

Mennonite Church Eastern Canada

Financial Statements
January 31, 2015



March 24 2015

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, 2015 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 revenue from donations the completeness of which is not susceptible to 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, 2015 and January 31, 2014, current assets as at January 31, 2015 and January 31, 2014, and net assets as at the beginning and end of the years ended January 31, 2015 and January 31, 2014. Our audit opinion on the financial statements for the year ended January 31, 2014 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, 2015 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, 2015

	Operating Fund \$	Restricted Funds \$	Endowed Funds \$	Capital Trust Fund \$	2015 \$	2014 \$
Assets						
Current assets						
Cash and short-term deposits	230,073	4,568,003	185,787	-	4,983,863	5,259,080
Accounts receivable	140,027	79,180	-	-	219,207	289,478
Prepaid expenses	3,204	1,334	-	-	4,538	4,032
Due from other funds (note 3)	-	981,526	-	-	981,526	981,526
Investment shares (note 4)	-	15,871	-	-	15,871	15,871
Total current assets	373,304	5,645,914	185,787	-	6,205,005	6,549,987
Investment shares (note 4)	-	142,835	-	-	142,835	142,835
Capital assets (note 5)	250,892	-	-	496,189	747,081	771,382
Loans receivable (note 6)	-	1,582,803	-	-	1,582,803	1,494,516
Total assets	624,196	7,371,552	185,787	496,189	8,677,724	8,958,720
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	206,077	9,869	-	-	215,946	101,710
Government remittances payable	20,506	-	-	-	20,506	18,074
Deferred contributions	146,721	-	-	-	146,721	145,440
Due to other funds (note 3)	-	981,526	-	-	981,526	981,526
Total current liabilities	373,304	991,395	-	-	1,364,699	1,246,750
Net assets						
Invested in capital assets	250,892	-	-	496,189	747,081	771,382
Externally restricted	-	1,716,122	185,787	-	1,901,909	1,629,765
Internally restricted	-	4,664,035	-	-	4,664,035	5,310,823
Unrestricted	-	-	-	-	-	-
Total net assets	250,892	6,380,157	185,787	496,189	7,313,025	7,711,970
Total liabilities and net assets	624,196	7,371,552	185,787	496,189	8,677,724	8,958,720

Mennonite Church Eastern Canada

Statement of Operations and Fund Balances

For the year ended January 31, 2015

	Operating Fund \$	Restricted Funds \$	Endowed Funds \$	Capital Trust Fund \$	2015 \$	2014 \$
Revenue						
Donations, bequests and other revenue	2,302,481	720,746	-	-	3,023,227	3,304,261
Interest	87,799	130,486	5,506	-	223,791	222,628
	2,390,280	851,232	5,506	-	3,247,018	3,526,889
Less: Amounts designated by donors to external organizations						
MCEC - related agencies	5,263	-	-	-	5,263	1,000
Churchwide agencies	2,271	-	-	-	2,271	5,228
Mennonite Central Committee	32,173	-	-	-	32,173	70,027
	39,707	-	-	-	39,707	76,255
Net revenue	2,350,573	851,232	5,506	-	3,207,311	3,450,634
Expenditures						
MCEC operations (schedule 1)	1,731,114	-	-	-	1,731,114	1,630,439
Churchwide agencies (note 10)	881,957	-	-	-	881,957	878,133
Designated and endowed funds						
Disbursements	-	231,545	-	-	231,545	51,984
Grants	-	754,590	-	-	754,590	637,080
Support payments	-	7,050	-	-	7,050	7,200
Total expenditures	2,613,071	993,185	-	-	3,606,256	3,204,836
Net revenue (expenditures)	(262,498)	(141,953)	5,506	-	(398,945)	245,798
Interfund transfers	238,197	(232,197)	(6,000)	-	-	-
Net change in fund balance (note 7)	(24,301)	(374,150)	(494)	-	(398,945)	245,798
Fund balance - Beginning of year	275,193	6,754,307	186,281	496,189	7,711,970	7,466,172
Fund balance - End of year	250,892	6,380,157	185,787	496,189	7,313,025	7,711,970

Mennonite Church Eastern Canada

Statement of Changes in Restricted and Endowed Fund Balances

For the year ended January 31, 2015

	Internally Restricted Funds							2015 \$	2014 \$	
	Discretionary Assistance \$	Discretionary Retirement \$	Faithful Steward \$	Legacy Initiatives \$	Leadership Enrichment \$	MCEC Property \$	Student Loan \$			Theological Leadership Development \$
Revenue										
Donations and bequests	177	-	400,379	315,000	-	-	-	481	716,037	939,627
Interest	548	84	8,486	78,419	142	429	2,667	905	91,680	129,450
	<u>725</u>	<u>84</u>	<u>408,865</u>	<u>393,419</u>	<u>142</u>	<u>429</u>	<u>2,667</u>	<u>1,386</u>	<u>807,717</u>	<u>1,069,077</u>
Expenditures										
Disbursements	-	-	-	202,264	-	21,455	-	-	223,719	19,930
Grants	1,150	-	-	578,725	9,529	-	-	6,986	596,390	487,080
Support payments	-	7,050	-	-	-	-	-	-	7,050	7,200
	<u>1,150</u>	<u>7,050</u>	<u>-</u>	<u>780,989</u>	<u>9,529</u>	<u>21,455</u>	<u>-</u>	<u>6,986</u>	<u>827,159</u>	<u>514,210</u>
Net revenue (expenditures)	(425)	(6,966)	408,865	(387,570)	(9,387)	(21,026)	2,667	(5,600)	(19,442)	554,867
Interfund transfers	2,145	(2,145)	318,999	(970,845)	14,750	-	-	9,750	(627,346)	(169,727)
Net change in fund balance	1,720	(9,111)	727,864	(1,358,415)	5,363	(21,026)	2,667	4,150	(646,788)	385,140
Fund balance - Beginning 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
Fund balance - End of year	36,809	-	1,029,564	2,894,894	10,208	455,929	178,581	58,050	4,664,035	5,310,823

Mennonite Church Eastern Canada

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

For the year ended January 31, 2015

	Externally Restricted Funds				Endowed Funds (note 12)				
	Blenheim \$	Missions Bequests and Donations \$	Mission Capital \$	Reesor Memorial \$	2015 \$	2014 \$	Third Century Outreach \$	2015 \$	2014 \$
Revenue									
Donations and bequests	-	4,709	-	-	4,709	14,977	-	-	-
Interest	1,686	3,749	32,127	1,244	38,806	48,167	5,506	5,506	6,653
	1,686	8,458	32,127	1,244	43,515	63,144	5,506	5,506	6,653
Expenditures									
Disbursements	3,642	-	2,801	1,383	7,826	7,529	-	-	24,525
Grants	-	-	158,200	-	158,200	150,000	-	-	-
	3,642	-	161,001	1,383	166,026	157,529	-	-	24,525
Net revenue (expenditures)	(1,956)	8,458	(128,874)	(139)	(122,511)	(94,385)	5,506	5,506	(17,872)
Interfund transfers	-	395,149	-	-	395,149	(62,000)	(6,000)	(6,000)	(13,973)
Net change in fund balance	(1,956)	403,607	(128,874)	(139)	272,638	(156,385)	(494)	(494)	(31,845)
Fund balance - Beginning of year	26,162	204,246	1,197,043	16,033	1,443,484	1,599,869	186,281	186,281	218,126
Fund balance - End of year	24,206	607,853	1,068,169	15,894	1,716,122	1,443,484	185,787	185,787	186,281

Mennonite Church Eastern Canada

Statement of Cash Flows

For the year ended January 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expenditures)	(398,945)	245,798
Amortization of capital assets	24,301	19,879
Net changes in non-cash working capital balances		
(Increase) decrease in accounts receivable	70,271	(128,596)
(Increase) decrease in prepaid expenses	(506)	78
Increase (decrease) in accounts payable	114,236	(116,751)
Increase in government remittances payable	2,432	2,354
Increase in deferred contributions	1,281	54,599
	<hr/>	<hr/>
	(186,930)	77,361
Investing activities		
Purchase of capital assets	-	(68,767)
Net increase in loans receivable	(88,287)	(1,408,294)
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	(88,287)	(1,477,061)
Decrease in cash and short-term deposits	(275,217)	(1,399,700)
Cash and short-term deposits - Beginning of year	5,259,080	6,658,780
Cash and short-term deposits - End of year	<hr/>	<hr/>
	4,983,863	5,259,080

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2015

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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2015

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. Contributions designated for the current year and collected subsequent to January 31st, but before February 12th 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 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.

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2015

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 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 \$	2015 \$	2014 \$
Land - 4489 King St. E.	150,000	-	150,000	150,000
Office building - 4489 King St. E.	283,934	245,151	38,783	50,140
Furniture and equipment	80,992	26,525	54,467	66,399
Computer equipment	2,102	2,102	-	-
Leasehold improvements	9,110	1,468	7,642	8,654
	<u>526,138</u>	<u>275,246</u>	<u>250,892</u>	<u>275,193</u>

b) Capital trust funds

	2015 \$	2014 \$
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, 2015

6 Loans receivable

a) Loan balances

	2015 \$	2014 \$
Interest bearing loans receivable	1,427,803	1,431,954
Non-interest bearing loans	150,000	50,000
Student Loan Fund receivable	5,000	12,562
	<hr/>	<hr/>
	1,582,803	1,494,516

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.

b) Student Loan Fund

During the year, \$7,562 was received by the Area Church in repayments (2014 - \$14,189) and no new loans were granted (2014 - \$Nil). There were no outstanding loans (2014 - \$Nil) forgiven during the year.

7 Operating fund - changes in net assets

	Unrestricted net assets \$	Investments in capital assets \$	Total \$
Opening balance	-	275,193	275,193
Net change in fund balance	-	(24,301)	(24,301)
	<hr/>	<hr/>	<hr/>
Ending balance	-	250,892	250,892

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2015

8 Commitments

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

	\$
January 31,	
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 \$2,213,747 (2014 - \$2,204,150) has been allocated on the following basis: MC Canada (39.84%, 2014 - 39.84%), MCEC (60.16%, 2014 - 60.16%). MC Canada includes an allocation for Anabaptist Mennonite Biblical Seminary.

	Designated \$	Undesignated \$	2015 \$	2014 \$
MC Canada	170,378	711,579	881,957	878,133
MCEC	213,712	1,118,078	1,331,790	1,326,017
Sub-total	384,090	1,829,657	2,213,747	2,204,150
Revenue not subject to the formula: MCEC			136,826	107,610
Net revenue			2,350,573	2,311,760

Mennonite Church Eastern Canada

Notes to Financial Statements

January 31, 2015

10 Churchwide agencies

	2015 \$	2014 \$
Mennonite Church Canada		
Undesignated	691,123	679,588
Christian Witness Council	124,421	132,271
Christian Formation Council	-	150
	<hr/>	<hr/>
	815,544	812,009
Anabaptist Mennonite Biblical Seminary	<hr/>	<hr/>
	66,413	66,124
	<hr/>	<hr/>
	881,957	878,133
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11 Partner agencies

	2015 \$	2014 \$
Agencies		
Mennonite World Conference	6,962	6,962
Camps	36,798	36,795
Hidden Acres Mennonite Camp		
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		
<i>Canadian Mennonite</i>	<hr/>	<hr/>
	74,558	73,819
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	220,134	219,392
	<hr/>	<hr/>

12 Endowed fund balance

The permanent capital of the Third Century Outreach Fund is \$ 179,928 (2014 - \$179,928).

13 Pension costs

During the year, \$34,930 (2014 - \$34,369) 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, 2015

	Executive Council \$	Congregational Ministries Council \$	Leadership Council \$	Mission Council \$	Regional Ministry \$	Program Resourcing and Occupancy Costs \$	Other \$	2015 \$	2014 \$
Revenue									
Fees	-	-	19,908	-	-	-	-	19,908	16,328
Program support and recovery	-	31,661	2,372	5,700	-	18,919	-	58,652	61,750
Special projects recovery	783	50	28,142	-	-	914	-	29,889	26,855
Expense recovery	875	-	429	-	50	-	-	1,354	1,215
Personnel recovery	6,710	724	926	200	9,838	6,032	-	24,430	53,228
	8,368	32,435	51,777	5,900	9,888	25,865	-	134,233	159,376
Expenditures									
Program personnel	96,219	83,512	81,717	83,969	227,586	308,560	-	881,563	841,971
Programs	2,046	39,342	36,374	269,810	-	21,326	-	368,898	336,589
Travel and expenses	11,447	575	1,205	1,518	-	711	-	15,456	4,049
Special projects	8,621	152	24,356	-	-	-	-	33,129	62,399
Office	-	-	-	-	-	36,674	-	36,674	31,512
Rent	-	-	-	-	-	78,194	-	78,194	23,143
Utilities, maintenance and insurance	-	-	-	-	-	25,548	-	25,548	20,951
Bank charges	-	-	-	-	-	133	-	133	174
Legal and audit	-	-	-	-	-	18,171	-	18,171	18,309
Relocation expenses	-	-	-	-	-	8,975	-	8,975	57,276
Amortization	-	-	-	-	-	24,301	-	24,301	19,879
Conrad Grebel University College	-	-	-	-	-	-	154,171	154,171	154,171
Partner agencies (note 11)	-	-	-	-	-	-	220,134	220,134	219,392
	118,333	123,581	143,652	355,297	227,586	522,593	374,305	1,865,347	1,789,815
Net expenditure	109,965	91,146	91,875	349,397	217,698	496,728	374,305	1,731,114	1,630,439

