

Mennonite Church Eastern Canada

Financial Statements

January 31, 2021



Independent auditor's report

To the Members of Mennonite Church Eastern 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 financial statements present fairly, in all material respects, the financial position of Mennonite Church Eastern Canada (the Church) as at January 31, 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.

What we have audited

The Church's financial statements comprise:

- the balance sheet as at January 31, 2021;
- the statement of operations and fund balances for the year then ended;
- the statement of changes in operating fund balances for the year then ended;
- the statement of changes in restricted fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

In common with many not-for-profit organizations, the Church derives revenues from donations 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 Church. Therefore, we were not able to determine whether any adjustments might be necessary to donations, bequests and other revenue, net (expenditures) revenue and cash flows from operating activities for the years ended January 31, 2021 and 2020, current assets as at January 31, 2021 and 2020 and net assets as at the beginning and the end of the years ended January 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended January 31, 2020 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 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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Independence

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

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

Those charged with governance are responsible for overseeing the Church'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 the Church'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 Church'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 Church 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
March 16, 2021

Mennonite Church Eastern Canada

Balance Sheet

As at January 31, 2021

	Operating Fund			Restricted Fund	Capital Fund	2020	2020
	Unrestricted	Invested in capital assets	Internally restricted				
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash and short-term deposits	569,706	-	2,346,410	394,155	-	3,310,271	2,432,047
Accounts receivable	31,777	-	41,134	10,707	-	83,618	98,941
Prepaid expenses	999	-	-	-	-	999	7,458
Term deposit investments	-	-	2,389,251	607,640	-	2,996,891	1,275,000
Due from other funds (note 3)	24,785	-	803,050	37,215	-	865,050	675,164
Investment shares (note 4)	-	-	15,871	-	-	15,871	15,871
Total current assets	627,267	-	5,595,716	1,049,717	-	7,272,700	4,504,481
Investment shares (note 4)	-	-	142,835	-	-	142,835	142,835
Term deposit investments	-	-	-	-	-	-	2,896,546
Capital assets (note 5)	-	1,569	-	-	496,188	497,757	498,769
Loans receivable (note 6)	-	-	1,425,000	150,000	-	1,575,000	1,525,000
Total assets	627,267	1,569	7,163,551	1,199,717	496,188	9,488,292	9,567,631
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	108,101	-	-	-	-	108,101	141,813
Government remittances payable	20,511	-	-	-	-	20,511	19,683
Deferred contributions	46,062	-	-	-	-	46,062	53,770
Due to other funds (note 3)	442,038	-	422,985	27	-	865,050	675,164
Total current liabilities	616,712	-	422,985	27	-	1,039,724	890,430
Net assets							
Invested in capital assets	-	1,569	-	-	496,188	497,757	499,781
Externally restricted	-	-	-	1,199,690	-	1,199,690	1,203,060
Internally restricted	-	-	6,740,566	-	-	6,740,566	6,965,829
Unrestricted	10,555	-	-	-	-	10,555	8,531
Total net assets	10,555	1,569	6,740,566	1,199,690	496,188	8,448,568	8,677,201
Total liabilities and net assets	627,267	1,569	7,163,551	1,199,717	496,188	9,488,292	9,567,631

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2021

	Operating Fund \$	Restricted Fund \$	Capital Fund \$	2021 \$	2020 \$
Revenue					
Donations, bequests and other revenue	2,930,846	28,487	-	2,959,333	2,167,523
Government subsidies	167,367	-	-	167,367	-
Interest	197,850	23,799	-	221,649	247,185
	3,296,063	52,286	-	3,348,349	2,414,708
Less: Amounts designated by donors to external organizations Churchwide agencies	-	-	-	-	2,000
Net revenue	3,296,063	52,286	-	3,348,349	2,412,708
Expenditures					
MCEC operations (schedule 1)	1,154,409	-	-	1,154,409	1,333,588
Partner ministries (note 9)	1,194,892	-	-	1,194,892	1,280,439
Designated funds					
Disbursements	52,197	1,127	-	53,324	26,773
Grants	1,170,357	4,000	-	1,174,357	534,628
Total expenditures	3,571,855	5,127	-	3,576,982	3,175,428
Net (expenditures) revenue	(275,792)	47,159	-	(228,633)	(762,720)
Interfund transfers	50,529	(50,529)	-	-	-
Net change in fund balance	(225,263)	(3,370)	-	(228,633)	(762,720)
Fund balance – Beginning of year	6,977,953	1,203,060	496,188	8,677,201	9,439,921
Fund balance – End of year	6,752,690	1,199,690	496,188	8,448,568	8,677,201

Mennonite Church Eastern Canada

Statement of Changes in Operating Fund Balances

For the year ended January 31, 2021

								Operating Funds	
	Unrestricted	Invested in capital assets	Discretionary retirement and assistance	Faithful steward	Legacy initiatives	Leadership formation	MCEC property	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations and bequests	1,999,588	-	726	19,572	910,960	-	-	2,930,846	2,160,895
Government subsidies	167,367	-	-	-	-	-	-	167,367	-
Interest	85,708	-	50	29,629	79,634	2,783	46	197,850	218,819
	2,252,663	-	776	49,201	990,594	2,783	46	3,296,063	2,379,714
Less: Amounts designated by donors to external organizations									
Churchwide agencies	-	-	-	-	-	-	-	-	2,000
Net revenue	2,252,663	-	776	49,201	990,594	2,783	46	3,296,063	2,377,714
Expenditures									
MCEC operations (schedule 1)	1,153,397	1,012	-	-	-	-	-	1,154,409	1,333,588
Partner ministries (note 9)	1,194,892	-	-	-	-	-	-	1,194,892	1,280,439
Designated funds									
Disbursements	-	-	1,200	33,851	-	11,895	5,251	52,197	25,673
Grants	-	-	1,165	1,110	1,159,279	8,803	-	1,170,357	524,628
	2,348,289	1,012	2,365	34,961	1,159,279	20,698	5,251	3,571,855	3,164,328
Net (expenditures) revenue	(95,626)	(1,012)	(1,589)	14,240	(168,685)	(17,915)	(5,205)	(275,792)	(786,614)
Interfund transfers	97,650	(1,012)	71,540	(68,015)	(79,634)	30,000	-	50,529	160,070
Net change in fund balance	2,024	(2,024)	69,951	(53,775)	(248,319)	12,085	(5,205)	(225,263)	(626,544)
Fund balance – Beginning of year	8,531	3,593	1,648	1,086,395	4,695,416	175,152	1,007,218	6,977,953	7,604,497
Fund balance – End of year	10,555	1,569	71,599	1,032,620	4,447,097	187,237	1,002,013	6,752,690	6,977,953

Mennonite Church Eastern Canada

Statement of Changes in Restricted Fund Balances

For the year ended January 31, 2021

	Externally Restricted Funds					
	Blenheim	Missions Bequests and Donations	Mission Capital	Reesor Memorial	2021	2020
	\$	\$	\$	\$	\$	\$
Revenue						
Donations and bequests	-	28,487	-	-	28,487	6,628
Interest	1,192	18,630	3,584	393	23,799	28,366
	1,192	47,117	3,584	393	52,286	34,994
Expenditures						
Disbursements	27	-	-	1,100	1,127	1,100
Grants	-	-	4,000	-	4,000	10,000
	27	-	4,000	1,100	5,127	11,100
Net revenue (expenditures)	1,165	47,117	(416)	(707)	47,159	23,894
Interfund transfers	-	(50,529)	-	-	(50,529)	(160,070)
Net change in fund balance	1,165	(3,412)	(416)	(707)	(3,370)	(136,176)
Fund balance – Beginning of year	27,923	789,692	373,567	11,878	1,203,060	1,339,236
Fund balance – End of year	29,088	786,280	373,151	11,171	1,199,690	1,203,060

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Net expenditures	(228,633)	(762,720)
Amortization of capital assets	1,012	1,012
Net changes in non-cash working capital balances		
Decrease in accounts receivable	15,323	27,488
Decrease in prepaid expenses	6,459	5,174
Decrease in accounts payable and accrued liabilities	(33,712)	(2,011)
Increase in government remittances payable	828	489
Decrease in deferred contributions	(7,708)	(36,599)
	<u>(246,431)</u>	<u>(767,167)</u>
Investing activities		
Net change in loans receivable	(50,000)	-
Change in term deposit investments	1,174,655	287,069
	<u>1,124,655</u>	<u>287,069</u>
Increase (decrease) in cash and short-term deposits	878,224	(480,098)
Cash and short-term deposits – Beginning of year	<u>2,432,047</u>	<u>2,912,145</u>
Cash and short-term deposits – End of year	<u>3,310,271</u>	<u>2,432,047</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2021

1 Nature of operations

Mennonite Church Eastern Canada (the Church) is a body of Mennonite congregations located in Eastern Canada, including Ontario, Quebec and New Brunswick. The Church is a corporation without share capital incorporated under the laws of Ontario. The Church is registered with Canada Revenue Agency as a charitable organization and hence is not subject to income taxes.

2 Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO), applied within the framework of the accounting policies noted below:

a) Fund accounting

The accounts of the Church are maintained in accordance with the restricted fund method of accounting for contributions whereby resources are classified for accounting and reporting purposes into funds associated with specified activities and objectives.

i) Operating fund

The operating fund accounts for all assets, liabilities, revenues and expenditures related to the Church's program delivery and administrative activities, including those capital assets used directly therein. The operating fund also consists of funds internally restricted by the Executive Council of the Church, which relates to monies which are received by the Church as general revenue or undesignated income, and subsequently allocated by the Church for a particular purpose. These internally restricted amounts are not available for any other purposes without the approval of the Executive Council of the Church.

ii) Restricted funds

Restricted funds include those assets, liabilities, revenue and expenditures which have been restricted as to the use of either the capital and/or interest therefrom by a donor.

Monies received by the Church that are designated by the donor to support a particular ministry of the Church are considered to be externally restricted and are included in the restricted funds.

iii) Capital Fund

The Church has title to land and buildings which are used by other organizations. These properties are not used in the direct operations of the Church.

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Notes to Financial Statements

January 31, 2021

b) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the operating fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. The Church does not recognize pledges until they are received.

Investment income earned on restricted fund resources is recognized as revenue of the respective fund and maintained within the restricted fund until spent. Other investment income is recognized as revenue of the operating fund when earned.

c) Capital assets

Purchased capital assets of the operating fund are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution, where fair value can reasonably be estimated. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for the office building is 25 years, for furniture and equipment is 5 years, for computer equipment is 3 years, for equipment under capital lease is 5 years, and for leasehold improvements is 10 years. Amortization expense is reported in the operating fund.

Capital assets recorded in the capital fund include church properties and residences purchased prior to 1965, all of which are recorded at nominal value, and other church properties and residences carried at cost. As these assets are used by other organizations, no amortization is recorded.

d) Financial instruments

The Church's financial instruments consist of cash and short-term deposits, investment shares, accounts receivable, loans receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Church is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values unless otherwise noted.

3 Due from other funds

In order to fund the \$1,425,000 loan receivable, disclosed in note 6, the MCEC Property Fund has borrowed \$398,227 (2020 – \$398,227) from the Legacy Initiatives Fund, both of which are Internally Restricted Funds.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2021

4 Investment shares

In the fiscal year ended January 31, 2006 the Church purchased \$158,706 in Class B shares in the Kindred Credit Union. Under the agreement, 10 percent of the shares are redeemable in any given year at the Church's discretion.

5 Capital assets

a) Operating fund

	Cost \$	Accumulated depreciation \$	2021 \$	2020 \$
Leasehold improvements	9,110	7,541	1,569	2,581

b) Capital fund

	2021 \$	2020 \$
Church properties and residences	96,499	96,499
74 Firvalley Court, Toronto	330,670	330,670
120 Duluth Avenue E., Montréal	69,019	69,019
	<u>496,188</u>	<u>496,188</u>

6 Loans receivable

	2021 \$	2020 \$
Interest bearing loans receivable	1,425,000	1,425,000
Non-interest bearing loans receivable	150,000	100,000
	<u>1,575,000</u>	<u>1,525,000</u>

Included in interest bearing loans receivable is \$1,425,000 owing from Mennonite Central Committee Ontario, which earns interest at 5.5% annually and matures on October 15, 2023. Monthly payments on account of the loan are for interest only and are recognized as income in the operating fund.

Included in non-interest bearing loans receivable is \$150,000 owing from three churches of which each church owes \$50,000. The loans mature on September 20, 2023, October 15, 2023 and February 28, 2024 respectively, and are repayable in full at that time.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2021

7 Commitments

Payment for operating lease commitments in fiscal year ending is as follows:

	\$
January 31, 2022	79,039
2023	55,727

8 Congregational giving

Congregational giving amounts to Mennonite Church Canada are to be determined annually as a fixed amount. In the current year, \$570,000 was paid to MC Canada, of which \$31,085 was paid directly to MC Canada by MCEC congregations and individuals.

Separate amounts collected and passed through to MC Canada amounted to \$249,672 (2020 – \$294,153) and are designated for specified Witness and Partner programs.

9 Partner ministries

	2021 \$	2020 \$
Agencies		
Mennonite World Conference	14,187	6,962
Mennonite Church Canada	780,562	874,199
Mennonite Central Committee	800	250
Anabaptist Mennonite Biblical Seminary	40,000	40,000
Camps		
Hidden Acres Mennonite Camp	10,923	10,923
Ontario Mennonite Music Camp	2,185	2,184
Silver Lake Mennonite Camp	10,923	10,923
Willowgrove Camp	10,923	10,923
Schools		
Rockway Mennonite Collegiate	70,215	70,215
United Mennonite Educational Institute	26,510	26,510
Conrad Grebel University College	146,462	146,462
Publications		
<i>Canadian Mennonite</i>	81,202	80,888
	<u>1,194,892</u>	<u>1,280,439</u>

10 Pension costs

During the year, \$39,571 (2020 – \$38,863) was paid and expensed for defined contribution pension costs for the Church employees as part of the Mennonite Church Canada pension plan.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2021

11 Significant event

During a significant portion of the fiscal year, the impact of COVID-19 in Canada and on the global economy was felt in varying degrees. The global pandemic has disrupted economic activities and has impacted MCEC's operations in various ways, including regional lockdowns affecting the in-person gatherings of congregations. Although, the current impacts of the pandemic have not significantly impacted the operational results of MCEC, the full duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amount of donations or congregational giving in the future.

Mennonite Church Eastern Canada

MCEC Operations (Schedule 1)

For the year ended January 31, 2021

	Executive Council \$	Congregation al Resourcing \$	Leadership Council \$	Mission Council \$	Operations and Occupancy Costs \$	2021 \$	2020 \$
Revenue							
Dues, fees, recoveries	200	1,417	5,852	20,785	58,379	86,633	161,395
Donations – receiptable	-	-	15,866	36,591	-	52,457	50,736
	200	1,417	21,718	57,376	58,379	139,090	212,131
Expenditures							
Staff salary and payroll expenses	92,113	134,240	89,128	201,054	416,427	932,962	919,606
Staff travel and expenses	1,295	6,464	2,089	6,229	1,181	17,258	50,972
Staff professional development	768	1,042	559	722	770	3,861	12,409
Council and committee expenses	1,791	-	858	518	-	3,167	26,901
Resourcing expenses	-	-	13,401	120,755	-	134,156	253,054
Program expenses	750	17,994	13,191	-	30,510	62,445	154,453
Facility expenses	-	-	-	-	109,858	109,858	104,489
Legal and audit expenses	-	-	-	-	29,792	29,792	23,835
	96,717	159,740	119,226	329,278	588,538	1,293,499	1,545,719
Net expenditure	96,517	158,323	97,508	271,902	530,159	1,154,409	1,333,588