

Financial Statements of

MERCY SHIPS CANADA SOCIETY

And Independent Auditor's Report thereon

Year ended December 31, 2025



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mercy Ships Canada Society

Opinion

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

- the statement of financial position as at December 31, 2025
- 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 Society as at December 31, 2025 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 Society 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.



Mercy Ships Canada Society
Page 2

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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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
Page 3

- 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 Society'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 Society 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' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada
May 20, 2026

MERCY SHIPS CANADA SOCIETY

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,789,810	\$ 2,199,031
Accounts receivable (note 3)	286,537	321,982
Prepaid expenses	111,671	71,261
	<u>2,188,018</u>	<u>2,592,274</u>
Capital assets (note 4)	17,313	15,671
	<u>\$ 2,205,331</u>	<u>\$ 2,607,945</u>

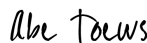
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 104,486	\$ 172,772
Current portion of capital lease obligation (note 6)	1,354	1,310
	<u>105,840</u>	<u>174,082</u>
Capital lease obligation (note 6)	1,637	2,991
	<u>107,477</u>	<u>177,073</u>
Net assets:		
Unrestricted	2,083,532	2,419,502
Invested in capital assets	14,322	11,370
	<u>2,097,854</u>	<u>2,430,872</u>
Commitments (notes 7 and 12)		
	<u>\$ 2,205,331</u>	<u>\$ 2,607,945</u>

See accompanying notes to financial statements.

On behalf of the Board:

Bruce Murray

Signed by:

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 Treasurer

MERCY SHIPS CANADA SOCIETY

Statement of Operations

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Unrestricted donations	\$ 2,825,765	\$ 2,985,346
Interest and other income	61,372	57,685
	<u>2,887,137</u>	<u>3,043,031</u>
Contributed services from volunteers (note 8)	2,958,117	1,598,193
	<u>5,845,254</u>	<u>4,641,224</u>
Expenses:		
Fundraising operational activities (note 13)	786,200	929,132
Charitable operational activities (note 13)	785,552	668,789
Programs	776,739	632,749
Crew program funding	490,926	445,631
Management and administration (note 13)	380,738	273,175
	<u>3,220,155</u>	<u>2,949,476</u>
Contributed services utilized by volunteers (note 8)	2,958,117	1,598,193
	<u>6,178,272</u>	<u>4,547,669</u>
Excess (deficiency) of revenue over expenses for the year	<u>\$ (333,018)</u>	<u>\$ 93,555</u>

See accompanying notes to financial statements.

MERCY SHIPS CANADA SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2025, with comparative information for 2024

			2025	2024
	Unrestricted	Invested in capital assets	Total	Total
Balance, beginning of year	\$ 2,419,502	\$ 11,370	\$ 2,430,872	\$ 2,337,317
Excess (deficiency) of revenue over expenses for the year	(327,050)	(5,968)	(333,018)	93,555
Purchase of capital assets	(7,487)	7,487	–	–
Capital lease payments	(1,433)	1,433	–	–
Balance, end of year	\$ 2,083,532	\$ 14,322	\$ 2,097,854	\$ 2,430,872

See accompanying notes to financial statements.

MERCY SHIPS CANADA SOCIETY

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses for the year	\$ (333,018)	\$ 93,555
Items not involving cash:		
Amortization	3,216	4,408
Loss on disposal of equipment	2,629	–
	(327,173)	97,963
Changes in non-cash operating working capital:		
Accounts receivable	35,445	(18,520)
Prepaid expenses	(40,410)	(24,137)
Accounts payable and accrued liabilities	(68,286)	21,384
	(400,424)	76,690
Financing:		
Repayment of capital lease obligation	(1,310)	(1,266)
Investing:		
Purchase of capital assets	(7,487)	(8,370)
Increase (decrease) in cash and cash equivalents	(409,221)	67,054
Cash and cash equivalents, beginning of year	2,199,031	2,131,977
Cash and cash equivalents, end of year	\$ 1,789,810	\$ 2,199,031

See accompanying notes to financial statements.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

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.

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.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued):

(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.

(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 straight line basis over the estimated useful life 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 13.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued):

(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.

2. Cash and cash equivalents:

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

	2025	2024
Cash	\$ 589,810	\$ 426,220
Cashable GICs	1,200,000	1,772,811
	\$ 1,789,810	\$ 2,199,031

3. Accounts receivable:

	2025	2024
Unrestricted donations receivable	\$ 251,189	\$ 267,326
Interest receivable on cashable GICs	28,671	41,864
Public service bodies' rebate receivable	6,380	12,792
Other accounts receivable	297	-
	\$ 286,537	\$ 321,982

Unrestricted donations receivable consists of cash donations that were recognized by the Society in the current year, but were received in the subsequent year.

4. Capital assets:

			2025	2024
	Cost	Accumulated amortization	Net book value	Net book value
Furniture, equipment and computers	\$ 63,592	\$ 50,193	\$ 13,399	\$ 10,779
Equipment under capital lease	7,194	3,280	3,914	4,892
	\$ 70,786	\$ 53,473	\$ 17,313	\$ 15,671

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

5. Accounts payable and accrued liabilities:

	2025	2024
Trade payables	\$ 60,146	\$ 146,708
Payroll payable	41,854	24,179
Vacation and employee benefits payable	2,486	1,885
	\$ 104,486	\$ 172,772

Trade payables include amounts payable to Mercy Ships International (note 12), which makes up 0.1% (2024 - 60%) of the total payables.

6. Capital lease obligation:

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

	2025	2024
2025	\$ –	\$ 1,433
2026	1,433	1,433
2027	1,433	1,433
2028	236	236
Total minimum lease payments	3,102	4,535
Less amount representing interest	111	234
Present value of net minimum capital lease payments	2,991	4,301
Less current portion of obligations under capital lease	1,354	1,310
	\$ 1,637	\$ 2,991

Interest of \$123 (2024 - \$165) relating to the capital lease obligation has been included in expenses.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

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:

2026	\$ 28,427
2027	29,739
2028	30,176
2029	10,059
	\$ 98,401

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 \$2,958,117 (2024 - \$1,598,193).

9. 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 2025, the Society paid a total remuneration of \$483,519 (2024 - \$528,340) to four employees (2024 - five employees) whose remuneration, including salaries and benefits, was greater than \$75,000. These employees include seconded staff to Mercy Ships International.

10. Comparative information:

Certain comparative figures in Note 13 have been reclassified to conform with the current year presentation. The reclassification has no impact on total charitable operational activities, fundraising operational activities and management and administration expenses or the excess (deficiency) of revenues over expenses on the Statement of Operations.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

11. 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, 2025, \$124 (2024 - \$102,896) 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 since 2024.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

12. 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 the collective mission. The Society's relationship with MSI is multifaceted. Throughout the year, the Society 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 \$1,185,910 (2024 - \$1,210,949) for these programs, products and services, demonstrating the Society's commitment to supporting the mission.

As at December 31, 2025, the Society has agreed to contribute US\$nil (2024: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 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 \$62,746 (2024 - \$87,321) were made to MSGA.

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

13. Expense allocation:

2025	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	60 %	18 %	22 %	100 %
Governance	50	–	50	100
Office and miscellaneous	32	36	32	100
Accounting and legal	39	24	37	100
Bank and collection fees	–	100	–	100
Occupancy costs	33	33	34	100
Executive Director	41	3	56	100
Memberships	19	10	71	100
Postage and courier	33	33	34	100
Insurance	33	33	34	100
Telephone and Internet	33	33	34	100
Amortization	49	26	25	100
Interest on capital lease	53	24	23	100
Directly attributable costs	3	97	–	100

2025	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	\$ 638,039	\$ 191,412	\$ 233,946	\$ 1,063,397
Governance	46,311	–	46,310	92,621
Office and miscellaneous	22,788	25,638	22,788	71,214
Accounting and legal	20,670	12,720	19,610	53,000
Bank and collection fees	–	51,846	–	51,846
Occupancy costs	16,678	16,679	17,183	50,540
Executive Director	11,912	871	16,270	29,053
Memberships	3,915	2,060	14,628	20,603
Postage and courier	4,454	4,454	4,589	13,497
Insurance	2,646	2,647	2,726	8,019
Telephone and internet	1,801	1,800	1,856	5,457
Amortization	1,576	836	804	3,216
Interest on capital lease	65	30	28	123
	770,855	310,993	380,738	1,462,586
Directly attributable costs	14,697	475,207	–	489,904
	\$ 785,552	\$ 786,200	\$ 380,738	\$ 1,952,490

MERCY SHIPS CANADA SOCIETY

Notes to Financial Statements

Year ended December 31, 2025

13. Expense allocation (continued):

2024	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	54 %	23 %	23 %	100 %
Governance	33	33	34	100
Office and miscellaneous	42	52	6	100
Accounting and legal	30	36	34	100
Bank and collection fees	–	100	–	100
Occupancy costs	49	26	25	100
Executive Director	100	–	–	100
Memberships	50	50	–	100
Postage and courier	49	26	25	100
Insurance	33	33	34	100
Telephone and Internet	49	26	25	100
Amortization	49	26	25	100
Interest on capital lease	53	24	23	100
Directly attributable costs	6	94	–	100

2024	Charitable Operational Activities	Fundraising Operational Activities	Management and Administration	Total
Wages and benefits	\$ 516,191	\$ 218,609	\$ 217,572	\$ 952,372
Governance	18,985	18,985	18,992	56,962
Office and miscellaneous	31,640	39,951	4,718	76,309
Accounting and legal	12,408	15,104	13,916	41,428
Bank and collection fees	–	52,346	–	52,346
Occupancy costs	23,408	12,302	12,159	47,869
Executive Director	9,929	–	–	9,929
Memberships	12,024	12,024	–	24,048
Postage and courier	3,846	2,021	1,998	7,865
Insurance	1,313	1,313	1,313	3,939
Telephone and Internet	2,600	1,366	1,350	5,316
Amortization	2,156	1,133	1,119	4,408
Interest on capital lease	87	40	38	165
	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