

Mennonite Church Eastern Canada

Financial Statements

January 31, 2022



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, 2022 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, 2022;
- 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 funds 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 cash donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue 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 used in operating activities for the years ended January 31, 2022 and 2021, current assets as at January 31, 2022 and 2021 and net assets as at the beginning and the end of the years ended January 31, 2022 and 2021. Our audit opinion on the financial statements for the year ended January 31, 2021 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.

PricewaterhouseCoopers LLP
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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 30, 2022

Mennonite Church Eastern Canada

Balance Sheet

As at January 31, 2022

	Operating Fund			Restricted Funds	Capital Fund	2022	2021
	Unrestricted	Invested in capital assets	Internally restricted				
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash and short-term deposits	684,844	-	3,381,918	602,320	-	4,669,082	3,310,271
Accounts receivable	24,704	-	5,444	674	-	30,822	83,618
Prepaid expenses	1,897	-	-	-	-	1,897	999
Term deposit investments	-	-	101,395	-	-	101,395	2,996,891
Due from other funds (note 3)	32,780	-	810,047	375,609	-	1,218,436	865,050
Investment shares (note 4)	-	-	15,871	-	-	15,871	15,871
Total current assets	744,225	-	4,314,675	978,603	-	6,037,503	7,272,700
Investment shares (note 4)	-	-	142,835	-	-	142,835	142,835
Term deposit investments	-	-	665,000	121,380	-	786,380	-
Capital assets (note 5)	-	557	-	-	496,188	496,745	497,757
Loans receivable (note 6)	-	-	1,925,000	92,000	-	2,017,000	1,575,000
Total assets	744,225	557	7,047,510	1,191,983	496,188	9,480,463	9,488,292
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	92,022	-	-	-	-	92,022	108,101
Government remittances payable	24,105	-	-	-	-	24,105	20,511
Deferred contributions	55,313	-	-	-	-	55,313	46,062
Due to other funds (note 3)	561,307	-	657,102	27	-	1,218,436	865,050
Total current liabilities	732,747	-	657,102	27	-	1,389,876	1,039,724
Net assets							
Invested in capital assets	-	557	-	-	496,188	496,745	497,757
Externally restricted	-	-	-	1,191,956	-	1,191,956	1,199,690
Internally restricted	-	-	6,390,408	-	-	6,390,408	6,740,566
Unrestricted	11,478	-	-	-	-	11,478	10,555
Total net assets	11,478	557	6,390,408	1,191,956	496,188	8,090,587	8,448,568
Total liabilities and net assets	744,225	557	7,047,510	1,191,983	496,188	9,480,463	9,488,292

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2022

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2022 \$	2021 \$
Revenue					
Donations, bequests and other revenue	2,266,376	75,663	-	2,342,039	2,959,333
Government subsidies	3,254	-	-	3,254	167,367
Interest	182,451	21,340	-	203,791	221,649
Net revenue	2,452,081	97,003	-	2,549,084	3,348,349
Expenditures					
The Church's operations (schedule 1)	1,254,284	-	-	1,254,284	1,154,409
Partner ministries (note 9)	1,184,199	-	-	1,184,199	1,194,892
Designated funds					
Disbursements	412,411	1,100	-	413,511	53,324
Grants	51,071	4,000	-	55,071	1,174,357
Total expenditures	2,901,965	5,100	-	2,907,065	3,576,982
Net (expenditures) revenue	(449,884)	91,903	-	(357,981)	(228,633)
Interfund transfers	99,637	(99,637)	-	-	-
Net change in fund balances	(350,247)	(7,734)	-	(357,981)	(228,633)
Fund balances – Beginning of year	6,752,690	1,199,690	496,188	8,448,568	8,677,201
Fund balances – End of year	6,402,443	1,191,956	496,188	8,090,587	8,448,568

Mennonite Church Eastern Canada

Statement of Changes in Operating Fund Balances

For the year ended January 31, 2022

								Operating Fund	
	Unrestricted \$	Invested in capital assets \$	Discretionary retirement and assistance \$	Faithful steward \$	Legacy initiatives \$	Leadership formation \$	The Church's property \$	2022 \$	2021 \$
Revenue									
Donations, bequests and other revenue	2,082,550	-	610	183,216	-	-	-	2,266,376	2,930,846
Government subsidies	3,254	-	-	-	-	-	-	3,254	167,367
Interest	83,955	-	826	22,194	72,999	2,431	46	182,451	197,850
	<u>2,169,759</u>	<u>-</u>	<u>1,436</u>	<u>205,410</u>	<u>72,999</u>	<u>2,431</u>	<u>46</u>	<u>2,452,081</u>	<u>3,296,063</u>
Expenditures									
The Church's operations (schedule 1)	1,253,272	1,012	-	-	-	-	-	1,254,284	1,154,409
Partner ministries (note 9)	1,184,199	-	-	-	-	-	-	1,184,199	1,194,892
Designated funds									
Disbursements	-	-	100	20,705	345,104	38,507	7,995	412,411	52,197
Grants	-	-	658	-	46,000	4,413	-	51,071	1,170,357
	<u>2,437,471</u>	<u>1,012</u>	<u>758</u>	<u>20,705</u>	<u>391,104</u>	<u>42,920</u>	<u>7,995</u>	<u>2,901,965</u>	<u>3,571,855</u>
Net (expenditures) revenue	(267,712)	(1,012)	678	184,705	(318,105)	(40,489)	(7,949)	(449,884)	(275,792)
Interfund transfers	268,725	-	6,500	(130,865)	(74,723)	30,000	-	99,637	50,529
Net change in fund balance	1,013	(1,012)	7,178	53,840	(392,828)	(10,489)	(7,949)	(350,247)	(225,263)
Fund balance – Beginning of year	10,465	1,569	71,599	1,032,710	4,447,097	187,237	1,002,013	6,752,690	6,977,953
Fund balance – End of year	<u>11,478</u>	<u>557</u>	<u>78,777</u>	<u>1,086,550</u>	<u>4,054,269</u>	<u>176,748</u>	<u>994,064</u>	<u>6,402,443</u>	<u>6,752,690</u>

Mennonite Church Eastern Canada

Statement of Changes in Restricted Funds Balances

For the year ended January 31, 2022

	Externally Restricted Funds					
	Blenheim \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2022 \$	2021 \$
Revenue						
Donations, bequests and other revenue	-	14,788	60,875	-	75,663	28,487
Interest	600	17,551	2,971	218	21,340	23,799
	600	32,339	63,846	218	97,003	52,286
Expenditures						
Disbursements	-	-	-	1,100	1,100	1,127
Grants	-	-	4,000	-	4,000	4,000
	-	-	4,000	1,100	5,100	5,127
Net revenue (expenditures)	600	32,339	59,846	(882)	91,903	47,159
Interfund transfers	-	(99,637)	-	-	(99,637)	(50,529)
Net change in funds balance	600	(67,298)	59,846	(882)	(7,734)	(3,370)
Funds balance – Beginning of year	29,088	786,280	373,151	11,171	1,199,690	1,203,060
Funds balance – End of year	29,688	718,982	432,997	10,289	1,191,956	1,199,690

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Net expenditures	(357,981)	(228,633)
Amortization of capital assets	1,012	1,012
Changes in non-cash working capital balances		
Decrease in accounts receivable	52,796	15,323
(Increase) decrease in prepaid expenses	(898)	6,459
Increase (decrease) in accounts payable and accrued liabilities	8,026	(33,712)
(Decrease) increase in government remittances payable	(20,511)	828
Increase (decrease) in deferred contributions	9,251	(7,708)
	<hr/>	<hr/>
	(308,305)	(246,431)
Investing activities		
Net change in loans receivable	(442,000)	(50,000)
Change in term deposit investments	2,109,116	1,174,655
	<hr/>	<hr/>
	1,667,116	1,124,655
Increase in cash and short-term deposits during the year	1,358,811	878,224
Cash and short-term deposits – Beginning of year	<hr/>	<hr/>
	3,310,271	2,432,047
Cash and short-term deposits – End of year	<hr/>	<hr/>
	4,669,082	3,310,271

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2022

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

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 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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2022

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 Funds 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 five years, for computer equipment is three years, for equipment under capital lease is five years, and for leasehold improvements is ten 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, term deposit investments, 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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2022

3 Due from (to) other funds

In order to fund the \$1,425,000 loan receivable, disclosed in note 6, the Church's property fund has borrowed \$398,227 (2021 – \$398,227) from the legacy initiatives fund, both of which are internally restricted funds.

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% of the shares are redeemable in any given year at the Church's discretion.

5 Capital assets

Operating Fund

	Cost \$	Accumulated depreciation \$	2022 \$	2021 \$
Leasehold improvements	9,110	8,553	557	1,569

Capital Fund

	2022 \$	2021 \$
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

	2022 \$	2021 \$
Interest bearing loans receivable	1,925,000	1,425,000
Non-interest bearing loans receivable	92,000	150,000
	<u>2,017,000</u>	<u>1,575,000</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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2022

During the year, the Church issued a loan receivable of \$500,000 to Conrad Grebel University College, bearing interest at 2% per annum on the outstanding principal balance and maturing on December 31, 2025. Interest is calculated and payable annually on the anniversary date of the loan.

Included in non-interest bearing loans receivable is \$92,000 owing from two churches of which Meheret Evangelical Church owes \$50,000 and Hochma owes \$42,000. The loans mature on September 20, 2023 and February 28, 2024, respectively, and are repayable in full at that time.

7 Commitments

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

	\$
January 31, 2023	55,727

8 Congregational giving

Congregational giving amounts to Mennonite Church Canada (MC Canada) are to be determined annually as a fixed amount. In the current year, \$500,411 was paid to MC Canada, of which \$23,607 was paid directly to MC Canada by the Church's congregations and individuals.

Separate amounts collected and passed through to MC Canada amounted to \$297,689 (2021 – \$249,672) and are designated for specified Witness and Partner programs.

9 Partner ministries

	2022 \$	2021 \$
Agencies		
Mennonite World Conference	6,962	14,187
Mennonite Church Canada	774,493	780,562
Mennonite Central Committee	-	800
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
Conrad Grebel University College	146,462	146,462
Publications		
Canadian Mennonite	84,603	81,202
	<u>1,184,199</u>	<u>1,194,892</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2022

10 Pension costs

During the year, \$46,714 (2021 – \$39,571) was paid and expensed for defined contribution pension costs for the Church employees as part of the Mennonite Church Canada pension plan.

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 the Church'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 the Church, 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

The Church's Operations (Schedule 1)

For the year ended January 31, 2022

	Executive Council \$	Congregational Resourcing \$	Leadership Council \$	Mission Council \$	Operations and Occupancy Costs \$	2022 \$	2021 \$
Revenue							
Dues, fees, recoveries	927	1,757	2,779	29,413	68,307	103,183	86,633
Donations – receiptable	-	-	16,087	39,030	-	55,117	52,457
	927	1,757	18,866	68,443	68,307	158,300	139,090
Expenditures							
Staff salary and payroll expenses	91,370	129,660	91,211	208,154	473,838	994,233	932,962
Staff travel and expenses	2,075	5,726	2,809	13,588	1,065	25,263	17,258
Staff professional development	7,535	1,735	465	762	3,148	13,645	3,861
Council and committee expenses	1,885	-	753	198	40	2,876	3,167
Resourcing expenses	-	-	16,384	125,163	-	141,547	134,156
Program expenses	750	6,414	16,087	-	29,543	52,794	62,445
Facility expenses	-	-	-	-	122,437	122,437	109,858
Legal and audit expenses	-	-	-	-	28,000	28,000	29,792
IT expenses	-	-	-	-	31,789	31,789	-
	103,615	143,535	127,709	347,865	689,860	1,412,584	1,293,499
Net expenditures	102,688	141,778	108,843	279,422	621,553	1,254,284	1,154,409