

Mennonite Church Eastern Canada

Financial Statements

January 31, 2020



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, 2020 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, 2020;
- 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 a summary of significant accounting policies.

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, 2020 and 2019, current assets as at January 31, 2020 and 2019 and net assets as at the beginning and the end of the years ended January 31, 2020 and 2019. Our audit opinion on the financial statements for the year ended January 31, 2019 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 17, 2020

Mennonite Church Eastern Canada

Balance Sheet

As at January 31, 2020

	Operating Fund			Restricted Fund	Capital Fund	2020	2019
	Unrestricted	Invested in capital assets	Internally restricted				
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash and short-term deposits	413,200	-	1,706,671	312,176	-	2,432,047	2,912,145
Accounts receivable	21,366	-	64,807	12,768	-	98,941	126,429
Prepaid expenses	7,458	-	-	-	-	7,458	12,632
Term deposit investments	-	-	1,150,000	125,000	-	1,275,000	275,315
Due from other funds (note 4)	29,358	1,012	594,794	50,000	-	675,164	425,344
Investment shares (note 5)	-	-	15,871	-	-	15,871	15,871
Total current assets	471,382	1,012	3,532,143	499,944	-	4,504,481	3,767,736
Investment shares (note 5)	-	-	142,835	-	-	142,835	142,835
Term deposit investments	-	-	2,288,905	607,641	-	2,896,546	4,183,300
Capital assets (note 6)	-	2,581	-	-	496,188	498,769	499,781
Loans receivable (note 7)	-	-	1,425,000	100,000	-	1,525,000	1,525,000
Total assets	471,382	3,593	7,388,883	1,207,585	496,188	9,567,631	10,118,652
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	141,813	-	-	-	-	141,813	143,824
Government remittances payable	19,683	-	-	-	-	19,683	19,194
Deferred contributions	53,770	-	-	-	-	53,770	90,369
Due to other funds (note 4)	247,585	-	423,054	4,525	-	675,164	425,344
Total current liabilities	462,851	-	423,054	4,525	-	890,430	678,731
Net assets							
Invested in capital assets	-	3,593	-	-	496,188	499,781	499,781
Externally restricted	-	-	-	1,203,060	-	1,203,060	1,339,236
Internally restricted	-	-	6,965,829	-	-	6,965,829	7,592,373
Unrestricted	8,531	-	-	-	-	8,531	8,531
Total net assets	8,531	3,593	6,965,829	1,203,060	496,188	8,677,201	9,439,921
Total liabilities and net assets	471,382	3,593	7,388,883	1,207,585	496,188	9,567,631	10,118,652

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2020

	Operating Fund \$	Restricted Fund \$	Capital Fund \$	2020 \$	2019 \$
Revenue					
Donations, bequests and other revenue	2,160,895	6,628	-	2,167,523	2,377,688
Interest	218,819	28,366	-	247,185	256,768
	<u>2,379,714</u>	<u>34,994</u>	<u>-</u>	<u>2,414,708</u>	<u>2,634,456</u>
Less: Amounts designated by donors to external organizations					
Churchwide agencies	2,000	-	-	2,000	2,951
Mennonite Central Committee	-	-	-	-	2,460
	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>5,411</u>
Net revenue	<u>2,377,714</u>	<u>34,994</u>	<u>-</u>	<u>2,412,708</u>	<u>2,629,045</u>
Expenditures					
MCEC operations (schedule 1)	1,333,588	-	-	1,333,588	1,365,170
Partner ministries (note 10)	1,280,439	-	-	1,280,439	1,312,075
Designated funds					
Disbursements	25,673	1,100	-	26,773	53,154
Grants	524,628	10,000	-	534,628	1,396,588
Total expenditures	<u>3,164,328</u>	<u>11,100</u>	<u>-</u>	<u>3,175,428</u>	<u>4,126,987</u>
Net (expenditures) revenue	<u>(786,614)</u>	<u>23,894</u>	<u>-</u>	<u>(762,720)</u>	<u>(1,497,942)</u>
Interfund transfers	<u>160,070</u>	<u>(160,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(626,544)</u>	<u>(136,176)</u>	<u>-</u>	<u>(762,720)</u>	<u>(1,497,942)</u>
Fund balance – Beginning of year	<u>7,604,497</u>	<u>1,339,236</u>	<u>496,188</u>	<u>9,439,921</u>	<u>10,937,863</u>
Fund balance – End of year	<u>6,977,953</u>	<u>1,203,060</u>	<u>496,188</u>	<u>8,677,201</u>	<u>9,439,921</u>

Mennonite Church Eastern Canada
Statement of Changes in Operating Fund Balances
For the year ended January 31, 2020

								Operating Funds	
	Unrestricted	Invested in capital assets	Discretionary retirement and assistance	Faithful steward	Legacy initiatives	Leadership formation	MCEC property	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations and bequests	2,160,895	-	-	-	-	-	-	2,160,895	2,333,904
Interest	81,620	-	137	27,339	106,626	3,094	3	218,819	222,494
	<u>2,242,515</u>	<u>-</u>	<u>137</u>	<u>27,339</u>	<u>106,626</u>	<u>3,094</u>	<u>3</u>	<u>2,379,714</u>	<u>2,556,398</u>
Less: Amounts designated by donors to external organizations									
Churchwide agencies	2,000	-	-	-	-	-	-	2,000	2,951
Mennonite Central Committee	-	-	-	-	-	-	-	-	2,460
	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>5,411</u>
Net revenue	<u>2,240,515</u>	<u>-</u>	<u>137</u>	<u>27,339</u>	<u>106,626</u>	<u>3,094</u>	<u>3</u>	<u>2,377,714</u>	<u>2,550,987</u>
Expenditures									
MCEC operations (schedule 1)	1,332,576	1,012	-	-	-	-	-	1,333,588	1,365,170
Partner ministries (note 10)	1,280,439	-	-	-	-	-	-	1,280,439	1,312,075
Designated funds									
Disbursements	-	-	5,449	5,090	-	14,972	162	25,673	51,991
Grants	-	-	12,109	-	504,861	7,658	-	524,628	929,288
	<u>2,613,015</u>	<u>1,012</u>	<u>17,558</u>	<u>5,090</u>	<u>504,861</u>	<u>22,630</u>	<u>162</u>	<u>3,164,328</u>	<u>3,658,524</u>
Net (expenditures) revenue	<u>(372,500)</u>	<u>(1,012)</u>	<u>(17,421)</u>	<u>22,249</u>	<u>(398,235)</u>	<u>(19,536)</u>	<u>(159)</u>	<u>(786,614)</u>	<u>(1,107,537)</u>
Interfund transfers	372,500	1,012	6,500	(235,942)	(10,000)	26,000	-	160,070	179,852
Net change in fund balance	-	-	(10,921)	(213,693)	(408,235)	6,464	(159)	(626,544)	(927,685)
Fund balance – Beginning of year	8,531	3,593	12,569	1,300,088	5,103,651	168,688	1,007,377	7,604,497	8,532,182
Fund balance – End of year	<u>8,531</u>	<u>3,593</u>	<u>1,648</u>	<u>1,086,395</u>	<u>4,695,416</u>	<u>175,152</u>	<u>1,007,218</u>	<u>6,977,953</u>	<u>7,604,497</u>

Mennonite Church Eastern Canada

Statement of Changes in Restricted Fund Balances

For the year ended January 31, 2020

	Externally Restricted Funds					
	Blenheim \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2020 \$	2019 \$
Revenue						
Donations and bequests	-	1,628	5,000	-	6,628	43,784
Interest	1,058	22,874	4,121	313	28,366	34,274
	<u>1,058</u>	<u>24,502</u>	<u>9,121</u>	<u>313</u>	<u>34,994</u>	<u>78,058</u>
Expenditures						
Disbursements	-	-	-	1,100	1,100	1,163
Grants	-	-	10,000	-	10,000	467,300
	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>1,100</u>	<u>11,100</u>	<u>468,463</u>
Net revenue (expenditures)	1,058	24,502	(879)	(787)	23,894	(390,405)
Interfund transfers	-	(160,070)	-	-	(160,070)	(179,852)
Net change in fund balance	1,058	(135,568)	(879)	(787)	(136,176)	(570,257)
Fund balance – Beginning of year	26,865	925,260	374,446	12,665	1,339,236	1,909,493
Fund balance – End of year	<u>27,923</u>	<u>789,692</u>	<u>373,567</u>	<u>11,878</u>	<u>1,203,060</u>	<u>1,339,236</u>

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Net expenditures	(762,720)	(1,497,942)
Amortization of capital assets	1,012	19,686
Net changes in non-cash working capital balances		
Decrease (increase) in accounts receivable	27,488	(95,841)
Decrease (increase) in prepaid expenses	5,174	(4,455)
(Decrease) increase in accounts payable and accrued liabilities	(2,011)	5,240
Increase in government remittances payable	489	2,016
Decrease in deferred contributions	(36,599)	(27,484)
	<u>(767,167)</u>	<u>(1,598,780)</u>
Investing activities		
Net change in loans receivable	-	(100,000)
Change in term deposit investments	287,069	(3,785,816)
	<u>287,069</u>	<u>(3,885,816)</u>
Decrease in cash and short-term deposits	(480,098)	(5,484,596)
Cash and short-term deposits – Beginning of year	<u>2,912,145</u>	<u>8,396,741</u>
Cash and short-term deposits – End of year	<u>2,432,047</u>	<u>2,912,145</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2020

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 Change in presentation

During the year, the Church changed its presentation such that internally restricted funds are shown within the operating fund rather than the restricted fund. As a result, the comparative amounts relating to internally restricted funds which were previously included within the Statement of Changes in Restricted Fund Balances are now shown within the Statement of Changes in Operating Fund Balances. There was no impact on the comparatives included in the Balance Sheet as at January 31, 2019 or the Statements of Operations and Fund Balances and Cash Flows for the year then ended.

3 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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2020

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.

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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2020

4 Due from other funds

In order to fund the \$1,425,000 loan receivable, the MCEC Property Fund has borrowed \$398,227 (2019 – \$398,227) from the Legacy Initiatives Fund, both of which are Internally Restricted Funds.

5 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.

6 Capital assets

a) Operating fund

	Cost \$	Accumulated depreciation \$	2020 \$	2019 \$
Furniture and equipment	80,992	80,992	-	-
Computer equipment	2,102	2,102	-	-
Leasehold improvements	9,110	6,529	2,581	3,593
	<u>92,204</u>	<u>89,623</u>	<u>2,581</u>	<u>3,593</u>

b) Capital fund

	2020 \$	2019 \$
Church properties and residences	96,499	96,499
74 Firvalley Court, Toronto	330,670	330,670
120 Duluth Avenue E., Montreal	69,019	69,019
	<u>496,188</u>	<u>496,188</u>

7 Loans receivable

	2020 \$	2019 \$
Interest bearing loans receivable	1,425,000	1,425,000
Non-interest bearing loans receivable	100,000	100,000
	<u>1,525,000</u>	<u>1,525,000</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2020

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 \$100,000 owing from two churches of which each church owes \$50,000. The loans mature on September 20, 2023 and February 28, 2024 respectively, and are repayable in full at that time.

8 Commitments

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

	\$
January 31,	
2021	79,806
2022	78,918
2023	79,039
2024	55,727

9 Congregational giving

Congregational giving amounts to Mennonite Church Canada are to be determined annually as a fixed amount. In the current year, \$610,250 was paid to MC Canada, of which \$27,955 was paid directly to MC Canada by MCEC congregations and individuals.

Separate amounts collected and passed through to MC Canada amounted to \$294,153 (2019 - \$297,998) and are designated for specified Witness and Partner programs.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2020

10 Partner ministries

	2020 \$	2019 \$
Agencies		
Mennonite World Conference	6,962	8,962
Mennonite Church Canada	874,199	874,655
Mennonite Central Committee	250	951
Anabaptist Mennonite Biblical Seminary	40,000	56,000
Camps		
Hidden Acres Mennonite Camp	10,923	11,498
Ontario Mennonite Music Camp	2,184	2,300
Silver Lake Mennonite Camp	10,923	11,498
Willowgrove Camp	10,923	11,498
Schools		
Rockway Mennonite Collegiate	70,215	73,911
United Mennonite Educational Institute	26,510	27,905
Conrad Grebel University College	146,462	154,171
Publications		
<i>Canadian Mennonite</i>	80,888	78,726
	<u>1,280,439</u>	<u>1,312,075</u>

11 Pension costs

During the year, \$38,863 (2019 – \$35,353) 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

MCEC Operations (Schedule 1)

For the year ended January 31, 2020

	Executive Council \$	Congregation al Resourcing \$	Leadership Council \$	Mission Council \$	Operations and Occupancy Costs \$	2020 \$	2019 \$
Revenue							
Dues, fees, recoveries	855	42,654	7,347	29,794	80,745	161,395	133,584
Donations – receiptable	-	200	21,486	28,550	500	50,736	39,464
	855	42,854	28,833	58,344	81,245	212,131	173,048
Expenditures							
Staff salary and payroll expenses	94,626	139,685	82,939	196,135	406,221	919,606	859,322
Staff travel and expenses	6,562	14,763	6,925	15,804	6,918	50,972	42,229
Staff professional development	9,163	814	618	609	1,205	12,409	7,944
Council and committee expenses	22,556	-	1,283	2,637	425	26,901	25,794
Resourcing expenses	-	-	27,724	225,330	-	253,054	247,459
Program expenses	5,462	65,477	21,486	-	62,028	154,453	207,198
Facility expenses	-	-	-	-	104,489	104,489	128,352
Legal and audit expenses	-	-	-	-	23,835	23,835	19,920
	138,369	220,739	140,975	440,515	605,121	1,545,719	1,538,218
Net expenditure	137,514	177,885	112,142	382,171	523,876	1,333,588	1,365,170