

**MENNONITE CHURCH
EASTERN CANADA
FINANCIAL STATEMENTS
JANUARY 31, 2023**

Approved on behalf of the Executive Council:



Moderator



Treasurer



INDEPENDENT AUDITOR'S REPORT

To the Executive Council of Mennonite Church Eastern Canada

Opinion

I have audited the financial statements of **Mennonite Church Eastern Canada**, which comprise the statement of financial position as at **January 31, 2023**, and the statement of operations and change in net assets, the statement of operations and change in net assets - Operating Fund, the statement of operations and change in net assets - Restricted Funds, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion the accompanying financial statements present fairly, in all material respects, the financial position of **Mennonite Church Eastern Canada** as at **January 31, 2023** and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

E.M. Simon CPA

April 25, 2023

Kitchener, ON

E.M. Simon CPA Professional Corporation

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MENNONITE CHURCH EASTERN CANADA
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS - EXTERNALLY RESTRICTED FUNDS
FOR THE YEAR ENDED JANUARY 31, 2023

(With comparative figures for the year ended January 31, 2022)
 (The accompanying notes are an integral part of these financial statements)

	2023				2022	
	Blenheim	Missions Donations	Missions Capital	Reesor Memorial	Total	Total
REVENUE						
Donations, bequests and other	1,595	-	-	-	1,595	75,663
Interest	2,127	9,752	2,840	323	15,042	21,340
	<u>3,722</u>	<u>9,752</u>	<u>2,840</u>	<u>323</u>	<u>16,637</u>	<u>97,003</u>
EXPENDITURES						
Disbursements	-	-	-	-	-	1,100
Grants	-	-	-	-	-	4,000
	-	-	-	-	-	<u>5,100</u>
EXCESS FOR THE YEAR	<u>3,722</u>	<u>9,752</u>	<u>2,840</u>	<u>323</u>	<u>16,637</u>	<u>91,903</u>
OPENING NET ASSETS	29,688	718,982	432,997	10,289	1,191,956	1,199,690
INTERFUND TRANSFERS (note 10)	-	(107,699)	-	-	(107,699)	(99,637)
CLOSING NET ASSETS	<u>\$ 33,410</u>	<u>\$ 621,035</u>	<u>\$ 435,837</u>	<u>\$ 10,612</u>	<u>\$ 1,100,894</u>	<u>\$ 1,191,956</u>

MENNONITE CHURCH EASTERN CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JANUARY 31, 2023

(With comparative figures for the year ended January 31, 2022)

(The accompanying notes are an integral part of these financial statements)

	<u>2023</u>	<u>2022</u>
SOURCES (USES) OF CASH:		
OPERATING ACTIVITIES:		
Excess (deficit) of revenues over expenses	(1,030,895)	(357,981)
Items not affecting cash:		
Amortization	4,694	1,012
Change in non-cash current assets and liabilities		
Term deposit	101,395	-
Accounts receivable	(66,971)	52,796
Prepaid expenses	1,897	(898)
Accounts, payable and accrued	116,186	8,026
Government remittances payable	(2,875)	(20,511)
Deferred contributions	(7,202)	9,251
	<u>(883,771)</u>	<u>(308,305)</u>
INVESTING ACTIVITIES:		
Term deposits	(1,333)	2,109,116
Capital assets purchased	(12,410)	-
Loans receivable - net	-	(442,000)
	<u>(13,743)</u>	<u>1,667,116</u>
FINANCING ACTIVITIES:		
	-	-
CHANGE IN FUNDS	(897,514)	1,358,811
CASH - opening	4,669,082	3,310,271
CASH - closing	<u>\$3,771,568</u>	<u>\$4,669,082</u>

MENNONITE CHURCH EASTERN CANADA

NOTES TO THE FINANCIAL STATEMENTS

JANUARY 31, 2023

1. NATURE AND PURPOSE OF THE ORGANIZATION

Mennonite Church Eastern Canada (the Church, or MCEC) is a body of Mennonite Congregations located in Eastern Canada, including Ontario, Quebec and New Brunswick. The Church is incorporated without share capital under the laws of Ontario. The Church is a charity registered with Canada Revenue Agency, and as such, is not subject to income tax.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

Fund Accounting

Accounts are maintained in accordance with the principles of fund accounting, wherein resources are classified for accounting and reporting purposes into funds associated with specified activities and objectives.

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 with the approval of the Executive Council of the Church. The **Leadership Formation Fund** supports continuing education for pastors and leaders as well as sharing in the cost of pastoral sabbaticals. The **Church's Property Fund** exists to hold and provide for the maintenance of owned properties. The **Discretionary Assistance Fund** provides financial assistance to pastors and leaders within MCEC for compassionate and unexpected needs including but not limited to counselling, psychologist, psychiatrist, temporary income supplement, legal fees. The **Faithful Steward Fund** accumulates estate gifts over \$5,000 or tithing from the Legacy Initiative Fund that were undesignated, and transfers these funds to the Unrestricted Fund annually subject to approval of the Executive Council. The **Legacy Initiatives Fund** was established with a contribution from an estate and funds entrepreneurial missional initiatives through MCEC run programs, partnerships, and grants that advance the core purposes of MCEC in developing disciples, leaders, and congregations. The **Capital Assets** component of the Operating Fund reflects the amortized cost of equipment used within the Church's day-to-day operations.

The **Restricted Funds** include those assets, liabilities, revenues and expenditures that have been restricted as to the use of either the capital and/or interest therefrom, by the 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. The **Mission Donations Fund** accumulates estate gifts over \$5,000 or donations that are designated to the Fund, and forwards funds to the Unrestricted Fund based on a prescribed policy to support the Church's various missions. **Missions Capital Fund** accumulates and disbursed grants and low or no interest loans to congregations seeking to acquire or renovate their first owned or rented worship space. The **Blenheim** and **Ressor Memorial** Funds accumulate and disburse funds for specific projects.

The **Capital Fund** reflects the land and buildings which are used by other organizations. These properties are not used in the direct operations of the Church.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue in the appropriate restricted fund in the year received or receivable provided amounts are reasonably estimable and collection reasonably assured.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, provided amounts are reasonably estimable and collection reasonably assured. The Church does not recognize pledges until they are received.

Investment income earned from restricted fund resources is recognized as revenue of the respective restricted fund and maintained within the Restricted Funds until spent. Other investment income is recognized as revenue of the Operating Fund when earned.

MENNONITE CHURCH EASTERN CANADA
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

Cash consists of amounts held in chequing and savings accounts at financial institutions, plus term certificates with maturities of less than thirty days, if they are used to accommodate fluctuations in day-to-day balances in bank accounts.

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 be reasonably estimated. Amortization is provided on a straight-line basis over the assets' estimated useful lives, is twenty-five years for the office building, five years for furniture and equipment, three years for computer equipment, five years for equipment under capital lease, and ten years for leasehold improvements. Amortization is reflected as an expense of 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.

Financial instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. Financial assets and liabilities are initially measured at fair value, except for non-arm's length transactions, if any. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and changes in net assets. Any previously recognized impairment losses may be reversed and reflected as income to the extent of improvement. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Unless otherwise noted, it is management's opinion, as it was in the prior year, that the Church is not exposed to significant interest, currency or credit risks arising from the Church's financial instruments. The fair value of the financial instruments approximates their carrying values, unless otherwise noted.

3. DUE FROM (TO) OTHER FUNDS

In order to fund the \$1,425,000 loan receivable (note 6), the Church's property fund borrowed \$398,227 from the legacy initiatives fund, both of which are internally restricted funds.

4. CAPITAL ASSETS

	<u>Cost</u>	<u>2023</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2022</u> <u>Net Book</u> <u>Value</u>
Operating Fund				
Leasehold improvements	9,110	9,110	-	557
Equipment and furniture	12,410	4,137	8,273	-
	<u>\$21,520</u>	<u>\$13,247</u>	<u>\$8,273</u>	<u>\$557</u>
Capital Fund				
Church properties and residences	96,499	-	96,499	96,499
74 Firvalley Court, Toronto	330,670	-	330,670	330,670
120 Duluth Avenue E., Montreal	69,019	-	69,019	69,019
	<u>\$496,188</u>	<u>\$0</u>	<u>\$496,188</u>	<u>\$496,188</u>
	<u>\$517,708</u>	<u>\$13,247</u>	<u>\$504,461</u>	<u>\$496,745</u>

MENNONITE CHURCH EASTERN CANADA
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

5. INVESTMENTS AND OTHER FINANCIAL INSTRUMENT ASSETS

	<u>2023</u>	<u>2022</u>
Class B shares of Kindred Credit Union Class B shares - 10% redeemable at 10% in any given year at the Church's discretion.	158,706	158,706
Portion due in the forthcoming year	15,871	15,871
	<u>\$142,835</u>	<u>\$142,835</u>

6. LOANS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Interest bearing loans receivable	1,925,000	1,925,000
Non-interest bearing loans receivable	92,000	92,000
	<u>2,017,000</u>	<u>2,017,000</u>
Portion due in the forthcoming year	1,975,000	-
	<u>\$42,000</u>	<u>\$2,017,000</u>

Interest bearing loans include a \$1,425,000 loan receivable from Mennonite Central Committee Ontario which earns interest at 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.

Interest bearing loans receivable include a \$500,000 loan to Conrad Grebel University College, which bears interest at 2% per annum on the outstanding balance and matures on December 31, 2025, however, MCEC may, with ninety days notice, demand payment. Interest is calculated and payable annually on the anniversary date of the loan.

The non-interest bearing loans receivable reflects a \$92,000 loan receivable owing from two churches of which Meheret Evangelical Church owes \$50,000 and Hochma owes \$42,000. The loans mature on September 30, 2023 and February 28, 2024 respectively, and are repayable in full on maturity.

7. CONGREGATIONAL GIVING

Congregational giving amounts to Mennonite Church Canada are to be determined annually as a fixed amount. In the current year, \$499,274 was paid to Mennonite Church Canada, of which \$8,790 was paid directly to Mennonite Church Canada by the Church's congregations and individuals.

Separate amounts collected and passed through to Mennonite Church Canada amounted to \$175,189 in the current year (\$297,689 in the prior fiscal year) and are designated for specified Witness and Partner programs.

8. PARTNER MINISTRIES

	<u>2023</u>	<u>2022</u>
Agencies		
Mennonite World Conference	6,962	6,962
Mennonite Church of Canada	665,672	774,493
Anabaptist Mennonite Biblical Seminary	40,000	40,000
Camps		
Hidden Acres Mennonite Camp	10,923	10,923
Ontario Mennonite Music Camp	2,185	2,185
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
Congrad Grebel University College	151,462	146,462
Publications		
Canadian Mennonite	85,345	84,603
	<u>\$1,081,120</u>	<u>\$1,184,199</u>

MENNONITE CHURCH EASTERN CANADA
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2023

9. PENSION COSTS

	<u>2023</u>	<u>2022</u>
Amounts paid and expensed for defined contribution pension costs for Church employees as part of the Mennonite Church Canada pension plan.	\$48,939	\$46,714

10. INTERFUND TRANSFERS

The **Mission Donations Fund** - by Fund policy, up to 25% of the opening balance of the fund can be transferred into the operating fund to support the activity of Mission Council.

The **Leadership Formation Fund** and **Discretionary Assistance Fund** - transfers from the Unrestricted Fund represent annual expenditure support.

The **Faithful Steward Fund** - fund policy permits transfers of 15% of the opening balance to the Unrestricted Fund annually to fund expenses of that Fund. Additional amounts can also be transferred at the discretion of Executive Council.

The **Legacy Initiatives Fund** - transfers represent approved transfers to the Unrestricted Fund to support specific expenditures, plus a transfer of investment income.

The **Capital Assets** - transfers represent approved transfers from the Unrestricted Fund to fund the purchase of capital assets.

11. COMMITMENTS

The organization has a lease commitment with respect to its premises which requires monthly payments of \$6,594 until Oct

**MENNONITE CHURCH EASTERN CANADA
CHURCH OPERATIONS
FOR THE YEAR ENDED JANUARY 31, 2023**

(With comparative figures for the year ended January 31, 2022)

(The accompanying notes are an integral part of these financial statements)

	2023					2022	
	Executive Council	Congregational Resources	Leadership Council	Mission Council	Operations and Occupancy	Total	Total
EXPENDITURES							
Staff salaries and benefits	129,354	169,763	96,161	235,380	420,655	1,051,313	994,233
Staff travel and other	2,889	15,399	9,247	26,907	7,390	61,832	25,263
Staff professional development	13,099	1,257	1,019	410	65	15,850	13,645
Council and committee	23,319	-	4,695	379	203	28,596	2,876
Resourcing	-	-	155	112,260	-	112,415	141,547
Program	2,079	3,300	23,100	-	60,350	88,829	33,435
Facilities	-	-	-	-	148,609	148,609	141,796
Professional fees	-	-	-	-	91,984	91,984	28,000
Information technology	-	-	-	-	34,859	34,859	31,789
	170,740	189,719	134,377	375,336	764,115	1,634,287	1,412,584
REVENUE							
Dues, fees, recoveries	1,443	2,335	5,075	20,878	75,605	105,336	103,183
Receiptable donations	-	-	23,100	25,849	-	48,949	55,117
	1,443	2,335	28,175	46,727	75,605	154,285	158,300
NET EXPENDITURES	\$ 169,297	\$ 187,384	\$ 106,202	\$ 328,609	\$ 688,510	\$ 1,480,002	\$ 1,254,284