

# **Mennonite Church Eastern Canada**

Financial Statements  
**January 31, 2017**



March 22, 2017

## **Independent Auditor's Report**

### **To the Members of Mennonite Church Eastern Canada**

We have audited the accompanying financial statements of Mennonite Church Eastern Canada (the "Church"), which comprise the balance sheet as at January 31, 2017 and the statements of operations and fund balances, changes in restricted fund balances, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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**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 donation revenues, net revenue (expenditures) and cash flows from operations for the years ended January 31, 2017 and January 31, 2016, current assets as at January 31, 2017 and January 31, 2016 and net assets as at the beginning and the end of the years ended January 31, 2017 and January 31, 2016. Our audit opinion on the financial statements for the year ended January 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Church as at January 31, 2017 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Mennonite Church Eastern Canada

## Balance Sheet

As at January 31, 2017

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2017 \$	2016 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and short-term deposits	259,697	5,916,005	-	6,175,702	7,116,694
Accounts receivable	16,668	9,787	-	26,455	31,307
Prepaid expenses	7,634	-	-	7,634	14,676
Term deposit investments	-	270,370	-	270,370	150,000
Due from other funds (note 3)	-	398,227	-	398,227	398,227
Investment shares (note 4)	-	15,871	-	15,871	15,871
<b>Total current assets</b>	<b>283,999</b>	<b>6,610,260</b>	<b>-</b>	<b>6,894,259</b>	<b>7,726,775</b>
<b>Investment shares</b> (note 4)	<b>-</b>	<b>142,835</b>	<b>-</b>	<b>142,835</b>	<b>142,835</b>
<b>Term deposit investments</b>	<b>-</b>	<b>275,000</b>	<b>-</b>	<b>275,000</b>	<b>425,000</b>
<b>Capital assets</b> (note 5)	<b>36,222</b>	<b>-</b>	<b>496,189</b>	<b>532,411</b>	<b>545,355</b>
<b>Loans receivable</b> (note 6)	<b>-</b>	<b>1,427,501</b>	<b>-</b>	<b>1,427,501</b>	<b>1,427,501</b>
<b>Total assets</b>	<b>320,221</b>	<b>8,455,596</b>	<b>496,189</b>	<b>9,272,006</b>	<b>10,267,466</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	160,022	541	-	160,563	461,994
Government remittances payable	17,943	-	-	17,943	19,775
Deferred contributions	124,910	-	-	124,910	135,305
Due to other funds (note 3)	-	398,227	-	398,227	398,227
<b>Total current liabilities</b>	<b>302,875</b>	<b>398,768</b>	<b>-</b>	<b>701,643</b>	<b>1,015,301</b>
<b>Net assets</b>					
Invested in capital assets	36,222	-	496,189	532,411	545,355
Externally restricted	-	1,853,954	-	1,853,954	2,052,499
Internally restricted	-	6,202,874	-	6,202,874	6,673,187
Unrestricted	(18,876)	-	-	(18,876)	(18,876)
<b>Total net assets</b>	<b>17,346</b>	<b>8,056,828</b>	<b>496,189</b>	<b>8,570,363</b>	<b>9,252,165</b>
<b>Total liabilities and net assets</b>	<b>320,221</b>	<b>8,455,596</b>	<b>496,189</b>	<b>9,272,006</b>	<b>10,267,466</b>

# Mennonite Church Eastern Canada

## Statement of Operations and Fund Balances

For the year ended January 31, 2017

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2017 \$	2016 \$
<b>Revenue</b>					
Donations, bequests and other revenue	2,088,792	308,669	-	2,397,461	4,681,653
Interest	84,425	150,228	-	234,653	216,730
	<u>2,173,217</u>	<u>458,897</u>	<u>-</u>	<u>2,632,114</u>	<u>4,898,383</u>
Less: Amounts designated by donors to external organizations					
Churchwide agencies	19	-	-	19	5,500
Mennonite Central Committee	179	-	-	179	21,711
	<u>198</u>	<u>-</u>	<u>-</u>	<u>198</u>	<u>27,211</u>
<b>Net revenue</b>	<u>2,173,019</u>	<u>458,897</u>	<u>-</u>	<u>2,631,916</u>	<u>4,871,172</u>
<b>Expenditures</b>					
MCEC operations (schedule 1)	1,302,115	-	-	1,302,115	1,380,433
Partner ministries (note 10)	1,184,151	-	-	1,184,151	1,184,903
Designated funds					
Disbursements	-	56,049	-	56,049	44,169
Grants	-	771,403	-	771,403	709,960
Support payments	-	-	-	-	7,084
	<u>2,486,266</u>	<u>827,452</u>	<u>-</u>	<u>3,313,718</u>	<u>3,326,549</u>
<b>Total expenditures</b>	<u>2,486,266</u>	<u>827,452</u>	<u>-</u>	<u>3,313,718</u>	<u>3,326,549</u>
<b>Gain on sale of capital assets</b>	-	-	-	-	394,517
<b>Net revenue (expenditures)</b>	<u>(313,247)</u>	<u>(368,555)</u>	<u>-</u>	<u>(681,802)</u>	<u>1,939,140</u>
<b>Interfund transfers</b>	300,303	(300,303)	-	-	-
<b>Net change in fund balance (note 7)</b>	<u>(12,944)</u>	<u>(668,858)</u>	<u>-</u>	<u>(681,802)</u>	<u>1,939,140</u>
<b>Fund balance - Beginning of year</b>	<u>30,290</u>	<u>8,725,686</u>	<u>496,189</u>	<u>9,252,165</u>	<u>7,313,025</u>
<b>Fund balance - End of year</b>	<u>17,346</u>	<u>8,056,828</u>	<u>496,189</u>	<u>8,570,363</u>	<u>9,252,165</u>

# Mennonite Church Eastern Canada

## Statement of Changes in Restricted Fund Balances

For the year ended January 31, 2017

	Internally Restricted Funds							2017 \$	2016 \$
	Discretionary Retirement and Assistance \$	Faithful Steward \$	Legacy Initiatives \$	Leadership Enrichment \$	MCEC Property \$	Student Loan \$	Theological Leadership Development \$		
<b>Revenue</b>									
Donations and bequests	-	50,304	200,200	6,000	-	-	873	257,377	2,527,607
Interest	613	24,215	76,866	412	184	4,025	1,057	107,372	84,201
	613	74,519	277,066	6,412	184	4,025	1,930	364,749	2,611,808
<b>Expenditures</b>									
Disbursements	5,500	-	47,095	-	1,636	-	-	54,231	41,486
Grants	1,025	18,240	637,194	25,963	-	-	15,981	698,403	696,460
Support payments	-	-	-	-	-	-	-	-	7,084
	6,525	18,240	684,289	25,963	1,636	-	15,981	752,634	745,030
<b>Net revenue (expenditures)</b>	(5,912)	56,279	(407,223)	(19,551)	(1,452)	4,025	(14,051)	(387,885)	1,866,778
<b>Interfund transfers</b>	-	(65,702)	(30,726)	14,000	-	-	-	(82,428)	142,374
<b>Net change in fund balance</b>	(5,912)	(9,423)	(437,949)	(5,551)	(1,452)	4,025	(14,051)	(470,313)	2,009,152
<b>Fund balance - Beginning of year</b>	30,167	1,096,604	4,260,187	16,199	1,035,198	180,899	53,933	6,673,187	4,664,035
<b>Fund balance - End of year</b>	24,255	1,087,181	3,822,238	10,648	1,033,746	184,924	39,882	6,202,874	6,673,187

# Mennonite Church Eastern Canada

## Statement of Changes in Restricted Fund Balances...continued

For the year ended January 31, 2017

	<b>Externally Restricted Funds</b>					
	<b>Blenheim \$</b>	<b>Missions Bequests and Donations \$</b>	<b>Mission Capital \$</b>	<b>Reesor Memorial \$</b>	<b>2017 \$</b>	<b>2016 \$</b>
<b>Revenue</b>						
Donations and bequests	-	50,568	724	-	51,292	29,925
Interest	880	18,955	22,608	413	42,856	36,948
	880	69,523	23,332	413	94,148	66,873
<b>Expenditures</b>						
Disbursements	542	-	-	1,276	1,818	2,683
Grants	-	-	73,000	-	73,000	13,500
	542	-	73,000	1,276	74,818	16,183
<b>Net revenue (expenditures)</b>	338	69,523	(49,668)	(863)	19,330	50,690
<b>Interfund transfers</b>	-	(217,875)	-	-	(217,875)	285,687
<b>Net change in fund balance</b>	338	(148,352)	(49,668)	(863)	(198,545)	336,377
<b>Fund balance - Beginning of year</b>	25,168	932,952	1,079,007	15,372	2,052,499	1,716,122
<b>Fund balance - End of year</b>	25,506	784,600	1,029,339	14,509	1,853,954	2,052,499

# Menonite Church Eastern Canada

## Statement of Cash Flows

For the year ended January 31, 2017

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expenditures)	(681,802)	1,939,140
Amortization of capital assets	12,944	12,944
Gain on sale of capital assets	-	(394,517)
Net changes in non-cash working capital balances		
Decrease in accounts receivable	4,852	187,900
Decrease (increase) in prepaid expenses	7,042	(10,138)
(Decrease) increase in accounts payable	(301,431)	246,048
Decrease in government remittances payable	(1,832)	(731)
Decrease in deferred contributions	(10,395)	(11,416)
	<u>(970,622)</u>	<u>1,969,230</u>
<b>Investing activities</b>		
Proceeds on sale of capital assets	-	583,299
Net change in loans receivable	-	155,302
Change in term deposit investments	29,630	75,000
	<u>29,630</u>	<u>813,601</u>
<b>Increase (decrease) in cash and short-term deposits</b>	(940,992)	2,782,831
<b>Cash and short-term deposits - Beginning of year</b>	<u>7,116,694</u>	<u>4,333,863</u>
<b>Cash and short-term deposits - End of year</b>	<u>6,175,702</u>	<u>7,116,694</u>



# Mennonite Church Eastern Canada

## Notes to Financial Statements

January 31, 2017

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### 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 principles of fund accounting 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.

##### 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, either by a donor or by the Executive Council of the Church.

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.

Monies which are received by the Church as general revenue or undesignated income, and subsequently allocated by the Church for a particular purpose, are considered to be internally restricted and are also 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, 2017**

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### **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.

Unrestricted contributions are recognized as revenue of the operating fund in the year received. 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 and the Wood Street (Welcome Inn) property in Hamilton, 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, the MCEC Property Fund has borrowed \$398,227 (2016 - \$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 percent of the shares are redeemable in any given year at the Church's discretion.

# Mennonite Church Eastern Canada

## Notes to Financial Statements

January 31, 2017

### 5 Capital assets

#### a) Operating fund

	Cost \$	Accumulated depreciation \$	2017 \$	2016 \$
Furniture and equipment	80,992	50,387	30,605	42,536
Computer equipment	2,102	2,102	-	-
Leasehold improvements	9,110	3,493	5,617	6,630
	<u>92,204</u>	<u>55,982</u>	<u>36,222</u>	<u>49,166</u>

#### b) Capital fund

	2017 \$	2016 \$
Church properties and residences	96,500	96,500
74 Firvalley Court, Toronto	330,670	330,670
120 Duluth Avenue E., Montreal	69,019	69,019
	<u>496,189</u>	<u>496,189</u>

### 6 Loans receivable

	2017 \$	2016 \$
Interest bearing loans receivable	1,425,000	1,425,000
Student Loan Fund receivable	2,501	2,501
	<u>1,427,501</u>	<u>1,427,501</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.

During the year, \$nil was received by the Area Church in repayments (2016 - \$2,499) against the student loan fund receivable and no new loans were granted (2016 - \$nil). There were no outstanding loans (2016 - \$nil) forgiven during the year.

# Mennonite Church Eastern Canada

## Notes to Financial Statements

January 31, 2017

### 7 Operating fund - changes in net assets

	Unrestricted net assets \$	Investments in capital assets \$	Total \$
Opening balance	(18,876)	49,166	30,290
Net change in fund balance	-	(12,944)	(12,944)
Ending balance	(18,876)	36,222	17,346

### 8 Commitments

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

	\$
January 31,	
2018	78,433
2019	78,554
2020	78,675
2021	78,796
2022	78,918
2023	79,039
2024	55,727

### 9 Congregational giving

In accordance with the *Covenant on Sharing of Resources between Mennonite Church Canada and Mennonite Church Eastern Canada*, total congregational giving to the Covenant of \$2,173,019 (2016 - \$2,189,706) has been allocated on the following basis: MC Canada (39.84%, 2016 - 39.84%), MCEC (60.16%, 2016 - 60.16%). MC Canada includes an allocation for Anabaptist Mennonite Biblical Seminary.

	Designated \$	Undesignated \$	2017 \$	2016 \$
MC Canada	156,910	651,208	808,118	810,198
MCEC	174,592	1,045,699	1,220,291	1,223,432
Sub-total			2,028,409	2,033,630
Revenue not subject to the formula:				
MCEC			144,610	156,076
Net revenue			2,173,019	2,189,706

# Mennonite Church Eastern Canada

## Notes to Financial Statements

January 31, 2017

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### 10 Partner ministries

	2017 \$	2016 \$
<b>Agencies</b>		
Mennonite World Conference	6,962	6,962
Mennonite Church Canada	747,323	748,891
Anabaptist Mennonite Biblical Seminary	60,652	60,934
<b>Camps</b>		
Hidden Acres Mennonite Camp	11,498	9,580
Ontario Mennonite Music Camp	2,300	1,821
Silver Lake Mennonite Camp	11,498	16,770
Willowgrove Camp	11,498	8,623
<b>Schools</b>		
Rockway Mennonite Collegiate	73,911	73,911
United Mennonite Educational Institute	27,905	27,905
Conrad Grebel University College	154,171	154,171
<b>Publications</b>		
<i>Canadian Mennonite</i>	76,433	75,335
	<u>1,184,151</u>	<u>1,184,903</u>

### 11 Pension costs

During the year, \$36,722 (2016 - \$44,003) was paid and expensed for defined contribution pension costs for the Church employees as part of the Mennonite Church Canada pension plan.

### 12 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

# Mennonite Church Eastern Canada

## MCEC Operations (Schedule 1)

For the year ended January 31, 2017

	Executive Council \$	Congrega- tional Ministries Council \$	Leadership Council \$	Mission Council \$	Regional Ministry \$	Operations and Occupancy Costs \$	2017 \$	2016 \$
<b>Revenue</b>								
Dues, fees, recoveries	2,717	22,121	52,576	16,211	280	26,070	119,975	126,724
Donations - receiptable	-	-	4,025	11,023	-	6,798	21,846	11,106
	2,717	22,121	56,601	27,234	280	32,868	141,821	137,830
<b>Expenditures</b>								
Staff salary and payroll expenses	85,963	(1,805)	77,657	112,432	129,719	320,323	724,289	864,101
Staff travel and expenses	12,114	53	5,760	7,727	11,356	4,419	41,429	48,738
Staff professional development	5,754	2,776	257	250	75	2,250	11,362	13,140
Council and committee expenses	18,888	-	1,216	1,303	-	236	21,643	-
Resourcing expenses	1,669	14,162	38,614	290,684	-	-	345,129	-
Program expenses	465	23,246	43,848	-	-	66,434	133,993	439,705
Facility expenses	-	-	-	-	-	120,214	120,214	116,329
Legal and audit expenses	-	-	-	-	-	45,877	45,877	36,250
	124,853	38,432	167,352	412,396	141,150	559,753	1,443,936	1,518,263
<b>Net expenditure</b>	122,136	16,311	110,751	385,162	140,870	526,885	1,302,115	1,380,433

