



Financial Statements

SIM Canada

September 30, 2021

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Independent Auditor's Report

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To the Members of
SIM Canada

Opinion

We have audited the financial statements of SIM Canada, which comprise the statement of financial position as at September 30, 2021, and the statement of activities and changes in fund balances, detailed statement of operating and property fund activities and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SIM Canada as at September 30, 2021, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of SIM Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SIM Canada's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate SIM Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SIM Canada's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SIM Canada'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 SIM Canada's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SIM Canada to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Markham, Canada
January 15, 2022

Chartered Professional Accountants
Licensed Public Accountants

SIM Canada

Statement of Financial Position

September 30

	Operating and Property Fund	Retirement Assistance Fund	Externally Restricted Funds	2021 Total	2020 Total
Assets					
Current					
Cash	\$ 1,231,949	\$ -	\$ -	\$ 1,231,949	\$ 1,285,496
Short-term investments (Note 4)	300,000	-	-	300,000	-
Accounts receivable	79,904	-	-	79,904	86,552
Prepaid expenditures	23,127	-	-	23,127	31,562
	<u>1,634,980</u>	<u>-</u>	<u>-</u>	<u>1,634,980</u>	<u>1,403,610</u>
Investments (Note 5)	8,114,405	1,611,055	1,066,210	10,791,670	9,435,679
Cash surrender value of donated life insurance policy	58,772	-	-	58,772	62,998
Prepaid funeral expenses	-	39,302	-	39,302	64,302
Property and equipment (Note 6)	1,134,269	-	85,000	1,219,269	1,268,101
	<u>\$ 10,942,426</u>	<u>\$ 1,650,357</u>	<u>\$ 1,151,210</u>	<u>\$ 13,743,993</u>	<u>\$ 12,234,690</u>
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 135,359	\$ -	\$ -	\$ 135,359	\$ 117,317
Due to affiliated organizations (Note 7)	223,399	-	-	223,399	366,027
Amounts held for missionaries	248,912	-	-	248,912	293,283
Notes payable (Note 8)	-	-	37,576	37,576	47,576
Deferred revenue	7,717	-	-	7,717	31,117
Support designated for future purposes (Note 9)	26,978	-	-	26,978	23,825
	<u>642,365</u>	<u>-</u>	<u>37,576</u>	<u>679,941</u>	<u>879,145</u>
Revocable trusts (Note 10)	-	-	557,723	557,723	504,313
	<u>642,365</u>	<u>-</u>	<u>595,299</u>	<u>1,237,664</u>	<u>1,383,458</u>
Fund balances					
Unrestricted					
General	3,155,167	-	-	3,155,167	2,090,719
Invested in property and equipment	1,134,269	-	-	1,134,269	1,183,101
Internally restricted					
Missionary	4,092,563	-	-	4,092,563	3,555,570
Projects	1,918,062	-	-	1,918,062	1,700,483
Retirement Assistance Fund (Note 11)	-	1,650,357	-	1,650,357	1,633,937
Externally restricted (Note 12)					
Irrevocable Trusts	-	-	470,911	470,911	602,422
Donated properties	-	-	85,000	85,000	85,000
	<u>10,300,061</u>	<u>1,650,357</u>	<u>555,911</u>	<u>12,506,329</u>	<u>10,851,232</u>
	<u>\$ 10,942,426</u>	<u>\$ 1,650,357</u>	<u>\$ 1,151,210</u>	<u>\$ 13,743,993</u>	<u>\$ 12,234,690</u>

On behalf of the Board of Directors



Director



Director

See accompanying notes to the financial statements

SIM Canada
Statement of Activities and Changes in Fund Balances

Year ended September 30

	Operating and Property Fund	Retirement Assistance Fund (Note 11)	Externally Restricted Funds	Total 2021	Total 2020
Revenue					
Support and contributions	\$ 11,696,237	\$ 184,006	\$ -	\$ 11,880,243	\$ 11,161,728
Other income	<u>971,131</u>	<u>168,089</u>	<u>168</u>	<u>1,139,388</u>	<u>599,893</u>
	12,667,368	352,095	168	13,019,631	11,761,621
Expenditures	<u>11,028,859</u>	<u>335,675</u>	<u>-</u>	<u>11,364,534</u>	<u>11,399,668</u>
Excess of revenue over expenditures	1,638,509	16,420	168	1,655,097	361,953
Fund balances, beginning of year	8,529,873	1,633,937	687,422	10,851,232	10,489,279
Interfund transfers (Note 13)	<u>131,679</u>	<u>-</u>	<u>(131,679)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 10,300,061</u>	<u>\$ 1,650,357</u>	<u>\$ 555,911</u>	<u>\$ 12,506,329</u>	<u>\$ 10,851,232</u>

See accompanying notes to the financial statements.

SIM Canada

Detailed Statement of Operating and Property Fund Activities and Changes in Fund Balances

Year ended September 30

	General	Missionary	Projects	Property	Total 2021	Total 2020
Revenue						
Contributions	\$ 1,928,982	\$ 6,387,421	\$ 2,339,649	\$ -	\$ 10,656,052	\$ 9,608,820
International contributions	57,773	881,304	10,530	-	949,607	977,644
Legacies and bequests	90,578	-	-	-	90,578	367,282
	<u>2,077,333</u>	<u>7,268,725</u>	<u>2,350,179</u>	<u>-</u>	<u>11,696,237</u>	<u>10,953,746</u>
Miscellaneous income and sales	142,439	-	-	-	142,439	432,258
Dividends and interest	296,855	-	1,343	-	298,198	237,042
Realized gain (loss) on investments	186,907	-	-	-	186,907	(91,482)
Unrealized gain (loss) on investments	343,587	-	-	-	343,587	(2,612)
	<u>969,788</u>	<u>-</u>	<u>1,343</u>	<u>-</u>	<u>971,131</u>	<u>575,206</u>
	<u>3,047,121</u>	<u>7,268,725</u>	<u>2,351,522</u>	<u>-</u>	<u>12,667,368</u>	<u>11,528,952</u>
Expenditures						
Missionary support	806,962	5,497,803	-	-	6,304,765	5,790,187
Projects	-	-	2,133,943	-	2,133,943	1,862,260
General and administrative	816,536	205,700	-	56,535	1,078,771	1,306,193
Ministry	-	808,120	-	-	808,120	1,244,571
Home ministry	349,781	-	-	-	349,781	361,298
Retirement benefits	47,098	220,109	-	-	267,207	296,135
Fundraising	86,272	-	-	-	86,272	98,024
	<u>2,106,649</u>	<u>6,731,732</u>	<u>2,133,943</u>	<u>56,535</u>	<u>11,028,859</u>	<u>10,958,668</u>
Excess (deficiency) of revenue over expenditures	940,472	536,993	217,579	(56,535)	1,638,509	570,284
Fund balances, beginning of year	2,090,719	3,555,570	1,700,483	1,183,101	8,529,873	7,994,131
Interfund transfers (Note 13)	123,976	-	-	7,703	131,679	(34,542)
Fund balances, end of year	<u>\$ 3,155,167</u>	<u>\$ 4,092,563</u>	<u>\$ 1,918,062</u>	<u>\$ 1,134,269</u>	<u>\$ 10,300,061</u>	<u>\$ 8,529,873</u>

See accompanying notes to the financial statements.

SIM Canada

Statement of Cash Flows

Year ended September 30	2021	2020
Increase (decrease) in cash		
Operating		
Excess of revenue over expenditures	\$ 1,655,097	\$ 361,953
Items not affecting cash		
Amortization of property and equipment included in general and administrative expenditures	56,535	55,202
Net unrealized (gain) loss on investments included in other income	(423,030)	3,342
Write down of life insurance policy included in general and administrative expenditures	<u>4,226</u>	<u>4,371</u>
	<u>1,292,828</u>	<u>424,868</u>
Change in non-cash working capital items		
Accounts receivable	6,648	7,289
Prepaid expenditures	8,435	20,452
Accounts payable and accrued liabilities	18,042	(109,440)
Due to affiliated organizations	(142,628)	133,981
Amounts held for missionaries	(44,371)	6,197
Deferred revenue	<u>(23,400)</u>	<u>23,400</u>
	<u>(177,274)</u>	<u>81,879</u>
	<u>1,115,554</u>	<u>506,747</u>
Financing		
Receipt (recognition) of support designated for future purposes (Note 9)	3,153	(5,400)
Repayment of notes payable	(10,000)	(10,000)
Net increase (decrease) in revocable trusts	<u>53,410</u>	<u>(427,002)</u>
	<u>46,563</u>	<u>(442,402)</u>
Investing		
Purchase of short-term investments	(300,000)	-
Net (purchase) redemption of investments	(932,961)	79,438
Prepaid funeral costs realized	25,000	-
Purchase of property and equipment	<u>(7,703)</u>	<u>(134,297)</u>
	<u>(1,215,664)</u>	<u>(54,859)</u>
(Decrease) increase in cash	(53,547)	9,486
Cash		
Beginning of year	<u>1,285,496</u>	<u>1,276,010</u>
End of year	<u>\$ 1,231,949</u>	<u>\$ 1,285,496</u>

See accompanying notes to the financial statements.

SIM Canada

Notes to the Financial Statements

September 30, 2021

1. Description of the Organization

SIM Canada (the “Organization”) is dedicated to glorifying God through evangelizing the unreached, ministering to human needs through activities such as relief and development and disciplining believers into churches equipped to fulfill Christ’s Commission (Matthew 28:19, 20). These purposes are carried on globally in association with other SIM organizations outside Canada, operating as “SIM International”.

SIM Canada is a not-for-profit corporation without share capital, subject to the Corporations Act of Ontario and is registered with the Canada Revenue Agency as a charitable organization.

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”), the more significant of which are outlined below.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management’s best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess (deficiency) of revenue over expenditures as appropriate in the fiscal year they become known.

Fund accounting

Separate funds are maintained to account for and to report on the separate activities or objectives as determined by donors or by resolution of the Board of Directors (the “Board”).

- (a) The Operating Fund includes general and shared funding and the internally restricted funds. General funding consists of contributions, other revenue and related expenditures pertaining to the operations of the Organization which are not included in other funds. Shared funding includes contributions designated for approved budgets of missionaries and are classified under the headings of missionary and projects. Internally Restricted Funds represent contributions that have been specifically restricted by the governing Board to provide investment income to be used for general and administrative purposes.
- (b) The Property Fund represents revenue, expenditures and net assets related to property and equipment.
- (c) The Externally Restricted Fund amounts are those not currently available for use in the Organization’s ministries until commitments regarding their use have been fulfilled. The investment income earned by these funds is included in operating and internally restricted investment income as directed by the commitments.

SIM Canada

Notes to the Financial Statements

September 30, 2021

2. Summary of significant accounting policies (continued)

Revenue recognition

The Organization follows the restricted fund method of accounting for externally restricted contributions. Unrestricted contributions, legacies, bequests and grants are recognized as revenue of the Operating Fund in the fiscal year received or receivable.

Investment and other income is recognized when earned in accordance with the accrual basis of accounting. Investment income is allocated to the Restricted and Operating Funds based on the actual return earned by the assets held by the fund. Depending on the terms of the individual funds, this income is retained by the funds or recognized in the Operating Fund and other Internally Restricted Funds.

Contributions which are externally restricted by the donor are recorded in the appropriate restricted fund in the fiscal year received or receivable or deferred as support designated for future purposes.

Property and equipment

Purchased property and equipment are capitalized at cost. Amortization is provided over their estimated useful life using the following annual rates and methods:

National office building	2% declining balance basis
Missionary residences	0 - 2% declining balance basis
Furniture and equipment	25% declining balance basis

Property and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of activities and changes in fund balances. Any impairment recognized is not reversed.

Contributed property and services

Contributed property is recorded at fair value at the date of contribution when fair value is reasonably determinable. Contributed services are not recognized in the financial statements due to the difficulty in determining their fair value.

Foreign operations

All expenditures for operations in foreign countries are recorded as expenditures when remitted. This policy is based on the assumption that such funds would not return to the Organization once they are sent overseas.

Interfund transfers

Transfers between funds are made when resources of one fund have been authorized to finance activities and acquisitions in another fund.

SIM Canada

Notes to the Financial Statements

September 30, 2021

2. Summary of significant accounting policies (continued)

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Organization's financial instruments include cash, short-term investments, accounts receivable, investments, accounts payable, due to affiliated organizations, amounts held for missionaries, notes payable and revocable trusts.

Financial instruments are initially recorded at fair value and subsequently measured at amortized cost except for investments.

Investments are recorded at fair value with any resulting gain or loss recorded as part of excess (deficiency) of revenue over expenditures in the fiscal year incurred.

3. Objectives, policies and processes for managing capital

The Organization's capital is comprised of unrestricted funds, investment in property and equipment, internally restricted funds and externally restricted funds.

Unrestricted funds

Unrestricted funds include accumulated balances for the General Fund.

The Board's objective is to maintain unrestricted fund balance reserve levels sufficient to provide for current and future financial needs. Staff members are provided with monthly financial reports which include details of these fund balances and the Board reviews these reports at least three times per fiscal year.

Investment in property and equipment

Property and equipment comprise an office building in Ontario containing a guest house and office furniture and computer equipment for operations. In addition, there is a mission house and a donated cottage included in capital.

Capital budgets are approved by the Board as part of the annual budget approval process. Computer equipment is normally updated on a four year cycle. Capital spending is overseen by management and is reviewed by the Audit and Finance Committee and the Board at regular meetings.

Capital additions in fiscal 2021 amounted to \$7,703 (2020 - \$134,297) for new equipment (2020 - renovations to the building and new furniture and equipment).

Internally restricted funds

Internally restricted funds include the Missionary Fund, the Projects Fund and the Retirement Assistance Fund.

SIM Canada

Notes to the Financial Statements

September 30, 2021

3. Objectives, policies and processes for managing capital (continued)

Internally restricted funds (continued)

The Missionary and Projects Fund balances arise from donated funds allocated for the ministry through a missionary or within a project that have not yet been disbursed to the designated area. These funds are internally restricted by the governing Board. These balances are actively managed daily against support agreements and project budgets by management in conjunction with each missionary or project manager. The balances will fluctuate depending upon the particular circumstances. Year end balances are reviewed and approved by the Audit and Finance Committee and by the Board.

The principles related to the establishment, management and expenditures of the Retirement Assistance Fund are disclosed in Note 11. The expenditures from the Fund are approved by the Board as part of the annual budget approval process. Management oversees the administration of the Fund.

Externally restricted funds

Externally restricted funds include Irrevocable Trusts and Donated Properties. These funds have been donated to the Organization but will not be transferred to the Operating Fund until certain conditions have been met which, in most cases, is the death of the donor or beneficiary.

The terms of the trust agreements are overseen by management. The donated properties are maintained by the Organization.

4. Short-term investments

Short-term investments consist of a guaranteed investment certificate that earns interest at 0.20% per annum and matures January 17, 2022.

5. Investments

	<u>2021</u>	<u>2020</u>
Equity	\$ 5,637,374	\$ 4,903,124
Fixed income	<u>5,154,296</u>	<u>4,532,555</u>
	<u>\$ 10,791,670</u>	<u>\$ 9,435,679</u>

The investments are managed to achieve the long-term objectives of the Organization and are subject to the conditions placed on the funds by the donors and the Board. Accordingly, the investments have been presented as non-current assets.

SIM Canada

Notes to the Financial Statements

September 30, 2021

6. Property and equipment

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
National office building	\$ 1,739,448	\$ 782,713	\$ 956,735	\$ 976,237
Missionary residences	217,209	66,303	150,906	152,251
Furniture and equipment	<u>988,722</u>	<u>877,094</u>	<u>111,628</u>	<u>139,613</u>
	<u>\$ 2,945,379</u>	<u>\$ 1,726,110</u>	<u>\$ 1,219,269</u>	<u>\$ 1,268,101</u>

No amortization is recorded on certain missionary residences having a cost for land and buildings totalling \$85,000 (2020 - \$85,000) held for eventual sale (Note 12). Amortization of the remaining balances is recorded as part of general and administrative expenditures.

7. Due to affiliated organizations

The Organization performs some of its activities through affiliated organizations. Affiliated organizations include other SIM offices around the world who work together to accomplish specific activities or pool resources for common charitable purposes. Amounts payable and receivable are settled on a monthly basis and are unsecured, due on demand and non-interest bearing.

8. Notes payable

The Organization receives funds in the form of non-interest bearing, unsecured, demand notes. These notes are invested and the investment income earned is used for ministry purposes.

9. Support designated for future purposes

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 23,825	\$ 29,225
Receipts	3,153	-
Revenue recognized	<u>-</u>	<u>(5,400)</u>
Balance, end of year	<u>\$ 26,978</u>	<u>\$ 23,825</u>

SIM Canada

Notes to the Financial Statements

September 30, 2021

10. Revocable trusts

The Organization administers, as trustee, revocable (grantor) trusts that provide for a beneficial interest to the Organization at the grantor's death. The trusts are revocable at the discretion of the grantor with 45 days notice; therefore, the principal amounts are recorded as liabilities. The Organization pays out the net income earned on the related investments to the grantors on a quarterly basis. Upon the grantor's death, the remaining trust assets may be recorded as contributions revenue.

11. Retirement Assistance Fund

The Organization provides post-employment benefits for eligible member employees and records the amount of benefits as expenditures in the period they are paid. Post-employment benefits include social assistance and medical insurance and are granted based on a needs test.

The underlying principle for the Organization is dependence upon God for the provision of its needs. It does not promise any fixed amenity for the benefits, but will distribute funds received to meet the needs of each member, subject to the proviso, "as the Lord provides". The Organization will not go into debt to fund any of its programs, including the retirement program. The retirement program is reviewed annually to evaluate the adequacy of the amenities and relevance to prevailing market conditions. This plan was curtailed in 1995; however, there are new retirees each year and, if applicable, the portion of their term prior to 1995 will be considered.

Revenue in the retirement assistance fund consists of the following:

	<u>2021</u>	<u>2020</u>
Support and contributions		
Contributions	\$ 153,810	\$ 166,530
International contributions	<u>30,196</u>	<u>41,452</u>
	<u>184,006</u>	<u>207,982</u>
Other income		
Dividends and interest	54,491	41,393
Realized gain (loss) on investments	34,155	(15,975)
Unrealized gain (loss) on investments	<u>79,443</u>	<u>(731)</u>
	<u>168,089</u>	<u>24,687</u>
	<u>\$ 352,095</u>	<u>\$ 232,669</u>

SIM Canada

Notes to the Financial Statements

September 30, 2021

12. Externally Restricted Funds

The Organization administers, as trustee, irrevocable (grantor) trusts that provide for the payment of income earned thereon to the grantor or other designated beneficiaries. Upon death of the grantor, the trusts provide for the distribution of assets to the Organization. The trusts are recorded on the statement of activities as restricted contributions in the period received or receivable.

Included in property and equipment of the Externally Restricted Funds are residential properties which the Organization received as gifts (Note 6). These properties were recorded at fair market value at the time of the gift and are held for eventual sale.

13. Interfund transfers

Interfund transfers received (distributed) for the year ended September 30, 2021 consist of the following:

	<u>General Fund</u>	<u>Property Fund</u>	<u>Irrevocable Trusts</u>
Transfer from irrevocable trusts upon death of grantor	\$ 131,679	\$ -	\$ (131,679)
Net purchase of property and equipment	<u>(7,703)</u>	<u>7,703</u>	<u>-</u>
	<u>\$ 123,976</u>	<u>\$ 7,703</u>	<u>\$ (131,679)</u>

14. Financial instruments

Transactions in financial instruments may result in the Organization assuming or transferring to another party one or more of the financial risks described below. The disclosures provide information that assists users of these financial statements in assessing the extent of risk related to 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 meet its obligation. This risk is mitigated by the Organization through ensuring revenue is derived from qualified sources. The allowance for doubtful accounts in relation to accounts receivable is \$Nil (2020 - \$Nil).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable, due to affiliated organizations, amounts held for missionaries, notes payable and revocable trusts. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet obligations.

Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2020 - \$Nil).

SIM Canada

Notes to the Financial Statements

September 30, 2021

14. Financial instruments (continued)

Currency risk

Currency risk is the risk arising from the change in price of one currency against another. The Organization is exposed to currency risk through investments which are in foreign currencies as well as operating bank accounts held in foreign currencies. Investments in US investment accounts at year-end are \$3,174,420 (2020 - \$2,747,173). Cash in US bank accounts at year-end is \$234,273 (2020 - \$167,480).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on fixed income investments as the value of these investments will change with market fluctuations in interest rates.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to market price risk on its investments in equities quoted on an active market since changes in market prices could result in changes in the fair value of these instruments.

15. COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. As at the audit report date, the Organization has not been significantly impacted financially by COVID-19. The Organization expects that available liquid assets and ongoing cost mitigation efforts will provide the necessary support for the Organization for the foreseeable future.