenominational evangelical Christian organization providing spiritual and physical aid to hurting people around the world and the Organization distributes gifts in kind such as gift-filled shoeboxes, and medical supplies, and equipment in countries where there is need.

Based on the Scriptural example of the Good Samaritan in Luke 10:25-37, the Ministry helps meet the needs of people who are victims of war, poverty, natural disasters, disease, and famine with the purpose of sharing God's love through His Son, Jesus Christ. The Ministry serves the church worldwide to promote the Gospel of the Lord Jesus Christ.

The Organization is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

In April 2013, the Organization established a wholly owned subsidiary, 1741990 Alberta Ltd. (the Company) under the Government of Alberta Business Corporations Act through the issuance of shares. The Organization and the Company have a common board of directors. The Company was established in connection with the Organization's purchase of land and a building for a ministry center in northern British Columbia. The ministry center is the base of the Organization's evangelistic work in the area, with a focus on reaching the community through food hospitality and youth activities related to sports, games, and music. The building purchased previously housed a restaurant and kitchen facilities which are being used to facilitate the ministry plan. The Organization is planning the operation of a small café to further support the evangelistic outreach in the community. Any commercial activity associated with the operation of the café will be managed in the Company.

As at December 31, 2017, the café had not yet commenced operations, and accordingly the activity of the Company for the year ended December 31, 2017 was insignificant.

2 Summary of significant accounting policies

Basis of presentation

The Organization's consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Use of estimates

The preparation of financial statements in conformity with ASNPO requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions are the responsibility of management. These estimates and assumptions are subject to measurement uncertainty and actual results and financial position may differ from those reported in these financial statements. Significant estimates included in financial statements are useful life of capital assets, accruals and valuation of gifts in kind.

The Samaritan's Purse - Canada
Notes to Consolidated Financial Statements
December 31, 2017

Fund accounting

The Organization follows the restricted fund method of accounting for contributions. The Organization maintains the following funds:

- The General Fund reports the assets, liabilities, revenue and expenditures related to the general operating activities of the Organization.
- The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Organization's capital assets.
- The Ministry Fund reports the assets, liabilities, revenue and expenditures related to the Organization's programs or locations.

Revenue recognition

Unrestricted contributions are recognized as revenue in the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to a specific program or location are recognized as revenue of the Ministry Fund in the year received.

Unrestricted investment income is recognized as revenue of the General Fund.

Contributed goods and services

Donations of goods and services are recorded when the fair market value is reasonably determinable, and when they would otherwise be purchased by the Organization.

A portion of the Organization's work is dependent on voluntary services from many members and supporters. Because of difficulty in determining their value, these contributed services are not recognized in the financial statements.

Investments

Fixed income investments are carried at amortized cost. The investments are recorded at fair value at time of acquisition and thereafter are measured at amortized cost using the effective interest method.

Equity investments are carried at fair market value determined by reference to published price quotations in an active market. The change in fair market value is recorded directly in the Statement of Operations in the General Fund. Transaction costs are expensed as incurred.

Investments with maturities within one year have been classified as short-term investments.

The Samaritan's Purse - Canada

Notes to Consolidated Financial Statements

December 31, 2017

Inventory

Inventory is comprised of supplies to be distributed to beneficiaries at no charge and is recorded at the lower of cost and current replacement cost.

Foreign currency translation

Current assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the end of the year. Transactions during the year are translated at exchange rates in effect at the date of the transaction. Exchange gains and losses occurring from the date of the transaction to the date of payment are reflected in the Statement of Operations.

Capital assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is recorded using the straight line method over the following estimated useful lives:

Building	40 years
Computer equipment and software	3 to 5 years
Office furniture and equipment	3 to 5 years
Automobiles	5 years
Project equipment	3 to 5 years

Financial instruments

The Organization initially measures financial assets and financial liabilities at their fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, other than equity investments quoted in active markets which are measured and reported at fair value. The financial assets subsequently measured at amortized cost include cash, accounts receivable and fixed income investments. The financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities.

The Organization has assessed the relevant financial risks of its financial instruments:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization maintains a low risk portfolio of investments and does not have a concentration of credit exposure with any one customer or sponsor. The Organization does not consider that it is exposed to undue credit risk. There has been no change to the risk exposure from the prior year.

The Samaritan's Purse - Canada

Notes to Consolidated Financial Statements

December 31, 2017

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to interest rate risk as its investments are in fixed rate instruments with investment terms that are staggered. There has been no change to the risk exposure from the prior year.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is not exposed to liquidity risk as it maintains sufficient cash and cash equivalents to meet its ongoing obligations. There has been no change to the risk exposure from the prior year.

d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to currency risk on ministry expenses denominated in currencies other than Canadian dollars, with the majority of foreign-denominated ministry expenses denominated in United States dollars (USD). The Organization mitigates this risk by holding a portfolio of USD fixed rate investments with staggered terms. There has been no change to the risk exposure from the prior year.

3 Investments

	2017	
	Carrying value \$	Fair Market Value \$
Government and corporate bonds	5,743,376	5,712,518
GICs	1,225,595	1,225,595
Canadian equities	32,034	32,049
	<u>7,001,005</u>	<u>6,970,162</u>

The Samaritan's Purse - Canada

Notes to Consolidated Financial Statements

December 31, 2017

	2016	
	Carrying value \$	Fair Market Value \$
Government and corporate bonds	11,258,182	11,211,640
GICs	1,734,022	1,734,022
Canadian equities	9,180	9,175
	<u>13,001,384</u>	<u>12,954,837</u>

Government and corporate bonds have effective interest rates ranging from 1.69% to 3.27% and mature between 2018 and 2027. The amount maturing in the next fiscal year is \$1,113,597 (2016 – \$1,876,789).

Included in investment income for the year ended December 31, 2017 is a foreign exchange loss of \$463 (2016 – \$1,904 foreign exchange gain).

4 Related party transactions

a) Common control

The Organization and Billy Graham Evangelistic Association of Canada (“BGEA – Canada”) are considered related parties as each of these organizations share common directors and a close working relationship.

Included in accounts receivable, as at December 31, 2017, are amounts receivable from BGEA – Canada of \$14,662 (2016– \$77,477). These operating amounts are subject to normal trade terms and are included in the respective accounts receivable balances and accounts payable balances. During the year, the Organization and BGEA – Canada paid reimbursable expenses on behalf of each other.

b) Affiliated

The Organization and Samaritan's Purse Inc. are considered to be affiliated as each of these have three common directors, common joint project activities and a close working relationship.

Included in accounts receivable, as at December 31, 2017 are amounts receivable from Samaritan's Purse Inc. of \$538,369 (2016 – \$346,878). Included in accounts payable, as at December 31, 2017, is an amount payable to Samaritan's Purse Inc. of \$23,640 (2016 – \$nil). These operating amounts are subject to normal trade terms and are included in the respective accounts receivable and accounts payable balances. During the year, the Organization and Samaritan's Purse Inc. paid reimbursable expenses on behalf of each other.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Samaritan's Purse - Canada
Notes to Consolidated Financial Statements
December 31, 2017

5 Capital assets

			2017	2016
	Cost	Accumulated	Net book	Net book
	\$	amortization	Value	value
		\$	\$	\$
Land	1,509,146	-	1,509,146	1,509,146
Building	6,084,786	1,812,431	4,272,355	4,302,862
Computer equipment and software	1,127,158	869,926	257,232	214,224
Office furniture and equipment	1,007,084	922,271	84,813	138,093
Automobiles	797,776	601,824	195,952	250,257
Project equipment	363,688	337,752	25,936	59,475
	<u>10,889,638</u>	<u>4,544,204</u>	<u>6,345,434</u>	<u>6,474,057</u>

During the year, amortization in the amount of \$552,955 (2016 – \$569,791) was recorded in the Capital Fund.

6 Government remittances payable

As at December 31, 2017, the amount of government remittances payable was \$1,310 (2016 – \$2,431).

7 Externally restricted

The externally restricted fund balance consists of the contributions restricted by donors for the following programs or locations and were not spent as at December 31, 2017:

	2017	2016
	\$	\$
Emergency response	4,810,754	4,766,998
Water, sanitation, and hygiene	1,577,979	1,880,231
Other	1,435,814	1,437,998
Food security and livelihoods	1,364,583	1,960,649
Operation Christmas Child	1,196,913	1,277,239
Protection	491,824	805,486
World Medical Mission	256,914	243,838
Health	239,613	202,606
Mission teams	193,109	160,753
	<u>11,567,503</u>	<u>12,735,798</u>

8 Government contributions

Contributions include federal government contributions totalling \$1,500,000 (2016 – \$4,051,611) from Global Affairs Canada (formerly the Department of Foreign Affairs, Trade and Development).

The Samaritan's Purse - Canada
Notes to Consolidated Financial Statements
December 31, 2017

9 Gifts in kind

The Organization receives gifts in kind in connection with its Operation Christmas Child (OCC) program. Under this program, donors contribute gift-filled shoeboxes which the Organization distributes to needy children worldwide. Shoebox contents are valued at their estimated fair market values. The OCC program also obtains transportation and other supplies and services in kind which are valued and recorded at their estimated fair market values.

10 Statutory disclosures

As required by Section 7(2) of the Charitable Fundraising Regulation of Alberta, the Organization discloses that it paid \$687,585 in 2017 to employees whose principle duties involved fundraising (2016 – \$666,293).

11 Commitments and subsequent events

The Organization is committed to a continuation of funding of approved ministry projects as at December 31, 2017 in the amount of \$7,531,192.

Subsequent to year-end, the Organization entered into a contract for the construction of a warehouse adjacent to its Calgary office building for an estimated cost of \$10 million.

The Samaritan's Purse - Canada
Consolidated Schedule of Ministry Expenses
(Unaudited)
For the year ended December 31, 2017

	2017 \$	2016 \$
Water, sanitation and hygiene	3,657,183	3,357,959
Food security and livelihoods	2,875,508	4,054,314
Protection	2,620,942	3,207,226
Health	2,017,453	3,263,404
Emergency response	1,973,181	2,373,169
Mission teams	784,704	885,861
Churches and evangelism	699,970	531,219
World Medical Mission	275,992	236,276
	<hr/>	<hr/>
	14,904,933	17,909,428
Operation Christmas Child	27,922,972	31,417,796
	<hr/>	<hr/>
	42,827,905	49,327,224