

Financial Statements of

**MERCY SHIPS CANADA
SOCIETY**

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the of Mercy Ships Canada Society

Opinion

We have audited the financial statements of Mercy Ships Canada Society (the Entity), which comprise:

- the financial position as at December 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 auditor's report.

We are independent of the Entity 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 the 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.



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

Those charged with governance are responsible for overseeing the Entity'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 the 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 the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Mercy Ships Canada Society

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- 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 Entity'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 the Entity 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.
- 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.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with applicable financial reporting framework have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Victoria, Canada

June 16, 2025

MERCY SHIPS CANADA SOCIETY

Statement of Financial Position

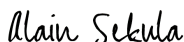
December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,199,031	\$ 2,131,977
Accounts receivable (note 3)	321,982	303,462
Prepaid expenses	71,261	47,124
	<u>2,592,274</u>	<u>2,482,563</u>
Capital assets (note 4)	15,671	11,709
	<u>\$ 2,607,945</u>	<u>\$ 2,494,272</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 172,772	\$ 151,388
Current portion of		
capital lease obligation (note 6)	1,310	1,267
	<u>174,082</u>	<u>152,655</u>
Capital lease obligation (note 6)	2,991	4,300
	<u>177,073</u>	<u>156,955</u>
Net assets:		
Unrestricted	2,419,502	2,331,175
Invested in capital assets	11,370	6,142
	<u>2,430,872</u>	<u>2,337,317</u>
Commitments (notes 7 and 11)		
	<u>\$ 2,607,945</u>	<u>\$ 2,494,272</u>

See accompanying notes to financial statements.

On behalf of the Board:

Signed by:



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Signé par :



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MERCY SHIPS CANADA SOCIETY

Statement of Operations

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
General contributions	\$ 2,985,346	\$ 2,558,970
Contributed services (note 8)	1,598,193	1,098,507
Interest and other income	57,685	65,634
	<u>4,641,224</u>	<u>3,723,111</u>
Expenses:		
Contributed services utilized	1,598,193	1,098,507
Programs	632,749	710,042
Charitable operational activities	668,789	610,047
Fundraising operational activities	929,132	580,648
Crew program funding	445,631	342,653
Management and administration	273,175	229,947
	<u>4,547,669</u>	<u>3,571,844</u>
Excess of revenue over expenses for the year	<u>\$ 93,555</u>	<u>\$ 151,267</u>

See accompanying notes to financial statements.

MERCY SHIPS CANADA SOCIETY

Statement of Changes in Net AssetsStatement of Changes in Net Assets

Year ended December 31, 2024, with comparative information for 2023

	Unrestricted	Invested in capital assets	Total 2024	Total 2023
Balance, beginning of year	\$ 2,331,175	\$ 6,142	\$ 2,337,317	\$ 2,186,050
Excess of revenue over expenses for the year	97,963	(4,408)	93,555	151,267
Purchase of capital assets	(8,370)	8,370	-	-
Net change in obligation under capital lease	(1,266)	1,266	-	-
Balance, end of year	\$ 2,419,502	\$ 11,370	\$ 2,430,872	\$ 2,337,317

See accompanying notes to financial statements.

MERCY SHIPS CANADA SOCIETY

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses for the year	\$ 93,555	\$ 151,267
Item not involving cash:		
Amortization	4,408	4,148
	97,963	155,415
Changes in non-cash operating working capital:		
Increase in accounts receivable	(18,520)	(73,431)
Increase (decrease) in prepaid expenses	(24,137)	(29,339)
Increase (decrease) in accounts payable and accrued liabilities	21,384	33,418
	76,690	86,063
Financing:		
Repayment of capital lease obligation	(1,266)	(1,227)
Investing:		
Purchase of capital assets	(8,370)	(768)
Increase in cash and cash equivalents	67,054	84,068
Cash and cash equivalents, beginning of year	2,131,977	2,047,909
Cash and cash equivalents, end of year	\$ 2,199,031	\$ 2,131,977

See accompanying notes to financial statements.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2024

Nature of operations:

Mercy Ships Canada Society (the "Society") was incorporated under the Society Act of British Columbia, Canada on July 13, 1989. The Society is a Registered Charity as determined with reference to Paragraph 149 (1)(f) of the Income Tax Act of Canada and is therefore exempt from tax provided certain requirements of the Income Tax Act are met.

The purpose of the Society is to alleviate the suffering of the poor, regardless of race, gender or religious background in developing nations around the world, following the model of Jesus, by mobilizing people and resources from across Canada to carry out programs and projects:

- (i) To develop and promote public health by:
 - (a) operating one or more hospital ships, in whole or in part;
 - (b) conducting medical and health care programs ashore in related facilities;
 - (c) providing medical, surgical, eye, dental, health and related support services;
 - (d) acquiring and distributing, medicine, medical equipment and supplies, fuel, tools and any related materials necessary to deliver basic care for the above-referenced hospital ships, land-based programs and related facilities;
 - (e) offering specialized training to local health care professionals;
 - (f) reducing malnutrition and increasing food security by improving skills and practices in agriculture and horticulture;
 - (g) and providing construction and renovation services to local health care infrastructure, including hospitals, clinics and medical training facilities to improve surgical capabilities.
- (ii) To advance education through the provision of medical and surgical training to local health professionals and medical leadership development.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. The Society's significant accounting policies are as follows:

(a) Fund accounting:

Resources are classified for accounting and reporting purposes into the following funds:

- (i) Unrestricted fund accounts for the Society's fundraising, administrative and program activities. These funds are unrestricted resources available to the Society for immediate use.
- (ii) Invested in capital assets fund represents internally restricted net book value of all capital assets, less any related debt.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months, or cashable on demand.

(c) Revenue recognition:

The Society follows the deferral method of accounting for general contributions, which includes donations.

Contributions that are unrestricted are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which related expenditures are incurred.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost less amortization and impairment. 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. Amortization is determined on a declining balance basis as follows:

Asset	Rate
Furniture, equipment and computers	20%
Equipment under capital lease	20%

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include amortization of capital assets, contributed services and allocation of expenses. These estimates are reviewed periodically and adjustments are made, as appropriate, in the Statement of Operations in the year they become known. Actual results could differ from those estimates.

(f) Allocation of expenses:

Certain management and administration expenditures are allocated to fundraising operational activities and charitable operational activities based on estimate of effort and resources used related to each area of activity shown in note 12.

(g) Contributed services:

Contributed services are recognized if the services received require specialized skills or certifications that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See note 8.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Cash and cash equivalents:

The major components of cash and cash equivalents are as follows:

	2024	2023
Cash	\$ 426,220	\$ 431,651
Cashable GICs	1,772,811	1,700,326
	<u>\$ 2,199,031</u>	<u>\$ 2,131,977</u>

3. Accounts receivable:

	2024	2023
General contributions receivable	\$ 267,326	\$ 236,417
Public service bodies' rebate receivable	12,792	2,696
Interest receivable on cashable GICs	41,864	64,349
	<u>\$ 321,982</u>	<u>\$ 303,462</u>

General contributions receivable consist of cash donations that were recognized by the Society in the current year, but were received in the subsequent year.

4. Capital assets:

		2024		2023
	Cost	Accumulated amortization	Net book value	Net book value
Furniture, equipment and computers	\$ 78,403	\$ 67,624	\$ 10,779	\$ 6,529
Equipment under capital lease	7,194	2,302	4,892	5,180
	<u>\$ 85,597</u>	<u>\$ 69,926</u>	<u>\$ 15,671</u>	<u>\$ 11,709</u>

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Accounts payable and accrued liabilities:

	2024	2023
Trade payables	\$ 170,887	\$ 149,378
Vacation and employee benefits payable	1,885	841
Government remittances payable	-	1,169
	<u>\$ 172,772</u>	<u>\$ 151,388</u>

Trade payables primarily consists of invoices from Mercy Ships International (note 11), which makes up 60% (2023 - 38%) of the total payables. The remaining portion of the Society's trade payables primarily includes accrued audit fees and salaries payable.

6. Capital lease obligation:

The Society has financed a photocopier by entering into a capital leasing arrangement. Capital lease repayments are due as follows:

	2024	2023
2024	\$ -	\$ 1,432
2025	1,432	1,432
2026	1,432	1,432
2027	1,432	1,432
2028	239	239
Total minimum lease payments	4,535	5,967
Less amount representing interest	234	400
Present value of net minimum capital lease payments	4,301	5,567
Less current portion of obligations under capital lease	1,310	1,267
	<u>\$ 2,991</u>	<u>\$ 4,300</u>

Interest of \$165 (2023 - \$190) relating to the capital lease obligation has been included in expenses.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Commitments:

The Society rents office space that has a lease expiration date of April 30, 2029. The minimum annual lease payments are as follows:

2025	\$	27,552
2026		27,552
2027		28,864
2028		30,176
2029		10,059
		<hr/>
		\$ 124,203

8. Contributed services:

Contributed services are measured at the estimated fair value based on occupation rates from an independent external source. The amount of contributed services recognized as offsetting revenues and expenses on the Statement of Operations in the current year is \$1,598,193 (2023 - \$1,098,507).

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Financial risks and concentration of risk:

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and liabilities at amortized cost, except for marketable securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations. The financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(a) 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 Society's prepaid expenses, accounts payable and accrued liabilities and secondments are exposed to foreign exchange fluctuations. As at December 31, 2024, \$102,896 (2023 - \$41,538) in accounts payable and accrued liabilities are denominated in US dollars. The secondment agreements are benchmarked in US dollars and paid in Canadian dollars.

(b) Credit risk:

Credit risk is the risk of loss resulting from failure of a borrower to honour its financial or contractual obligation. The Society's main credit risks relate to its accounts receivable and prepaid expenses. It is management's opinion the Society is not exposed to significant credit risks arising from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that the Society does not have sufficient financial resources to meet obligations as they fall due, or can only obtain such resources at excessive cost. The risk arises from mismatches in timing of cash flows. Funding risk arises when the necessary liquidity to fund asset growth cannot be obtained at the expected terms when required. It is management's opinion the Society is not exposed to significant liquidity risks arising from its financial instruments.

Other than as noted, there have been no changes to risk exposure in the last year except the additional risk related to assessing the impact of tariffs.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Remuneration:

Under the British Columbia Societies Act, there is a requirement to disclose the remuneration paid to all directors, to the highest paid employees who are paid at least \$75,000 annually, and to all contractors who are paid at least \$75,000 annually.

In 2024, the Society paid a total remuneration of \$528,340 (2023 - \$473,565) to five employees (2023 - five employees) whose remuneration, including salaries and benefits, was greater than \$75,000. These employees include seconded staff to Mercy Ships International.

11. Related party transactions:

Mercy Ships International ("MSI") is a non-profit corporation incorporated in California, USA, domiciled in the State of Texas and exempt from income taxation under Section 501(c)(3) of the U.S. Internal Revenue Code. MSI can appoint directors to the Board of the Society. A License Agreement, Umbrella Agreement and Joint Programs Agreements have been created to establish the relationship between the Society and MSI. Under the Joint Programs Agreement, MSI and the Society undertake joint programs, including specific projects and activities such as facilitating volunteer crew members serving on the hospital ships that are mutually agreed upon. MSI provides services to the Society, furthering our collective mission. Our Society's relationship with MSI is multifaceted. Throughout the year, we also engaged in various types of transactions, including payments for longer-term crew, fundraising cultivation and acquisition, digital media communication, and marketing and communications.

In total, the Society paid MSI \$1,210,949 (2023 - \$1,136,969) for these programs and services, demonstrating our commitment to supporting the mission.

As at December 31, 2024, the Society has agreed to contribute US\$77,363 toward medical, laboratory and other equipment for specific projects under the terms of the Joint Programs Agreement, which requires that progress reports be provided on a quarterly basis and provides the Society the right to withhold the transfer of any monies, services and/or other resources, as applicable, for the projects if the projects are not being conducted to its satisfaction. The Society has restricted \$75,000 in cash and cash equivalents for this purpose.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Related party transactions (continued):

The Society is a member delegate of Mercy Ships Global Association ("MSGA"). The MSGA is a humanitarian, non-profit association established in accordance with Article 60 ff of the Civil Code of Switzerland with offices in Lausanne, Switzerland. It is a registered charitable organization under the laws of Switzerland. MSGA aims to support the activities of Mercy Ships' hospital ships worldwide, support the development of Mercy Ships entities, and support and coordinate raising financial, human, and in-kind resources worldwide. MSGA is related to MSI and, hence a related party of the Society. Transactions between the Society and MSGA include payments for website maintenance, development and search engine optimization, consulting fees for fundraising and communications, and association fees. During the year, payments of \$87,321 (2023 - \$60,340) were made to MSGA.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Expense allocation:

2024	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	54 %	23 %	23 %	100 %
Accounting and legal	30	36	34	100
Office and miscellaneous	42	52	6	100
Bank and collection fees	16	84	-	100
Occupancy costs	49	26	25	100
Travel	44	28	28	100
Postage and courier	49	26	25	100
Telephone and Internet	49	26	25	100
Insurance, licenses and dues	33	33	34	100
Interest on capital lease	53	24	23	100
Amortization	49	26	25	100

2024	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	516,191	218,609	217,572	952,372
Accounting and legal	12,408	15,104	13,916	41,428
Office and miscellaneous	31,640	39,951	4,718	76,309
Bank and collection fees	12,024	64,370	-	76,394
Occupancy costs	23,408	12,302	12,159	47,869
Travel	28,914	18,985	18,991	66,890
Postage and courier	3,846	2,021	1,998	7,865
Telephone and Internet	2,600	1,366	1,350	5,316
Insurance, licenses and dues	1,313	1,313	1,313	3,939
Interest on capital lease	87	40	38	165
Amortization	2,156	1,133	1,120	4,409
	634,587	375,194	273,175	1,282,956
Directly attributable costs	34,202	553,938	-	588,140
	668,789	929,132	273,175	1,871,096

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Expense allocation (continued):

2023	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	56 %	22 %	22 %	100 %
Accounting and legal	31	37	31	100
Office and miscellaneous	56	22	22	100
Bank and collection fees	30	70	-	100
Occupancy costs	56	22	22	100
Travel	51	24	25	100
Postage and courier	56	22	22	100
Telephone and Internet	56	22	22	100
Insurance, licenses and dues	33	33	34	100
Amortization	56	22	22	100

2023	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	\$ 447,386	\$ 173,148	\$ 171,525	\$ 792,059
Accounting and legal	9,736	11,677	9,736	31,149
Office and miscellaneous	34,213	13,322	13,019	60,554
Bank and collection fees	20,480	46,798	-	67,278
Occupancy costs	24,269	9,285	9,400	42,954
Travel	23,766	11,414	11,417	46,597
Postage and courier	5,084	1,980	1,935	8,999
Telephone and Internet	3,250	1,265	1,237	5,752
Insurance, licenses and dues	2,666	2,666	2,666	7,998
Interest on capital lease	107	42	41	190
Amortization	2,344	913	892	4,149
	573,301	272,510	221,868	1,067,679
Directly attributable costs	36,746	308,138	8,079	352,963
	\$ 610,047	\$ 580,648	\$ 229,947	\$ 1,420,642