

**Mennonite Church Eastern
Canada**

Financial Statements
January 31, 2019



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, 2019 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, 2019;
- the statement of operations and 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 revenue and cash flows from operating activities for the years ended January 31, 2019 and 2018, current assets as at January 31, 2019 and 2018 and net assets as at the beginning and the end of the years ended January 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended January 31, 2018 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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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 19, 2019

Mennonite Church Eastern Canada

Balance Sheet

As at January 31, 2019

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2019 \$	2018 \$
Assets					
Current assets					
Cash and short-term deposits	177,175	2,734,970	-	2,912,145	8,396,741
Accounts receivable	52,717	73,712	-	126,429	30,588
Prepaid expenses	12,632	-	-	12,632	8,177
Term deposit investments	-	275,315	-	275,315	527,349
Due from other funds (note 3)	19,395	405,949	-	425,344	418,165
Investment shares (note 4)	-	15,871	-	15,871	15,871
Total current assets	261,919	3,505,817	-	3,767,736	9,396,891
Investment shares (note 4)	-	142,835	-	142,835	142,835
Term deposit investments	-	4,183,300	-	4,183,300	145,450
Capital assets (note 5)	3,593	-	496,188	499,781	519,467
Loans receivable (note 6)	-	1,525,000	-	1,525,000	1,425,000
Total assets	265,512	9,356,952	496,188	10,118,652	11,629,643
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	143,824	-	-	143,824	138,584
Government remittances payable	19,194	-	-	19,194	17,178
Deferred contributions	90,369	-	-	90,369	117,853
Due to other funds (note 3)	7,722	417,622	-	425,344	418,165
Total current liabilities	261,109	417,622	-	678,731	691,780
Net assets					
Invested in capital assets	3,593	-	496,188	499,781	519,467
Externally restricted	-	1,339,236	-	1,339,236	1,909,493
Internally restricted	-	7,600,094	-	7,600,094	8,527,779
Unrestricted	810	-	-	810	(18,876)
Total net assets	4,403	8,939,330	496,188	9,439,921	10,937,863
Total liabilities and net assets	265,512	9,356,952	496,188	10,118,652	11,629,643

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2019

	Operating Fund \$	Restricted Funds \$	Capital Fund \$	2019 \$	2018 \$
Revenue					
Donations, bequests and other revenue	2,269,879	107,809	-	2,377,688	5,838,378
Interest	81,872	174,896	-	256,768	265,256
	<u>2,351,751</u>	<u>282,705</u>	<u>-</u>	<u>2,634,456</u>	<u>6,103,634</u>
Less: Amounts designated by donors to external organizations					
Churchwide agencies	2,951	-	-	2,951	500
Mennonite Central Committee	2,460	-	-	2,460	2,775
	<u>5,411</u>	<u>-</u>	<u>-</u>	<u>5,411</u>	<u>3,275</u>
Net revenue	<u>2,346,340</u>	<u>282,705</u>	<u>-</u>	<u>2,629,045</u>	<u>6,100,359</u>
Expenditures					
MCEC operations (schedule 1)	1,365,170	-	-	1,365,170	1,274,309
Partner ministries (note 10)	1,312,075	-	-	1,312,075	1,170,530
Designated funds					
Disbursements	-	53,154	-	53,154	118,847
Grants	-	1,396,588	-	1,396,588	1,169,172
Total expenditures	<u>2,677,245</u>	<u>1,449,742</u>	<u>-</u>	<u>4,126,987</u>	<u>3,732,858</u>
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Net (expenditures) revenue	<u>(330,905)</u>	<u>(1,167,037)</u>	<u>-</u>	<u>(1,497,942)</u>	<u>2,367,500</u>
Interfund transfers	<u>330,905</u>	<u>(330,905)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance (note 7)	<u>-</u>	<u>(1,497,942)</u>	<u>-</u>	<u>(1,497,942)</u>	<u>2,367,500</u>
Fund balance – Beginning 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>
Fund balance – End of year	<u>4,403</u>	<u>8,939,330</u>	<u>496,188</u>	<u>9,439,921</u>	<u>10,937,863</u>

Mennonite Church Eastern Canada
Statement of Changes in Restricted Fund Balances
For the year ended January 31, 2019

	Internally Restricted Funds					2019 \$	2018 \$
	Discretionary Retirement and Assistance \$	Faithful Steward \$	Legacy Initiatives \$	Leadership Formation \$	MCEC Property \$		
Revenue							
Donations and bequests	-	64,025	-	-	-	64,025	3,737,403
Interest	305	30,196	106,174	3,947	-	140,622	139,696
	305	94,221	106,174	3,947	-	204,647	3,877,099
Expenditures							
Disbursements	1,350	3,803	-	46,838	-	51,991	117,747
Grants	8,100	-	908,741	12,447	-	929,288	952,672
	9,450	3,803	908,741	59,285	-	981,279	1,070,419
Net (expenditures) revenue	(9,145)	90,418	(802,567)	(55,338)	-	(776,632)	2,806,680
Interfund transfers	-	(164,053)	(10,000)	23,000	-	(151,053)	(481,775)
Net change in fund balance	(9,145)	(73,635)	(812,567)	(32,338)	-	(927,685)	2,324,905
Fund balance – Beginning of year	21,714	1,381,444	5,916,218	201,026	1,007,377	8,527,779	6,202,874
Fund balance – End of year	12,569	1,307,809	5,103,651	168,688	1,007,377	7,600,094	8,527,779

Mennonite Church Eastern Canada

Statement of Changes in Restricted Fund Balances...continued

For the year ended January 31, 2019

	Externally Restricted Funds					
	Blenheim \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2019 \$	2018 \$
Revenue						
Donations and bequests	-	43,784	-	-	43,784	36,700
Interest	932	21,720	11,348	274	34,274	39,160
	932	65,504	11,348	274	78,058	75,860
Expenditures						
Disbursements	32	-	-	1,131	1,163	1,100
Grants	-	-	467,300	-	467,300	216,500
	32	-	467,300	1,131	468,463	217,600
Net (expenditures) revenue	900	65,504	(455,952)	(857)	(390,405)	(141,740)
Interfund transfers	-	(179,852)	-	-	(179,852)	197,279
Net change in fund balance	900	(114,348)	(455,952)	(857)	(570,257)	55,539
Fund balance – Beginning of year	25,965	1,039,608	830,398	13,522	1,909,493	1,853,954
Fund balance – End of year	26,865	925,260	374,446	12,665	1,339,236	1,909,493

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Net (expenditures) revenue	(1,497,942)	2,367,500
Amortization of capital assets	19,686	12,943
Loss on disposal of capital assets	-	1
Net changes in non-cash working capital balances		
Increase in accounts receivable	(95,841)	(4,133)
Increase in prepaid expenses	(4,455)	(543)
Increase (decrease) in accounts payable and accrued liabilities	5,240	(21,979)
Increase (decrease) in government remittances payable	2,016	(765)
Decrease in deferred contributions	(27,484)	(7,057)
	<u>(1,598,780)</u>	<u>2,345,967</u>
Investing activities		
Net change in loans receivable	(100,000)	2,501
Change in term deposit investments	(3,785,816)	(127,429)
	<u>(3,885,816)</u>	<u>(124,928)</u>
(Decrease) increase in cash and short-term deposits	(5,484,596)	2,221,039
Cash and short-term deposits – Beginning of year	<u>8,396,741</u>	<u>6,175,702</u>
Cash and short-term deposits – End of year	<u>2,912,145</u>	<u>8,396,741</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2019

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, 2019

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.

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 (2018 – \$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, 2019

5 Capital assets

a) Operating fund

	Cost \$	Accumulated depreciation \$	2019 \$	2018 \$
Furniture and equipment	80,992	80,992	-	18,673
Computer equipment	2,102	2,102	-	-
Leasehold improvements	9,110	5,517	3,593	4,606
	<u>92,204</u>	<u>88,611</u>	<u>3,593</u>	<u>23,279</u>

b) Capital fund

	2019 \$	2018 \$
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>

6 Loans receivable

	2019 \$	2018 \$
Interest bearing loans receivable	1,425,000	1,425,000
Non-interest bearing loans receivable	100,000	-
	<u>1,525,000</u>	<u>1,425,000</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.

Included in non-interest bearing loans receivable is \$100,000 owing from two churches of which each church owes \$50,000. These loans mature on July 30, 2023 and September 20, 2023 respectively, and are repayable in full at that time.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2019

7 Operating fund - changes in net assets

	Unrestricted net assets \$	Investments in capital assets \$	Total \$
Opening balance	(18,876)	23,279	4,403
Net change in fund balance	19,686	(19,686)	-
Ending balance	810	3,593	4,403

8 Commitments

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

	\$
January 31, 2020	79,685
2021	78,796
2022	78,918
2023	79,039
2024	55,727

9 Congregational giving

In the current year, the *Covenant on Sharing of Resources between Mennonite Church Canada and Mennonite Church Eastern Canada*, has been amended in that the total congregational giving is no longer subject to a defined percentage of annual congregational giving to MCEC. Giving amounts to Mennonite Church Canada are to be determined annually as a fixed amount. In the current year, \$632,460 was paid to MC Canada, of which \$50,393 was paid directly to MC Canada by MCEC congregations and individuals.

In 2018, total congregational giving to the Covenant of \$2,147,400 has been allocated on the following basis: MC Canada 39.84%, MCEC 60.16%. MC Canada includes an allocation for Anabaptist Mennonite Biblical Seminary.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2019

	Designated \$	Undesignated \$	2018 \$
MC Canada	115,987	677,552	793,539
MCEC	160,322	1,037,955	1,198,277
Sub-total			1,991,816
Revenue not subject to the formula: MCEC			155,584
Net revenue			2,147,400

Separate amounts collected and passed through to MC Canada amounted to \$297,998 (2018 - \$nil) and are designated for specified Witness and Partner programs.

10 Partner ministries

	2019 \$	2018 \$
Agencies		
Mennonite World Conference	8,962	7,462
Mennonite Church Canada	874,655	733,285
Mennonite Central Committee	951	-
Anabaptist Mennonite Biblical Seminary	56,000	59,755
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>	78,726	77,247
	1,312,075	1,170,530

11 Pension costs

During the year, \$35,353 (2018 – \$34,022) 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, 2019

	Executive Council \$	Congregational Resourcing \$	Leadership Council \$	Mission Council \$	Operations and Occupancy Costs \$	2019 \$	2018 \$
Revenue							
Dues, fees, recoveries	7,405	61,467	35,437	10,010	19,265	133,584	115,217
Donations – receiptable	-	1,390	9,280	28,794	-	39,464	16,569
	7,405	62,857	44,717	38,804	19,265	173,048	131,786
Expenditures							
Staff salary and payroll expenses	92,219	135,734	89,738	196,692	344,939	859,322	823,981
Staff travel and expenses	3,219	14,402	8,348	12,515	3,745	42,229	40,214
Staff professional development	3,830	1,901	812	284	1,117	7,944	5,364
Council and committee expenses	23,408	-	1,133	962	291	25,794	18,659
Resourcing expenses	-	-	22,950	224,509	-	247,459	224,614
Program expenses	9,982	87,930	41,684	-	67,602	207,198	127,879
Facility expenses	-	-	-	-	128,352	128,352	120,579
Legal and audit expenses	-	-	-	-	19,920	19,920	26,805
Operations support	-	-	-	-	-	-	18,000
	132,658	239,967	164,665	434,962	565,966	1,538,218	1,406,095
Net expenditure	125,253	177,110	119,948	396,158	546,701	1,365,170	1,274,309