

The Samaritan's Purse – Canada

Consolidated Financial Statements
December 31, 2019



Independent auditor's report

To the Members of The Samaritan's Purse – Canada

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Samaritan's Purse – Canada and its subsidiary (together, the Organization) as at December 31, 2019 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.

What we have audited

The Organization's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and changes in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures and cash flows from operating activities for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018 and fund balances as at the beginning and the end of the years ended December 31, 2019 and 2018. Our audit opinion on the consolidated financial statements for the year ended December 31, 2018 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 consolidated financial statements* section of our report.

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

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



Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the annual ministry report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the annual ministry report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient appropriate evidence about the completeness of revenues from contributions and gifts in kind. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta

May 22, 2020

The Samaritan's Purse – Canada
 Consolidated Statement of Financial Position
 As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	4,793,748	10,293,450
Short-term investments (note 4)	1,511,491	489,571
Accounts receivable (note 5)	1,437,032	1,018,047
Prepaid expenses	226,048	180,649
Inventory	366,050	197,951
	<u>8,334,369</u>	<u>12,179,668</u>
Investments (note 4)	6,483,987	4,019,614
Capital assets (note 6)	<u>15,950,561</u>	<u>13,879,672</u>
	<u>30,768,917</u>	<u>30,078,954</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	1,115,193	1,861,772
Long-term liabilities	<u>33,864</u>	<u>-</u>
	<u>1,149,057</u>	<u>1,861,772</u>
Fund Balances		
Unrestricted	4,123,070	5,043,046
Internally restricted – invested in capital assets	15,950,561	13,879,672
Externally restricted (note 8)	<u>9,546,229</u>	<u>9,294,464</u>
	<u>29,619,860</u>	<u>28,217,182</u>
	<u>30,768,917</u>	<u>30,078,954</u>
Commitments and subsequent events (note 12)		

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, 2019

				2019	2018
	General Fund \$	Capital Fund \$	Ministry Fund \$	Total \$	Total \$
Revenue					
Contributions	8,121,124	80,593	19,333,924	27,535,641	28,835,862
Gifts in kind (note 9)	65,827	8,500	22,216,396	22,290,723	23,807,024
Investment income	69,814	-	-	69,814	357,098
Gain on sale of capital assets	-	123,120	-	123,120	35,963
	<u>8,256,765</u>	<u>212,213</u>	<u>41,550,320</u>	<u>50,019,298</u>	<u>53,035,947</u>
Expenditures					
Operation Christmas Child	-	-	24,843,980	24,843,980	26,115,318
International community programming	-	-	9,300,194	9,300,194	10,772,219
International disaster response	-	-	1,381,386	1,381,386	387,244
North American ministries	458,402	-	612,587	1,070,989	1,347,201
Ministry support services	3,675,093	325,366	2,716,136	6,716,595	6,394,937
	<u>4,133,495</u>	<u>325,366</u>	<u>38,854,283</u>	<u>43,313,144</u>	<u>45,016,919</u>
Fundraising	1,004,666	-	457,682	1,462,348	1,595,169
General and administrative support for ministries	1,608,712	325,366	1,907,050	3,841,128	4,348,529
	<u>2,613,378</u>	<u>325,366</u>	<u>2,364,732</u>	<u>5,303,476</u>	<u>5,943,698</u>
	<u>6,746,873</u>	<u>650,732</u>	<u>41,219,015</u>	<u>48,616,620</u>	<u>50,960,617</u>
Excess (deficiency) of revenue over expenditures	1,509,892	(438,519)	331,305	1,402,678	2,075,330
Fund balance – Beginning of year	5,043,046	13,879,672	9,294,464	28,217,182	26,141,852
Inter-fund transfer to Ministry Fund	(8,383)	-	8,383	-	-
Inter-fund transfer – capital asset purchases	(2,421,485)	2,509,408	(87,923)	-	-
Fund balance – End of year	<u>4,123,070</u>	<u>15,950,561</u>	<u>9,546,229</u>	<u>29,619,860</u>	<u>28,217,182</u>

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, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures in the General Fund	1,509,892	2,063,105
Excess (deficiency) of revenue over expenditures in the Ministry Fund	331,305	(1,339,830)
	<u>1,841,197</u>	<u>723,275</u>
Changes in non-cash working capital		
Accounts receivable	(418,985)	(210,238)
Prepaid expenses	(45,399)	(97,688)
Inventory	(168,099)	(96,343)
Accounts payable and accrued liabilities	(746,579)	649,920
	<u>462,135</u>	<u>968,926</u>
Investing activities		
Purchase of capital assets	(2,830,001)	(7,716,171)
Purchase of investments	(5,099,868)	(404,299)
Proceeds on sale of investments	1,613,575	2,896,119
Proceeds on sale of capital assets	240,000	49,650
	<u>(6,076,294)</u>	<u>(5,174,701)</u>
Financing activities		
Long-term liability	33,864	-
Revenue of the Capital Fund related to contributions	80,593	1,484,338
	<u>114,457</u>	<u>1,484,338</u>
Decrease in cash during the year	(5,499,702)	(2,721,437)
Cash – Beginning of year	10,293,450	13,014,887
Cash – End of year	<u>4,793,748</u>	<u>10,293,450</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, 2019

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, 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, 2019, the café had not yet commenced operations, and accordingly the activity of the Company for the year ended December 31, 2019 was insignificant.

2 Change in accounting policies

Effective January 1, 2019, the Organization adopted the new standards of the Chartered Professional Accountants (CPA) Handbook, Part III – Accounting for Not-for-Profit Organizations (ASNPO), Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations.

The adoption of Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations resulted in a change to the Organization's accounting policies with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

In accordance with transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were allocated to their component parts as at January 1, 2019, based on the proportional value of their original cost at the date the assets were acquired. Estimates of the useful lives of the components were made and applied on a prospective basis.

The Samaritan's Purse – Canada

Notes to Consolidated Financial Statements

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3 Summary of significant accounting policies

Basis of presentation

The Organization's consolidated financial statements have been prepared in accordance with ASNPO.

Use of estimates

The preparation of consolidated 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 the consolidated 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 consolidated financial statements. Significant estimates included in financial statements are the useful lives of capital assets, accruals and valuation of gifts in kind.

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.

The Samaritan's Purse – Canada

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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 consolidated financial statements.

Allocation of expenses

The Organization engages in ministry, fundraising and general programs. The costs of each program include the costs that are 100% related to their respective program. The Organization also incurs various building overhead expenses that are allocated to ministry. General building overhead expenses such as janitorial supplies, building maintenance, ground maintenance, and utilities are allocated based on the footprint of the property to ministry activities.

Investments

Fixed income investments, other than guaranteed investment certificates (GICs), 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. GICs are recorded at fair value, which is calculated as the certificate deposit amount plus accrued interest.

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 consolidated statement of operations and changes in fund balances in the General Fund. Transaction costs are expensed as incurred.

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

Inventory

Inventory comprises 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 consolidated statement of operations and changes in fund balances.

The Samaritan's Purse – Canada

Notes to Consolidated Financial Statements

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Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost of contributed capital assets is considered to be fair value at the date of contribution. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

Amortization is recorded using the straight-line method over the following estimated useful lives:

Building	19 to 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

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to the Organization's ability to provide charitable aid, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The writedowns of capital assets are recognized as expenditures in the consolidated statement of operations and changes in fund balances. Writedowns are not subsequently reversed.

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:

- 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.

- 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

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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.

- 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.

- 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.

4 Investments

	2019	
	Carrying value \$	Fair market value \$
Government and corporate bonds	6,972,738	6,947,592
GICs	1,020,695	1,020,695
Canadian equities	2,045	2,046
	<u>7,995,478</u>	<u>7,970,333</u>
	2018	
	Carrying value \$	Fair market value \$
Government and corporate bonds	3,460,864	3,416,553
GICs	1,020,695	1,020,695
Canadian equities	27,626	27,687
	<u>4,509,185</u>	<u>4,464,935</u>

Government and corporate bonds have effective interest rates ranging from 1.69% to 3.59% and mature between 2020 and 2029. The amount maturing in the next fiscal year is \$1,511,491 (2018 – \$489,571).

The Samaritan's Purse – Canada

Notes to Consolidated Financial Statements

December 31, 2019

5 Related party transactions

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, 2019 are amounts receivable from BGEA – Canada of \$45,260 (2018 – \$65,557). These operating amounts are subject to normal trade terms and are included in the respective accounts receivable balances. During the year, the Organization and BGEA – Canada paid reimbursable expenses on behalf of each other.

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, 2019 are amounts receivable from Samaritan's Purse Inc. of \$913,308 (2018 – \$370,182). This operating amount is subject to normal trade terms and is included in the accounts receivable balance. 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.

6 Capital assets

			2019	2018
	Cost	Accumulated	Net book	Net book
	\$	amortization	value	value
		\$	\$	\$
Land	1,509,146	-	1,509,146	1,509,146
Building	15,438,813	2,278,688	13,160,125	4,103,686
Construction-in-progress	-	-	-	7,169,319
Computer equipment and software	992,685	938,161	54,524	140,902
Office furniture and equipment	1,157,207	927,893	229,314	47,226
Automobiles	1,539,796	723,937	815,859	896,899
Project equipment	337,106	155,513	181,593	12,494
	20,974,753	5,024,192	15,950,561	13,879,672

During the year, amortization in the amount of \$650,732 (2018 – \$530,074) was recorded in the Capital Fund.

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Notes to Consolidated Financial Statements
December 31, 2019

7 Government remittances payable

As at December 31, 2019, the amount of government remittances payable was \$736 (2018 – \$1,024).

8 Externally restricted

The externally restricted fund balance consists of the contributions restricted by donors for the following programs or locations and was not spent as at December 31, 2019:

	2019 \$	2018 \$
International Community Programming	6,033,487	5,149,223
International Disaster Response	1,704,505	2,091,385
North American Ministries	940,792	1,426,899
Operation Christmas Child	867,445	626,957
	<u>9,546,229</u>	<u>9,294,464</u>

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 Allocation of expenses

General building overhead expenses are allocated to the following functional areas based on the usage of space of the property. During the year, the following building overhead expenses were allocated to the following areas: \$253,545 (2018 – \$135,445) ministry activities and \$85,202 (2018 – \$135,707) general and administrative activities.

11 Statutory disclosures

As required by Section 7(2) of the Charitable Fundraising Regulation of Alberta, the Organization discloses that it paid \$573,654 in 2019 to employees whose principle duties involved fundraising (2018 – \$638,684).

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Notes to Consolidated Financial Statements
December 31, 2019

12 Commitments and subsequent events

The Organization is committed to a continuation of funding of approved ministry projects as at December 31, 2019 in the amount of \$3,607,737 (2018 – \$4,277,070).

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As at December 31, 2019, the COVID-19 global pandemic had not yet had a significant impact on global capital markets. Further, COVID-19 had no impact on the Organization's operations to December 31, 2019; therefore, no adjustments have been recorded in the consolidated financial statements relating to this crisis for the period then ended. As it is not yet known when public health restrictions will be removed, nor the long-term impact of COVID-19, it is not possible to estimate the financial impact of this event on the Organization's financial results subsequent to December 31, 2019.