

Mennonite Church Eastern Canada

Financial Statements
January 31, 2016



March 22, 2016

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, 2016 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.

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 year ended January 31, 2016 and January 31, 2015, current assets as at January 31, 2016 and January 31, 2015 and net assets as at the beginning and the end of the years ended January 31, 2016 and January 31, 2015. Our audit opinion on the financial statements for the year ended January 31, 2015 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, 2016 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, 2016

	Operating Fund \$	Restricted Funds \$	Capital Trust Fund \$	2016 \$	2015 \$ (note 14)
Assets					
Current assets					
Cash and short-term deposits	309,916	6,806,778	-	7,116,694	4,333,863
Accounts receivable	26,491	4,816	-	31,307	219,207
Prepaid expenses	14,676	-	-	14,676	4,538
Term deposit investments	-	150,000	-	150,000	75,000
Due from other funds (note 3)	-	398,227	-	398,227	981,526
Investment shares (note 4)	-	15,871	-	15,871	15,871
Total current assets	351,083	7,375,692	-	7,726,775	5,630,005
Investment shares (note 4)	-	142,835	-	142,835	142,835
Term deposit investments	-	425,000	-	425,000	575,000
Capital assets (note 5)	49,166	-	496,189	545,355	747,081
Loans receivable (note 6)	-	1,427,501	-	1,427,501	1,582,803
Total assets	400,249	9,371,028	496,189	10,267,466	8,677,724
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	214,879	247,115	-	461,994	215,946
Government remittances payable	19,775	-	-	19,775	20,506
Deferred contributions	135,305	-	-	135,305	146,721
Due to other funds (note 3)	-	398,227	-	398,227	981,526
Total current liabilities	369,959	645,342	-	1,015,301	1,364,699
Net assets					
Invested in capital assets	49,166	-	496,189	545,355	747,081
Externally restricted	-	2,052,499	-	2,052,499	1,901,909
Internally restricted	-	6,673,187	-	6,673,187	4,664,035
Unrestricted	(18,876)	-	-	(18,876)	-
Total net assets	30,290	8,725,686	496,189	9,252,165	7,313,025
Total liabilities and net assets	400,249	9,371,028	496,189	10,267,466	8,677,724

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2016

	Operating Fund \$	Restricted Funds \$	Endowed Funds \$	Capital Trust Fund \$	2016 \$	2015 \$
Revenue						
Donations, bequests and other revenue	2,124,121	2,557,532	-	-	4,681,653	3,023,227
Interest	92,796	121,149	2,785	-	216,730	223,791
	2,216,917	2,678,681	2,785	-	4,898,383	3,247,018
Less: Amounts designated by donors to external organizations						
MCEC - related agencies	-	-	-	-	-	5,263
Churchwide agencies	5,500	-	-	-	5,500	2,271
Mennonite Central Committee	21,711	-	-	-	21,711	32,173
	27,211	-	-	-	27,211	39,707
Net revenue	2,189,706	2,678,681	2,785	-	4,871,172	3,207,311
Expenditures						
MCEC operations (schedule 1)	1,755,511	-	-	-	1,755,511	1,731,114
Churchwide agencies (note 10)	809,825	-	-	-	809,825	881,957
Designated and endowed funds						
Disbursements	-	44,169	-	-	44,169	231,545
Grants	-	709,960	-	-	709,960	754,590
Support payments	-	7,084	-	-	7,084	7,050
Total expenditures	2,565,336	761,213	-	-	3,326,549	3,606,256
Gain on sale of capital assets	394,517	-	-	-	394,517	-
Net revenue (expenditures)	18,887	1,917,468	2,785	-	1,939,140	(398,945)
Interfund transfers	(239,489)	428,061	(188,572)	-	-	-
Net change in fund balance (note 7)	(220,602)	2,345,529	(185,787)	-	1,939,140	(398,945)
Fund balance - Beginning of year	250,892	6,380,157	185,787	496,189	7,313,025	7,711,970
Fund balance - End of year	30,290	8,725,686	-	496,189	9,252,165	7,313,025

Mennonite Church Eastern Canada

Statement of Changes in Restricted and Endowed Fund Balances

For the year ended January 31, 2016

	Internally Restricted Funds							2016 \$	2015 \$
	Discretionary Retirement and Assistance \$	Faithful Steward \$	Legacy Initiatives \$	Leadership Enrichment \$	MCEC Property \$	Student Loan \$	Theological Leadership Development \$		
Revenue									
Donations and bequests	-	26,181	2,500,050	-	700	-	676	2,527,607	716,037
Interest	442	14,624	64,453	204	1,386	2,318	774	84,201	91,680
	442	40,805	2,564,503	204	2,086	2,318	1,450	2,611,808	807,717
Expenditures									
Disbursements	-	2,570	32,800	-	6,116	-	-	41,486	223,719
Grants	-	-	672,180	8,963	-	-	15,317	696,460	596,390
Support payments	7,084	-	-	-	-	-	-	7,084	7,050
	7,084	2,570	704,980	8,963	6,116	-	15,317	745,030	827,159
Net revenue (expenditures)	(6,642)	38,235	1,859,523	(8,759)	(4,030)	2,318	(13,867)	1,866,778	(19,442)
Interfund transfers	-	28,805	(494,230)	14,750	583,299	-	9,750	142,374	(627,346)
Net change in fund balance	(6,642)	67,040	1,365,293	5,991	579,269	2,318	(4,117)	2,009,152	(646,788)
Fund balance - Beginning of year	36,809	1,029,564	2,894,894	10,208	455,929	178,581	58,050	4,664,035	5,310,823
Fund balance - End of year	30,167	1,096,604	4,260,187	16,199	1,035,198	180,899	53,933	6,673,187	4,664,035

Mennonite Church Eastern Canada

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

For the year ended January 31, 2016

	Externally Restricted Funds					Endowed Funds (note 12)			
	Blenheim \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2016 \$	2015 \$	Third Century Outreach \$	2016 \$	2015 \$
Revenue									
Donations and bequests	-	29,925	-	-	29,925	4,709	-	-	-
Interest	1,034	9,487	25,602	825	36,948	38,806	2,785	2,785	5,506
	1,034	39,412	25,602	825	66,873	43,515	2,785	2,785	5,506
Expenditures									
Disbursements	72	-	1,264	1,347	2,683	7,826	-	-	-
Grants	-	-	13,500	-	13,500	158,200	-	-	-
	72	-	14,764	1,347	16,183	166,026	-	-	-
Net revenue (expenditures)	962	39,412	10,838	(522)	50,690	(122,511)	2,785	2,785	5,506
Interfund transfers	-	285,687	-	-	285,687	395,149	(188,572)	(188,572)	(6,000)
Net change in fund balance	962	325,099	10,838	(522)	336,377	272,638	(185,787)	(185,787)	(494)
Fund balance - Beginning of year	24,206	607,853	1,068,169	15,894	1,716,122	1,443,484	185,787	185,787	186,281
Fund balance - End of year	25,168	932,952	1,079,007	15,372	2,052,499	1,716,122	-	-	185,787

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2016

	2016	2015
	\$	\$
		(note 14)
Cash provided by (used in)		
Operating activities		
Net revenue (expenditures)	1,939,140	(398,945)
Amortization of capital assets	12,944	24,301
Gain on sale of capital assets	(394,517)	-
Net changes in non-cash working capital balances		
Decrease in accounts receivable	187,900	70,271
Increase in prepaid expenses	(10,138)	(506)
Increase in accounts payable	246,048	114,236
Increase (decrease) in government remittances payable	(731)	2,432
Increase (decrease) in deferred contributions	(11,416)	1,281
	<u>1,969,230</u>	<u>(186,930)</u>
Investing activities		
Proceeds on sale of capital assets	583,299	-
Net change in loans receivable	155,302	(88,287)
Change in term deposit investments	75,000	-
	<u>813,601</u>	<u>(88,287)</u>
Increase (decrease) in cash and short-term deposits	2,782,831	(275,217)
Cash and short-term deposits - Beginning of year	4,333,863	4,609,080
Cash and short-term deposits - End of year	<u>7,116,694</u>	<u>4,333,863</u>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

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) 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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

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.

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. 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 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 (2015 - \$981,526) from the Legacy Initiatives Fund, both of which are Internally Restricted Funds.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

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 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 \$	2016 \$	2015 \$
Land - 4489 King St. E.	-	-	-	150,000
Office building - 4489 King St. E.	-	-	-	38,783
Furniture and equipment	80,992	38,456	42,536	54,467
Computer equipment	2,102	2,102	-	-
Leasehold improvements	9,110	2,480	6,630	7,642
	<u>92,204</u>	<u>43,038</u>	<u>49,166</u>	<u>250,892</u>

b) Capital trust funds

	2016 \$	2015 \$
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>

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

6 Loans receivable

	2016 \$	2015 \$
Interest bearing loans receivable	1,425,000	1,427,803
Non-interest bearing loans	-	150,000
Student Loan Fund receivable	2,501	5,000
	<hr/>	<hr/>
	1,427,501	1,582,803

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, \$2,499 was received by the Area Church in repayments (2015 - \$7,562) against the student loan fund receivable and no new loans were granted (2015 - \$nil). There were no outstanding loans (2015 - \$nil) forgiven during the year.

7 Operating fund - changes in net assets

	Unrestricted net assets \$	Investments in capital assets \$	Total \$
Opening balance	-	250,892	250,892
Net change in fund balance	(18,876)	(201,726)	(220,602)
	<hr/>	<hr/>	<hr/>
Ending balance	(18,876)	49,166	30,290

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

8 Commitments

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

	\$
January 31,	
2017	79,048
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 \$2,189,706 (2015 - \$2,213,747) has been allocated on the following basis: MC Canada (39.84%, 2015 - 39.84%), MCEC (60.16%, 2015 - 60.16%). MC Canada includes an allocation for Anabaptist Mennonite Biblical Seminary.

	Designated \$	Undesignated \$	2016 \$	2015 \$
MC Canada	156,644	653,554	810,198	881,957
MCEC	193,633	1,029,799	1,223,432	1,331,790
Sub-total			2,033,630	2,213,747
Revenue not subject to the formula: MCEC			156,076	136,826
Net revenue			2,189,706	2,350,573

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

10 Churchwide agencies

	2016 \$	2015 \$
Mennonite Church Canada		
Undesignated	631,882	691,123
Christian Witness Council	117,009	124,421
	<hr/> 748,891	<hr/> 815,544
Anabaptist Mennonite Biblical Seminary	60,934	66,413
	<hr/> 809,825	<hr/> 881,957

11 Partner agencies

	2016 \$	2015 \$
Agencies		
Mennonite World Conference	6,962	6,962
Camps	36,794	36,798
Hidden Acres Mennonite Camp		
Ontario Mennonite Music Camp		
Silver Lake Mennonite Camp		
Willowgrove Camp		
Schools		
Rockway Mennonite Collegiate	73,911	73,911
United Mennonite Educational Institute	27,905	27,905
Publications		
<i>Canadian Mennonite</i>	75,335	74,558
	<hr/> 220,907	<hr/> 220,134

12 Endowed fund balance

The permanent capital of the Third Century Outreach Fund is \$nil (2015 - \$179,928). During the year it was determined that there was no longer a requirement to hold the permanent capital as endowed and the funds were transferred to the Missions, Bequests and Donations fund.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2016

13 Pension costs

During the year, \$44,003 (2015 - \$34,930) was paid and expensed for defined contribution pension costs for the Church employees as part of the Mennonite Church Canada pension plan.

14 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, 2016

	Executive Council \$	Congrega- tional Ministries Council \$	Leadership Council \$	Mission Council \$	Regional Ministry \$	Program Resourcing and Occupancy Costs \$	Other \$	2016 \$	2015 \$
Revenue									
Donations	-	-	-	2,840	-	8,266	-	11,106	-
Fees	-	-	-	-	-	18,234	-	18,234	19,908
Program support and recovery	-	43,462	52,809	-	-	-	-	96,271	58,652
Special projects recovery	-	-	11,448	-	-	-	-	11,448	29,889
Expense recovery	754	-	-	-	-	-	-	754	1,354
Personnel recovery	-	275	100	125	655	-	-	1,155	24,430
	754	43,737	64,357	2,965	655	26,500	-	138,968	134,233
Expenditures									
Program personnel	83,925	126,938	85,738	77,199	112,352	377,949	-	864,101	881,563
Programs	1,523	51,513	62,724	257,018	-	16,056	-	388,834	368,898
Travel and expenses	16,085	3,314	5,463	8,510	11,318	4,048	-	48,738	15,456
Special projects	465	-	11,398	-	-	-	-	11,863	33,129
Professional development	5,533	2,117	1,155	804	367	3,164	-	13,140	-
Office	-	-	-	-	-	39,893	-	39,893	36,674
Rent	-	-	-	-	-	98,781	-	98,781	78,194
Utilities, maintenance and insurance	-	-	-	-	-	4,604	-	4,604	25,548
Bank charges	-	-	-	-	-	253	-	253	133
Legal and audit	-	-	-	-	-	36,250	-	36,250	18,171
Relocation expenses	-	-	-	-	-	-	-	-	8,975
Amortization	-	-	-	-	-	12,944	-	12,944	24,301
Conrad Grebel University College	-	-	-	-	-	-	154,171	154,171	154,171
Partner agencies (note 11)	-	-	-	-	-	-	220,907	220,907	220,134
	107,531	183,882	166,478	343,531	124,037	593,942	375,078	1,894,479	1,865,347
Net expenditure	106,777	140,145	102,121	340,566	123,382	567,442	375,078	1,755,511	1,731,114

