

Mennonite Church Eastern Canada

Financial Statements
January 31, 2018



March 20, 2018

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, 2018 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, 2018 and January 31, 2017, current assets as at January 31, 2018 and January 31, 2017 and net assets as at the beginning and the end of the years ended January 31, 2018 and January 31, 2017. Our audit opinion on the financial statements for the year ended January 31, 2017 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, 2018 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, 2018

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2018 \$	2017 \$
Assets					
Current assets					
Cash and short-term deposits	206,170	8,190,571	-	8,396,741	6,175,702
Accounts receivable	15,360	15,228	-	30,588	26,455
Prepaid expenses	8,177	-	-	8,177	7,634
Term deposit investments	-	527,349	-	527,349	270,370
Due from other funds (note 3)	19,938	398,227	-	418,165	398,227
Investment shares (note 4)	-	15,871	-	15,871	15,871
Total current assets	249,645	9,147,246	-	9,396,891	6,894,259
Investment shares (note 4)	-	142,835	-	142,835	142,835
Term deposit investments	-	145,450	-	145,450	275,000
Capital assets (note 5)	23,279	-	496,188	519,467	532,411
Loans receivable (note 6)	-	1,425,000	-	1,425,000	1,427,501
Total assets	272,924	10,860,531	496,188	11,629,643	9,272,006
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	133,490	5,094	-	138,584	160,563
Government remittances payable	17,178	-	-	17,178	17,943
Deferred contributions	117,853	-	-	117,853	124,910
Due to other funds (note 3)	-	418,165	-	418,165	398,227
Total current liabilities	268,521	423,259	-	691,780	701,643
Net assets					
Invested in capital assets	23,279	-	496,188	519,467	532,411
Externally restricted	-	1,909,493	-	1,909,493	1,853,954
Internally restricted	-	8,527,779	-	8,527,779	6,202,874
Unrestricted	(18,876)	-	-	(18,876)	(18,876)
Total net assets	4,403	10,437,272	496,188	10,937,863	8,570,363
Total liabilities and net assets	272,924	10,860,531	496,188	11,629,643	9,272,006

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2018

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2018 \$	2017 \$
Revenue					
Donations, bequests and other revenue	2,064,275	3,774,103	-	5,838,378	2,397,461
Interest	86,400	178,856	-	265,256	234,653
	<u>2,150,675</u>	<u>3,952,959</u>	<u>-</u>	<u>6,103,634</u>	<u>2,632,114</u>
Less: Amounts designated by donors to external organizations					
Churchwide agencies	500	-	-	500	19
Mennonite Central Committee	2,775	-	-	2,775	179
	<u>3,275</u>	<u>-</u>	<u>-</u>	<u>3,275</u>	<u>198</u>
Net revenue	<u>2,147,400</u>	<u>3,952,959</u>	<u>-</u>	<u>6,100,359</u>	<u>2,631,916</u>
Expenditures					
MCEC operations (schedule 1)	1,274,309	-	-	1,274,309	1,302,115
Partner ministries (note 10)	1,170,530	-	-	1,170,530	1,184,151
Designated funds					
Disbursements	-	118,847	-	118,847	56,049
Grants	-	1,169,172	-	1,169,172	771,403
Total expenditures	<u>2,444,839</u>	<u>1,288,019</u>	<u>-</u>	<u>3,732,858</u>	<u>3,313,718</u>
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Net revenue (expenditures)	<u>(297,439)</u>	<u>2,664,940</u>	<u>(1)</u>	<u>2,367,500</u>	<u>(681,802)</u>
Interfund transfers	<u>284,496</u>	<u>(284,496)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance (note 7)	<u>(12,943)</u>	<u>2,380,444</u>	<u>(1)</u>	<u>2,367,500</u>	<u>(681,802)</u>
Fund balance - Beginning of year	<u>17,346</u>	<u>8,056,828</u>	<u>496,189</u>	<u>8,570,363</u>	<u>9,252,165</u>
Fund balance - End of year	<u>4,403</u>	<u>10,437,272</u>	<u>496,188</u>	<u>10,937,863</u>	<u>8,570,363</u>

Mennonite Church Eastern Canada

Statement of Changes in Restricted Fund Balances

For the year ended January 31, 2018

	Discretionary Retirement and Assistance \$	Internally Restricted Funds					2018 \$	2017 \$
		Faithful Steward \$	Legacy Initiatives \$	Leadership Formation \$	MCEC Property \$			
Revenue								
Donations and bequests	-	40,181	3,678,222	19,000	-	3,737,403	257,377	
Interest	459	29,062	105,788	4,314	73	139,696	107,372	
	459	69,243	3,784,010	23,314	73	3,877,099	364,749	
Expenditures								
Disbursements	3,000	30,140	18,549	39,616	26,442	117,747	54,231	
Grants	-	5,000	929,546	18,126	-	952,672	698,403	
	3,000	35,140	948,095	57,742	26,442	1,070,419	752,634	
Net revenue (expenditures)	(2,541)	34,103	2,835,915	(34,428)	(26,369)	2,806,680	(387,885)	
Interfund transfers	-	260,160	(741,935)	-	-	(481,775)	(82,428)	
Net change in fund balance	(2,541)	294,263	2,093,980	(34,428)	(26,369)	2,324,905	(470,313)	
Fund balance - Beginning of year	24,255	1,087,181	3,822,238	235,454	1,033,746	6,202,874	6,673,187	
Fund balance - End of year	21,714	1,381,444	5,916,218	201,026	1,007,377	8,527,779	6,202,874	

Mennonite Church Eastern Canada

Statement of Changes in Restricted Fund Balances...continued

For the year ended January 31, 2018

	Externally Restricted Funds					
	Blenheim \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2018 \$	2017 \$
Revenue						
Donations and bequests	-	36,700	-	-	36,700	51,292
Interest	459	21,029	17,559	113	39,160	42,856
	<u>459</u>	<u>57,729</u>	<u>17,559</u>	<u>113</u>	<u>75,860</u>	<u>94,148</u>
Expenditures						
Disbursements	-	-	-	1,100	1,100	1,818
Grants	-	-	216,500	-	216,500	73,000
	<u>-</u>	<u>-</u>	<u>216,500</u>	<u>1,100</u>	<u>217,600</u>	<u>74,818</u>
Net revenue (expenditures)	459	57,729	(198,941)	(987)	(141,740)	19,330
Interfund transfers	-	197,279	-	-	197,279	(217,875)
Net change in fund balance	459	255,008	(198,941)	(987)	55,539	(198,545)
Fund balance - Beginning of year	25,506	784,600	1,029,339	14,509	1,853,954	2,052,499
Fund balance - End of year	<u>25,965</u>	<u>1,039,608</u>	<u>830,398</u>	<u>13,522</u>	<u>1,909,493</u>	<u>1,853,954</u>

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expenditures)	2,367,500	(681,802)
Amortization of capital assets	12,943	12,944
Loss on disposal of capital assets	1	-
Net changes in non-cash working capital balances		
(Increase) decrease in accounts receivable	(4,133)	4,852
(Increase) decrease in prepaid expenses	(543)	7,042
Decrease in accounts payable	(21,979)	(301,431)
Decrease in government remittances payable	(765)	(1,832)
Decrease in deferred contributions	(7,057)	(10,395)
	<u>2,345,967</u>	<u>(970,622)</u>
Investing activities		
Net change in loans receivable	2,501	-
Change in term deposit investments	(127,429)	29,630
	<u>(124,928)</u>	<u>29,630</u>
Increase (decrease) in cash and short-term deposits	2,221,039	(940,992)
Cash and short-term deposits - Beginning of year	<u>6,175,702</u>	<u>7,116,694</u>
Cash and short-term deposits - End of year	<u>8,396,741</u>	<u>6,175,702</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2018

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, 2018

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, 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. In the current year, the Wood Street (Welcome Inn) property in Hamilton was disposed of, which was previously included in capital assets in the prior year. No proceeds were collected on the sale.

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 (2017 - \$398,227) from the Legacy Initiatives Fund, both of which are Internally Restricted Funds.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2018

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 \$	2018 \$	2017 \$
Furniture and equipment	80,992	62,319	18,673	30,605
Computer equipment	2,102	2,102	-	-
Leasehold improvements	9,110	4,504	4,606	5,617
	<hr/>	<hr/>	<hr/>	<hr/>
	92,204	68,925	23,279	36,222

b) Capital fund

	2018 \$	2017 \$
Church properties and residences	96,499	96,500
74 Firvalley Court, Toronto	330,670	330,670
120 Duluth Avenue E., Montreal	69,019	69,019
	<hr/>	<hr/>
	496,188	496,189

6 Loans receivable

	2018 \$	2017 \$
Interest bearing loans receivable	1,425,000	1,425,000
Student Loan Fund receivable	-	2,501
	<hr/>	<hr/>
	1,425,000	1,427,501

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, \$2,501 was received by the Area Church in repayments (2017 - \$2,499) against the student loan fund receivable and no new loans were granted (2017 - \$nil). There were no outstanding loans (2017 - \$nil) forgiven during the year.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2018

7 Operating fund - changes in net assets

	Unrestricted net assets \$	Investments in capital assets \$	Total \$
Opening balance	(18,876)	36,222	17,346
Net change in fund balance	-	(12,943)	(12,943)
Ending balance	(18,876)	23,279	4,403

8 Commitments

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

	\$
January 31,	
2019	79,564
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 \$2,147,400 (2017 - \$2,173,019) has been allocated on the following basis: MC Canada (39.84%, 2017 - 39.84%), MCEC (60.16%, 2017 - 60.16%). MC Canada includes an allocation for Anabaptist Mennonite Biblical Seminary.

	Designated \$	Undesignated \$	2018 \$	2017 \$
MC Canada	115,987	677,552	793,539	808,118
MCEC	160,322	1,037,955	1,198,277	1,220,291
Sub-total			1,991,816	2,028,409
Revenue not subject to the formula:				
MCEC			155,584	144,610
Net revenue			2,147,400	2,173,019

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2018

10 Partner ministries

	2018 \$	2017 \$
Agencies		
Mennonite World Conference	7,462	6,962
Mennonite Church Canada	733,285	747,323
Anabaptist Mennonite Biblical Seminary	59,755	60,652
Camps		
Hidden Acres Mennonite Camp	11,498	11,498
Ontario Mennonite Music Camp	2,300	2,300
Silver Lake Mennonite Camp	11,498	11,498
Willowgrove Camp	11,498	11,498
Schools		
Rockway Mennonite Collegiate	73,911	73,911
United Mennonite Educational Institute	27,905	27,905
Conrad Grebel University College	154,171	154,171
Publications		
<i>Canadian Mennonite</i>	77,247	76,433
	<u>1,170,530</u>	<u>1,184,151</u>

11 Pension costs

During the year, \$34,022 (2017 - \$36,722) 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, 2018

	Executive Council \$	Congrega- tional Resourcing \$	Leadership Council \$	Mission Council \$	Operations and Occupancy Costs \$	2018 \$	2017 \$
Revenue							
Dues, fees, recoveries	1,763	33,163	34,467	28,834	16,990	115,217	119,975
Donations - receiptable	-	2,354	4,300	6,520	3,395	16,569	21,846
	1,763	35,517	38,767	35,354	20,385	131,786	141,821
Expenditures							
Staff salary and payroll expenses	87,954	130,498	79,968	167,997	357,564	823,981	724,289
Staff travel and expenses	10,430	8,222	5,136	9,389	7,037	40,214	41,429
Staff professional development	618	1,747	634	33	2,332	5,364	11,362
Council and committee expenses	16,134	-	1,238	930	357	18,659	21,643
Resourcing expenses	-	12,037	11,392	201,185	-	224,614	345,129
Program expenses	954	19,577	37,890	-	69,458	127,879	133,993
Facility expenses	-	-	-	-	120,579	120,579	120,214
Legal and audit expenses	-	-	-	-	26,805	26,805	45,877
Operations support	-	-	-	-	18,000	18,000	-
	116,090	172,081	136,258	379,534	602,132	1,406,095	1,443,936
Net expenditure	114,327	136,564	97,491	344,180	581,747	1,274,309	1,302,115