

**Mennonite Church
Eastern Canada**

**Financial Statements
January 31, 2014**



March 18, 2014

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, 2014 and the statements of operations and fund balances, changes in restricted and endowed 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.

*PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730*

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

Basis for qualified opinion

In common with many not-for-profit organizations, the Church derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our 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, 2014 and January 31, 2013, current assets as at January 31, 2014 and January 31, 2013, and net assets as at the beginning and end of the years ended January 31, 2014 and January 31, 2013. Our audit opinion on the financial statements for the year ended January 31, 2013 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, 2014 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, 2014

	Operating Fund	Restricted Funds	Endowed Funds	Capital Trust Fund	2014	2013
	\$	\$	\$	\$	\$	\$
Assets						
Current assets						
Cash and short-term deposits	69,119	5,003,680	186,281	-	5,259,080	6,658,780
Accounts receivable	186,614	102,864	-	-	289,478	160,882
Prepaid expenses	3,600	432	-	-	4,032	4,110
Due from other funds (note 3)	-	981,526	-	-	981,526	15,171
Investment shares (note 4)	-	15,871	-	-	15,871	15,871
Total current assets	259,333	6,104,373	186,281	-	6,549,987	6,854,814
Investment shares (note 4)	-	142,835	-	-	142,835	142,835
Capital assets (note 5)	275,193	-	-	496,189	771,382	722,494
Loans receivable (note 6)	-	1,494,516	-	-	1,494,516	86,222
Total assets	534,526	7,741,724	186,281	496,189	8,958,720	7,806,365
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	95,819	5,891	-	-	101,710	218,461
Government remittances payable	18,074	-	-	-	18,074	15,720
Deferred contributions	145,440	-	-	-	145,440	90,841
Due to other funds (note 3)	-	981,526	-	-	981,526	15,171
Total current liabilities	259,333	987,417	-	-	1,246,750	340,193
Net assets						
Invested in capital assets	275,193	-	-	496,189	771,382	722,494
Externally restricted	-	1,443,484	186,281	-	1,629,765	1,817,995
Internally restricted	-	5,310,823	-	-	5,310,823	4,925,683
Unrestricted	-	-	-	-	-	-
Total net assets	275,193	6,754,307	186,281	496,189	7,711,970	7,466,172
Total liabilities and net assets	534,526	7,741,724	186,281	496,189	8,958,720	7,806,365

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2014

	Operating Fund	Restricted Funds	Endowed Funds	Capital Trust Fund	2014	2013
	\$	\$	\$	\$	\$	\$
Revenue						
Donations, bequests and other revenue	2,349,657	954,604	-	-	3,304,261	6,194,099
Interest	38,358	177,617	6,653	-	222,628	169,763
Gain on disposal of asset	-	-	-	-	-	143,622
	2,388,015	1,132,221	6,653	-	3,526,889	6,507,484
Less: Amounts designated by donors to external organizations						
MCEC - related agencies	1,000	-	-	-	1,000	1,420
Churchwide agencies	5,228	-	-	-	5,228	5,619
Mennonite Central Committee	70,027	-	-	-	70,027	61,275
	76,255	-	-	-	76,255	68,314
Net revenue	2,311,760	1,132,221	6,653	-	3,450,634	6,439,170
Expenditures						
MCEC operations (schedule 1)	1,630,439	-	-	-	1,630,439	1,548,546
Churchwide agencies (schedule 2)	878,133	-	-	-	878,133	900,745
Designated and endowed funds	-	27,459	24,525	-	51,984	37,541
Disbursements	-	637,080	-	-	637,080	36,835
Grants	-	7,200	-	-	7,200	8,400
Support payments	-	-	-	-	-	-
	2,508,572	671,739	24,525	-	3,204,836	2,532,067
Total expenditures	(196,812)	460,482	(17,872)	-	245,798	3,907,103
Interfund transfers	245,700	(231,727)	(13,973)	-	-	-
Net change in fund balance (note 7)	48,888	228,755	(31,845)	-	245,798	3,907,103
Fund balance - Beginning of year	226,305	6,525,552	218,126	496,189	7,466,172	3,559,069
Fund balance - End of year	275,193	6,754,307	186,281	496,189	7,711,970	7,466,172

Mennonite Church Eastern Canada
Statement of Changes in Restricted and Endowed Fund Balances
For the year ended January 31, 2014

Internally Restricted Funds											
	Discretionary Assistance	Discretionary Retirement	Faithful Steward	Legacy Initiatives	Leadership Enrichment	MCEC Property	Seminary Student Aid	Student Loan	Theological Leadership Development	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue											
Donations and bequests	186	-	104,645	827,226	-	-	-	-	7,570	939,627	3,767,364
Interest	518	183	6,488	107,252	143	11,812	50	2,294	710	129,450	93,268
	704	183	111,133	934,478	143	11,812	50	2,294	8,280	1,069,077	3,860,632
Expenditures											
Disbursements	-	-	-	-	-	19,930	-	-	-	19,930	28,461
Grants	200	-	-	454,353	23,737	-	2,990	-	5,800	487,080	19,835
Support payments	-	7,200	-	-	-	-	-	-	-	7,200	8,400
	200	7,200	-	454,353	23,737	19,930	2,990	-	5,800	514,210	56,696
Net revenue (expenditures)	504	(7,017)	111,133	480,125	(23,594)	(8,118)	(2,940)	2,294	2,480	554,867	3,803,936
Interfund transfers	-	-	(3,967,411)	3,773,184	14,750	-	-	-	9,750	(169,727)	54,202
Net change in fund balance	504	(7,017)	(3,856,278)	4,253,309	(8,844)	(8,118)	(2,940)	2,294	12,230	385,140	3,858,138
Fund balance - Beginning of year	34,585	16,128	4,157,978	-	13,689	485,073	2,940	173,620	41,670	4,925,683	1,067,545
Fund balance - End of year	35,089	9,111	301,700	4,253,309	4,845	476,955	-	175,914	53,900	5,310,823	4,925,683

Mennonite Church Eastern Canada

Statement of Changes in Restricted and Endowed Fund Balances...continued

For the year ended January 31, 2014

	Externally Restricted Funds					
	Blenhelm \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2014 \$	2013 \$
Revenue						
Donations and bequests	-	14,977	-	-	14,977	42,071
Interest	1,563	3,346	42,115	1,143	48,167	50,188
	1,563	18,323	42,115	1,143	63,144	92,259
Expenditures						
Disbursements	3,226	-	3,195	1,108	7,529	8,507
Grants	-	-	150,000	-	150,000	17,000
	3,226	-	153,195	1,108	157,529	25,507
Net revenue (expenditures)	(1,663)	18,323	(111,080)	35	(94,385)	66,752
Interfund transfers	-	(62,000)	-	-	(62,000)	10,622
Net change in fund balance	(1,663)	(43,677)	(111,080)	35	(156,385)	77,374
Fund balance - Beginning of year	27,825	247,923	1,308,123	15,998	1,599,869	1,522,495
Fund balance - End of year	26,162	204,246	1,197,043	16,033	1,443,484	1,599,869

Mennonite Church Eastern Canada

Statement of Changes in Restricted and Endowed Fund Balances...continued

For the year ended January 31, 2014

	Endowed Funds (note 11)		
	Bicentennial Memorial Preservation \$	Third Century Outreach \$	2013 2014 \$ \$
Revenue			
Interest	869	5,784	7,256
Expenditures			
Disbursements	24,525	-	573
Net revenue	(23,656)	5,784	6,683
Transfers to operating fund	(7,973)	(6,000)	(6,800)
Net change in fund balance	(31,629)	(216)	(117)
Fund balance - Beginning of year	31,629	186,497	218,243
Fund balance - End of year	-	186,281	218,126

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Net revenue	245,798	3,907,103
Amortization of capital assets	19,879	17,187
Gain on disposal of capital assets	-	(143,622)
Net changes in non-cash working capital balances		
Increase in accounts receivable	(128,596)	(44,280)
Decrease in prepaid expenses	78	933
(Decrease) increase in accounts payable	(116,751)	128,024
Increase in government remittances payable	2,354	1,669
Increase (decrease) in deferred contributions	54,599	(11,663)
	<u>77,361</u>	<u>3,855,351</u>
Investing activities		
Purchase of capital assets	(68,767)	(15,884)
(Increase) decrease in loans receivable (net)	(1,408,294)	7,736
Net proceeds on disposal of capital assets	-	160,622
	<u>(1,477,061)</u>	<u>152,474</u>
(Decrease) increase in cash and short-term deposits	<u>(1,399,700)</u>	<u>4,007,825</u>
Cash and short-term deposits - Beginning of year	<u>6,658,780</u>	<u>2,650,955</u>
Cash and short-term deposits - End of year	<u>5,259,080</u>	<u>6,658,780</u>

Mennonite Church Eastern Canada

Notes to the Financial Statements

January 31, 2014

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 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) Endowed funds

Monies received by the Church that are designated by the donor to support a particular activity or ministry, by way of maintaining the principal and using the earnings on the principal for that purpose are considered to be externally restricted and are included in the endowed funds.

iv) Capital Trust Funds

The Church has title to land and buildings which are used by other organizations. These properties are held in trust, and are not used in the operations of the Church.

Mennonite Church Eastern Canada

Notes to the Financial Statements...continued

January 31, 2014

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 or endowed fund.

Unrestricted contributions are recognized as revenue of the operating fund in the year received. Contributions designated for the current year and collected subsequent to January 31st, but before February 15th are recorded as accounts receivable on the balance sheet, except for amounts which are collected by the Church on behalf of other organizations. The Church does not recognize pledges until they are received.

Investment income earned on restricted fund and endowed fund resources is recognized as revenue of the respective fund, and maintained within the restricted or endowed 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 trust 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 held in trust for use by other organizations, no amortization is recorded.

d) Financial instruments

The Church's financial instruments consist of cash, short-term deposits, investment shares, accounts receivable, loans receivable, accounts payable and notes 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 \$981,526 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 Mennonite Savings and Credit

Mennonite Church Eastern Canada

Notes to the Financial Statements...continued

January 31, 2014

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 amortization	2014 Net	2013 Net
	\$	\$	\$	\$
Land	150,000	-	150,000	150,000
Office building	283,934	233,794	50,140	61,497
Furniture and equipment	80,992	14,593	66,399	14,808
Computer equipment	6,901	6,901	-	-
Leasehold improvements	9,110	456	8,654	-
	<u>530,937</u>	<u>255,744</u>	<u>275,193</u>	<u>226,305</u>

b) Capital trust funds

	2014	2013
	\$	\$
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

a) Loan balances

	2014	2013
	\$	\$
Interest bearing loans receivable	1,431,954	9,471
Non-interest bearing loan receivable	50,000	50,000
Student Loan Fund receivable	12,562	26,751
	<u>1,494,516</u>	<u>86,222</u>

Included in interest bearing loans receivables 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.

b) Student Loan Fund

During the year, \$14,189 was received by the Area Church in repayments (2013 - \$3,475) and no new loans were granted (2013 - \$nil). There were no outstanding loans (2013 - \$nil) forgiven during the year.

Mennonite Church Eastern Canada
Notes to the Financial Statements...continued
January 31, 2014

7 Operating fund - changes in net assets

	Unrestricted Net Assets \$	Investments in Capital Assets \$	Total \$
Opening balance	-	226,305	226,305
Net change in fund balance	-	48,888	48,888
Ending balance	-	275,193	275,193

8 Commitments

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

January 31,	\$
2015	79,061
2016	79,182
2017	78,498
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 \$2,204,150 (2013 - \$2,260,907) has been allocated on the following basis: MC Canada (39.84%, 2013 - 39.84%), MCEC (60.16%, 2013 - 60.16%). MC Canada includes an allocation for Anabaptist Mennonite Biblical Seminary.

	Designated \$	Undesignated \$	2014 \$	2013 \$
MC Canada	175,017	703,116	878,133	900,745
MCEC	190,760	1,135,257	1,326,017	1,360,162
Sub-total	365,777	1,838,373	2,204,150	2,260,907
Revenue not subject to the formula:				
MCEC			107,610	74,494
Net revenue			2,311,760	2,335,401

Mennonite Church Eastern Canada

Notes to the Financial Statements...continued

January 31, 2014

10 Partner agencies

	2014	2013
	\$	\$
Agencies		
Mennonite & Brethren in Christ Resource Centre	-	5,750
Mennonite World Conference	6,962	6,962
Camps		
Hidden Acres Mennonite Camp	36,795	36,284
Ontario Mennonite Music Camp		
Silver Lake Mennonite Camp		
Schools		
Rockway Mennonite Collegiate	73,911	73,911
United Mennonite Educational Institute	27,905	27,905
Publications		
Canadian Mennonite	73,819	73,089
	<u>219,392</u>	<u>223,901</u>

11 Endowed fund balance

During the year the Bicentennial Memorial Preservation Fund was closed. The permanent capital of the Third Century Outreach Fund is \$179,928 (2013 - \$179,928).

12 Pension costs

During the year, \$34,369 (2013 - \$33,292) was paid and expensed for defined contribution pension costs for Mennonite Church Eastern Canada employees as part of the Mennonite Church Canada pension plan.

13 Managed capital

The Church defines its capital as the total of net assets invested in capital assets, unrestricted net assets and internally restricted net assets. The Church's objectives in managing capital are funding capital expenditures, future projects and ongoing operations. The Church also has assets which are subject to external restrictions for endowment purposes, which were maintained during the year.

Mennonite Church Eastern Canada

MCEC Operations (Schedule 1)

For the year ended January 31, 2014

	Executive Council	Congregational Ministries Council	Leadership Council	Mission Council	Regional Ministry	Program Resourcing and Occupancy Costs	Other	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Fees	-	-	16,328	-	-	-	-	16,328	13,664
Program support and recovery	-	34,767	1,665	-	-	25,318	-	61,750	67,172
Special projects recovery	-	-	26,855	-	-	-	-	26,855	36,588
Expense recovery	300	-	-	-	640	275	-	1,215	5,861
Personnel recovery	850	380	721	350	39,192	11,735	-	53,228	73,671
	1,150	35,147	45,569	350	39,832	37,328	-	159,376	196,956
Expenditures									
Program personnel	89,018	79,589	79,005	87,889	231,927	274,543	-	841,971	824,497
Programs	2,307	47,580	22,251	244,403	715	19,333	-	336,589	374,453
Travel and expenses	1,034	475	985	1,324	-	231	-	4,049	20,380
Seminars and retreats	-	-	-	-	-	-	-	-	197
Special projects	40,326	-	22,073	-	-	-	-	62,399	39,132
Office	-	-	-	-	-	-	-	31,512	47,510
Rent	-	-	-	-	-	31,512	-	31,512	-
Utilities, maintenance and insurance	-	-	-	-	-	23,143	-	23,143	-
Bank charges	-	-	-	-	-	20,951	-	20,951	19,996
Legal and audit	-	-	-	-	-	174	-	174	180
Relocation expenses	-	-	-	-	-	18,309	-	18,309	23,898
Amortization	-	-	-	-	-	57,276	-	57,276	-
Conrad Grebel University College	-	-	-	-	-	19,879	-	19,879	17,187
Partner agencies (note 10)	-	-	-	-	-	-	154,171	154,171	154,171
	132,685	127,644	124,314	333,616	232,642	465,351	373,563	1,789,615	1,745,502
Net expenditure	131,535	92,497	78,745	333,266	192,810	428,023	373,563	1,630,439	1,548,546

Mennonite Church Eastern Canada

Churchwide Agencies (Schedule 2)

For the year ended January 31, 2014

	2014	2013
	\$	\$
Mennonite Church Canada		
Undesignated	679,588	703,813
Christian Witness Council	132,271	129,200
Christian Formation Council	150	-
	<hr/>	<hr/>
	812,009	833,013
Anabaptist Mennonite Biblical Seminary		
	<hr/>	<hr/>
	66,124	67,732
	<hr/>	<hr/>
	878,133	900,745