Financial Statements of

# MENNONITE CENTRAL COMMITTEE CANADA

And Independent Auditors' Report thereon

Year ended March 31, 2019

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# INDEPENDENT AUDITORS' REPORT

To the Members of Mennonite Central Committee Canada

## *Opinion*

We have audited the financial statements of Mennonite Central Committee Canada (the Entity), which comprise the statement of financial position as at March 31, 2019, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## *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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## *Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

September 21, 2019

# MENNONITE CENTRAL COMMITTEE CANADA

Statement of Financial Position

March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 6,939,570 | $ 8,002,938 |
| Accounts receivable (note 3) | 5,029,939 | 5,972,636 |
| Prepaid expenses | 578,667 | 482,731 |
| Inventories (note 4) | 5,079,103 | 6,163,883 |
| Investments (note 5) | 743,388 | 470,364 |
| | 18,370,667 | 21,092,552 |
| Long-term grants receivable | 55,986 | 564,472 |
| Investment in Canadian Foodgrains Bank Association Inc. | 3,372,876 | 3,336,314 |
| Capital assets (note 6) | 3,536,552 | 4,138,660 |
| | $ 25,336,081 | $ 29,131,998 |
| **Liabilities, Deferred Contributions and Fund Balances** | | |
| Current liabilities: | | |
| Payable to MCC U.S., non-interest bearing | $ 134,177 | $ 83,661 |
| Accounts payable and accrued liabilities (note 8) | 3,157,063 | 2,632,436 |
| Loan payable (note 9) | – | 3,389 |
| Payable to service workers | 787,634 | 813,148 |
| Current portion of long-term debt (note 11) | 117,696 | 113,422 |
| | 4,196,570 | 3,646,056 |
| Deferred contributions related to expenses of future periods (note 10) | 183,510 | 375,038 |
| Long-term debt (note 11) | 2,721,494 | 2,839,190 |
| Fund balances (note 12): | | |
| Unrestricted | 10,010,178 | 8,453,481 |
| Internally restricted: | | |
| General operations (note 13) | 1,512,884 | 3,065,303 |
| Ten Thousand Villages Canada | 402,077 | 733,913 |
| Externally restricted - International (schedule B) | 6,309,368 | 10,019,017 |
| | 18,234,507 | 22,271,714 |
| Commitments and contingencies (note 17) | | |
| | $ 25,336,081 | $ 29,131,998 |

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

# MENNONITE CENTRAL COMMITTEE CANADA

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

| | General Funds | | | | | | Restricted Fund | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Operating | | Ten Thousand Villages Canada | | Total | | International | | Total | Total |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenue (note 15): | | | | | | | | | | |
| Contributions: | | | | | | | | | | |
| General | $ 12,691,018 | $ 13,128,562 | $ – | $ – | $ 12,691,018 | $ 13,128,562 | $ – | $ – | $ 12,691,018 | $ 13,128,562 |
| Designated: | | | | | | | | | | |
| CFGB | 307,901 | 10,000 | – | – | 307,901 | 10,000 | 3,540,859 | 3,860,327 | 3,848,760 | 3,870,327 |
| Disaster restricted | 10,814 | 105,933 | – | – | 10,814 | 105,933 | 359,204 | 1,206,771 | 370,018 | 1,312,704 |
| Other | 1,571,432 | 1,333,174 | – | – | 1,571,432 | 1,333,174 | 6,698,276 | 5,641,600 | 8,269,708 | 6,974,774 |
| Material resources | – | – | – | – | – | – | 1,749,333 | 2,104,891 | 1,749,333 | 2,104,891 |
| Grants: | | | | | | | | | | |
| GAC - CFGB | – | – | – | – | – | – | 7,864,683 | 8,945,085 | 7,864,683 | 8,945,085 |
| CFGB | – | – | – | – | – | – | 2,452,882 | 465,260 | 2,452,882 | 465,260 |
| Other | 1,138,538 | 11,257 | – | – | 1,138,538 | 11,257 | 174,346 | 347,373 | 1,312,884 | 358,630 |
| Fair trade sales | – | – | 9,027,387 | 12,082,135 | 9,027,387 | 12,082,135 | – | – | 9,027,387 | 12,082,135 |
| Foreign exchange gain (loss) | (8,490) | 9,446 | 20,769 | 11,070 | 12,279 | 20,516 | 183,568 | (363,436) | 195,847 | (342,920) |
| Other (note 16) | 348,671 | 326,005 | 1,259,010 | 238,063 | 1,607,681 | 564,068 | 572,630 | 577,335 | 2,180,311 | 1,141,403 |
| | 16,059,884 | 14,924,377 | 10,307,166 | 12,331,268 | 26,367,050 | 27,255,645 | 23,595,781 | 22,785,206 | 49,962,831 | 50,040,851 |
| Expenses: | | | | | | | | | | |
| Program (schedule A) | 1,902,774 | 1,783,188 | – | – | 1,902,774 | 1,783,188 | 38,431,651 | 35,859,604 | 40,334,425 | 37,642,792 |
| Fair trade: | | | | | | | | | | |
| Cost of sales | – | – | 4,102,417 | 5,416,757 | 4,102,417 | 5,416,757 | – | – | 4,102,417 | 5,416,757 |
| Operations | – | – | 4,741,643 | 6,418,965 | 4,741,643 | 6,418,965 | – | – | 4,741,643 | 6,418,965 |
| Administration | – | – | 1,628,729 | 1,656,378 | 1,628,729 | 1,656,378 | – | – | 1,628,729 | 1,656,378 |
| Support services: | | | | | | | | | | |
| Administration and communication | 2,141,027 | 3,581,424 | – | – | 2,141,027 | 3,581,424 | – | – | 2,141,027 | 3,581,424 |
| Resource generation | 353,307 | 761,243 | – | – | 353,307 | 761,243 | – | – | 353,307 | 761,243 |
| Other: | | | | | | | | | | |
| Grants to Provincial MCCs (note 18) | 698,490 | 207,541 | – | – | 698,490 | 207,541 | – | – | 698,490 | 207,541 |
| | 5,095,598 | 6,333,396 | 10,472,789 | 13,492,100 | 15,568,387 | 19,825,496 | 38,431,651 | 35,859,604 | 54,000,038 | 55,685,100 |
| Excess (deficiency) of revenue over expenses | $ 10,964,286 | $ 8,590,981 | $ (165,623) | $ (1,160,832) | $ 10,798,663 | $ 7,430,149 | $ (14,835,870) | $ (13,074,398) | $ (4,037,207) | $ (5,644,249) |

See accompanying notes to financial statements.

# MENNONITE CENTRAL COMMITTEE CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

| | General Funds | | | Restricted Fund | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Internally restricted | Ten Thousand Villages Canada | International | 2019 Total | 2018 Total |
| Balance, beginning of year | $ 8,453,481 | $ 3,065,303 | $ 733,913 | $ 10,019,017 | $ 22,271,714 | $ 27,915,963 |
| Excess (deficiency) of revenue over expenses | 10,964,286 | – | (165,623) | (14,835,870) | (4,037,207) | (5,644,249) |
| Inter-fund transfers (note 13) | 1,718,632 | (1,552,419) | (166,213) | – | – | – |
| Inter-fund transfer for International programs (Schedule B) | (11,126,221) | – | – | 11,126,221 | – | – |
| Balance, end of year | $ 10,010,178 | $ 1,512,884 | $ 402,077 | $ 6,309,368 | $ 18,234,507 | $ 22,271,714 |

See accompanying notes to financial statements.

# MENNONITE CENTRAL COMMITTEE CANADA

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating: | | |
| Deficiency of revenue over expenses | $ (4,037,207) | $ (5,644,249) |
| Items not involving cash: | | |
| Amortization of capital assets | 723,011 | 809,285 |
| Loss on disposal of capital assets | 41,315 | 1,671 |
| | (3,272,881) | (4,833,293) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 942,697 | 1,266,695 |
| Prepaid expenses | (95,936) | 559,798 |
| Inventories | 1,084,780 | 652,681 |
| Long-term grants receivable | 508,486 | 2,876,097 |
| Accounts payable and accrued liabilities | 524,627 | 461,701 |
| Payable to MCC U.S. | 50,516 | (41,921) |
| Payable to service workers | (25,514) | (58,213) |
| Repayment of loan payable | (3,389) | (3,898) |
| Change in deferred contributions related to expenses of future periods | (191,528) | (154,706) |
| | (478,142) | 724,941 |
| Investing activities: | | |
| Decrease (increase) in investment in Canadian Foodgrains Bank Association Inc. | (36,562) | 383,537 |
| Change in investments, net | (273,024) | 489,051 |
| Purchase of capital assets | (162,218) | (628,630) |
| | (471,804) | 243,958 |
| Financing activities: | | |
| Repayment of long-term debt | (113,422) | (109,029) |
| Decrease in bank indebtedness | – | (106,078) |
| | (113,422) | (215,107) |
| Decrease (increase) in cash | (1,063,368) | 753,792 |
| Cash, beginning of year | 8,002,938 | 7,249,146 |
| Cash, end of year | $ 6,939,570 | $ 8,002,938 |

See accompanying notes to financial statements.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements

Year ended March 31, 2019

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**1. Nature of the operations and basis of presentation:**

Mennonite Central Committee (MCC), a worldwide ministry of Anabaptist churches, shares God's love and compassion for all in the name of Christ by responding to basic human needs and working for peace and justice. MCC envisions communities worldwide in right relationship with God, one another and creation.

Mennonite Central Committee Canada (MCCC) and Mennonite Central Committee U.S. (MCC U.S.) have entered into a covenant to share the ownership of each of the MCC international programs in each country that MCC operates in and all related assets including property, relationships, reputation, knowledge, experience, and supporting systems located in those countries. It is intended that the share that each national entity owns under this arrangement in each country program will be an undivided share.

Both MCCC and MCC U.S. have agreed to collaborate and work together in the operation of the shared program so that it will be seen as one integrated MCC shared program. This commitment does not preclude either entity from agreeing occasionally to fund and manage on its own an entire project or an entire country program. In addition to the international program MCCC and MCC U.S. agreed to resource and manage other programs on a shared basis.

MCCC receives the majority of its contribution revenue from Canadian Provincial MCC's and collaborates with the Canadian Provincial MCC's in Canadian domestic program activity.

MCCC is incorporated under a *Special Act of the Parliament of Canada* as a non-profit organization without share capital. MCCC is a registered charity within the meaning of the *Income Tax Act* (Canada) and is exempt from income taxes.

**2. Significant accounting policies:**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies incorporated into these financial statements are as follows:

(a) Fund accounting:

MCCC follows the restricted fund method of accounting for contributions.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 2. Significant accounting policies (continued):

(i) General Funds:

(a) Unrestricted:

Operating activities include the administration of Domestic programming in the areas of Sustainable Community Development and Justice and Peacebuilding. Included in the unrestricted fund are amounts invested in capital assets and the non-building capital asset reserve.

(b) Internally restricted:

Funds have been internally restricted for various purposes as disclosed in note 13.

(c) Ten Thousand Villages Canada:

The operations of Ten Thousand Villages Canada (Villages Canada), a program of MCCC, create opportunities with artisans in developing countries to earn income by bringing their products and stories to Canadian markets through long-term fair trading relationships.

(ii) Restricted Fund - International:

Operating activities include the administration of international programming in the areas of Sustainable Community Development, Disaster Response and Justice and Peacebuilding. Included in this Fund are the contributions designated for international programs.

Included in this fund are also the contributions received for MCCC's member account with Canadian Foodgrains Bank Association Inc. (CFGB). CFGB is a partnership of 15 Canadian churches and church-based agencies working to end global hunger. On behalf of its member agencies and their partners, CFGB collects grain and cash donations, provides funds and expert advice for projects submitted by member agencies and their partners, manages procurement and supply of food commodities, and engages in public policy and educational activities related to hunger.

## 2. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the appropriate General Fund, depending on the nature of the contribution, in the year in which the related expenses are incurred. Contributions restricted for international programs are recognized as revenue in the Restricted International Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions received from the Government which are restricted for international programs are subject to review by the Government for utilization of the contribution in accordance with the Government agreement. Adjustments, if any, are recorded in the period they are communicated by the Government to MCCC.

Unrestricted contributions are recognized as revenue of the appropriate General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

In accordance with the covenant referred to in note 1, MCCC has allocated to the General Operating Fund a portion of the designated contributions received for the Restricted International Fund. This allocation, which aggregated $1,890,147 (2018 - $1,439,107) for the year ended March 31, 2019, is to offset administrative and resource generation expenses incurred by the General Operating Fund.

Sales revenue is recognized when the related merchandise is sold to the customer. Interest and other revenue are recognized as earned.

(c) Foreign exchange:

Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars using the year end exchange rate. Revenue and expense items are converted using the average exchange rate in the month of the transaction. The foreign exchange gain included in the statement of operations for the year ended March 31, 2019 is $195,847 (2018 - foreign exchange loss of $342,920).

(d) Contributed services:

Volunteers are an integral part of carrying out the activities of MCCC. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 2. Significant accounting policies (continued):

(e) Inventories:

Inventories of Villages Canada are valued at the lower of cost, determined on a weighted average basis and net realizable value, the estimated selling price in the normal course of operations less the estimated costs necessary to make the sale. Cost includes the purchase cost and transportation expenses incurred to bring inventory to its present location.

Material resource donations intended for overseas shipments are recorded as inventory and revenue in the Restricted Fund at fair value when received. Inventory is expensed when goods are shipped.

(f) Investment:

The investment in CFGB is recorded utilizing the equity method of accounting. In accordance with the equity method of accounting, the carrying value of MCCC's investment in CFGB is adjusted by MCCC's share of the excess of revenue over expenses of CFGB. MCCC's share of the revenue includes donations received by MCCC for its member account at CFGB or received by CFGB for MCCC's member account. Revenues also include grants received by CFGB for MCCC's member account. MCCC's share of the expenses include project grants made by CFGB at the direction of MCCC. The accumulated net assets related to MCCC's investment in CFGB, are included in the externally restricted fund balance on the statement of financial position.

(g) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the assets as follows:

| Asset | Term |
|---|---|
| Buildings | 20 - 30 years |
| Equipment | 3 - 10 years |
| Vehicles | 3 - 5 years |
| Leasehold improvements | Term of the lease |

Amortization of leasehold improvements is calculated on a straight-line basis over the term of the related lease.

When a capital asset no longer contributes to MCCC's ability to provide services, its carrying amount is written down to its residual value.

## 2. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Freestanding derivatives that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. MCCC has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(i) Allocation of expenses:

MCCC records a number of its expenses by program. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

MCCC incurs a number of general program support expenditures that are common to the operation of the international and domestic programs. MCCC allocates its general program support expenditures by identifying the appropriate basis of allocating the component expenditures and applying that basis consistently each year.

General Program support expenditures relate primarily to the country program supervision costs, the Program Directors department and certain of the expenditures for the Program Learning and Disaster Response department. These expenditures have been allocated proportionately to the program priorities based on the direct expenditures attributable to those program priorities. The basis of allocation is reviewed periodically and may be revised according to circumstances prevailing from time to time.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of inventories and capital assets. Actual results could differ from those estimates.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 3. Accounts receivable:

| | 2019 | 2018 |
|---|---|---|
| Receivable from Provincial MCC's | $ 2,937,769 | $ 2,330,234 |
| Customers of Villages Canada | 171,278 | 97,892 |
| Current portion of long-term grants receivable | 1,115,806 | 3,025,874 |
| CFGB | 602,025 | 172,309 |
| Other | 203,061 | 346,327 |
| | $ 5,029,939 | $ 5,972,636 |

## 4. Inventories:

| | 2019 | 2018 |
|---|---|---|
| Villages Canada - merchandise | $ 3,787,751 | $ 5,111,078 |
| General operations - books and reading materials | 343,546 | 345,040 |
| Material resources | 947,806 | 707,765 |
| | $ 5,079,103 | $ 6,163,883 |

The amount of inventories recognized as an expense within costs of sales and international programs for the year ended March 31, 2019 is $5,949,603 (2018 - $8,016,663).

## 5. Investments:

| | 2019 | 2018 |
|---|---|---|
| Abundance Canada: | | |
| Fixed income portfolio fund | $ 718,371 | $ 445,347 |
| Other | 25,017 | 25,017 |
| | $ 743,388 | $ 470,364 |

The investments held at Abundance Canada (formerly Mennonite Foundation of Canada) may be withdrawn at any time, with due notice. Investment earnings are paid by Abundance Canada based on its pooled rate, less a fixed percentage for administration fees.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 6. Capital assets:

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|---|---|---|---|---|
| Land | $ 679,343 | $ – | $ 679,343 | $ 674,913 |
| Buildings | 6,098,674 | 4,324,173 | 1,774,501 | 1,929,643 |
| Equipment | 4,995,905 | 4,402,950 | 592,955 | 811,883 |
| Vehicles | 1,149,652 | 764,743 | 384,909 | 541,179 |
| Leasehold improvements | 709,732 | 604,888 | 104,844 | 181,042 |
| | $ 13,633,306 | $ 10,096,754 | $ 3,536,552 | $ 4,138,660 |

## 7. Bank indebtedness:

Villages Canada has a line of credit with Kindred Credit Union up to a maximum of $900,000 payable on demand. Interest is payable at prime plus 1.25 percent for a total interest rate of 5.20 percent (2018 - 4.70 percent) at March 31, 2019. The line of credit is secured as disclosed in note 11. At March 31, 2019, Villages Canada utilized nil (2018 - nil) of this line of credit.

## 8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2019 are government remittances payable of $11,939 (2018 - $33,853) relating to federal and provincial sales tax, payroll taxes, health taxes and workers safety insurance.

## 9. Loan payable:

Villages Canada has a loan facility with Shared Interest Society Limited in the amount of US$250,000 (2018 - US$250,000). The loan payable to Shared Interest Society Limited bears interest at 9.00 percent (2018 - 7.75 percent) and is repayable on demand. There have been no assets pledged as collateral for the loan payable. At March 31, 2019, nil (2018 - $3,389 (US$2,632)) of the facility has been utilized.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 10. Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for expenses to be incurred in the future years.

| | 2019 | 2018 |
|---|---|---|
| Balance, beginning of year | $ 375,038 | $ 529,744 |
| Add amounts received during the year | – | 37,400 |
| Less amounts recognized into revenue in the year | (191,528) | (192,106) |
| Balance, end of year | $ 183,510 | $ 375,038 |

## 11. Long-term debt:

| | 2019 | 2018 |
|---|---|---|
| Mortgage payable to Kindred Credit Union, repayable in blended monthly payments of $19,020, interest at 3.99%, due May 16, 2021 | $ 2,839,190 | $ 2,952,612 |
| Current portion | 117,696 | 113,422 |
| | $ 2,721,494 | $ 2,839,190 |

The mortgage payable is secured by an all-purpose collateral mortgage registered over the property at 65 Heritage Drive in New Hamburg, Ontario and a general security agreement covering inventory, accounts receivable and equipment of Villages Canada.

Future principal repayments required on the long-term debt are as follows:

| | |
|---|---|
| 2020 | $ 117,696 |
| 2021 | 122,735 |
| 2022 | 2,598,759 |
| | $ 2,839,190 |

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 12. Investment in capital assets:

MCCC has the following investment in capital assets included within the fund balances:

| | General Funds | | | | Restricted Funds | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating | | Ten Thousand Villages Canada | | International | | Total | Total |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Capital assets | $ 1,154,347 | $1,293,464 | $1,826,451 | $ 2,143,972 | $ 555,754 | $ 701,224 | $ 3,536,552 | $ 4,138,660 |
| Amounts financed by: | | | | | | | | |
| Long-term debt | – | – | (1,319,190) | (1,432,612) | – | – | (1,319,190) | (1,432,612) |
| | $ 1,154,347 | $ 1,293,464 | $ 507,261 | $ 711,360 | $ 555,754 | $ 701,224 | $ 2,217,362 | $ 2,706,048 |

## 13. Internally restricted fund balance and inter-fund transfers:

The internally restricted fund balance consists of the following internally restricted funds for certain programs and expenses of future years:

| | 2019 | 2018 |
|---|---|---|
| Investment in Donor Relations | $ 31,023 | $ 35,123 |
| Non-building capital asset reserve | 50,000 | 50,000 |
| Shared Program: | | |
| Surplus/Deficit Fund | – | 586,046 |
| Bequest Fund | – | 264,010 |
| MCC's in Canada Bequest Fund | 295,511 | 884,690 |
| MCC Centennial Fund | 272,350 | 381,434 |
| Strategic Investment Fund: | | |
| Affordable housing | 300,000 | 300,000 |
| National domestic programs | 379,000 | 379,000 |
| General | 185,000 | 185,000 |
| | $ 1,512,884 | $ 3,065,303 |

# MENNONITE CENTRAL COMMITTEE CANADA



**13. Internally restricted fund balance and inter-fund transfers (continued):**

During the year, an amount of $166,213 (2018 - $154,150) relating to interest of $83,680 (2018 - $77,351) and rental payments and human resource services of $82,533 (2018 - $76,799) paid by Villages Canada to MCCC was transferred from the Ten Thousand Villages Canada Fund to the General Operating Fund.

During the year ended March 31, 2019, $4,099 (2018 - $877) was transferred to the General Operating Fund from the Internally Restricted Fund to cover the expenses incurred to fund certain costs associated with investments in Donor Relations.

During the year ended March 31, 2019, $109,084 (2018 - $18,566) was transferred to the General Operating Fund from the Internally Restricted Fund to cover the expenses incurred to fund certain costs associated with the Centennial Campaign.

During the year ended March 31, 2019, $1,009,236 was transferred from the Internally Restricted Fund to the General Operating Fund. Of this amount $159,180 was transferred to the General Operating Fund from the Bequest Fund held on behalf of MCCs in Canada and $264,010 was transferred from the Bequest Fund held for Shared Program to the General Operating Fund. As well, the $1,009,236 includes $586,046 that was transferred from the Shared Program Surplus/Deficit Fund held on behalf of the MCCs in Canada for Shared Program to the General Operating Fund.

During the year ended March 31, 2019, $430,000 (2018 - nil) was transferred to the General Operating Fund from the Internally Restricted Fund to cover the expenses to fund certain costs associated with the Centennial Grants to provinces.

The purpose of the Strategic Investment Fund is to provide funds to meet special targets of opportunity or needs that further the mission of MCC in Canada and throughout the world and which may or may not have specific expectation of incremental or long-term increased revenue. In addition, its purpose is to provide funds for organizational capacity such as staff development, research and development, or investment in infrastructure that will build long-term capacity of MCC in Canada. This fund is held by MCCC on behalf of all of the MCCs in Canada.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 14. Allocation of international expenses:

General Program support expenditures relate primarily to the country program supervision costs, the Program Directors department and certain of the expenditures for the Program Learning and Disaster Response department. During fiscal 2019, MCCC revised its allocation methodology with this change treated prospectively in these financial statements. These expenditures totaling $6,379,098 (2018 - $5,655,449) have been allocated as follows:

| | 2019 | 2018 |
|---|---:|---:|
| Sustainable Community Development | $ 3,500,861 | $ 3,032,111 |
| Disaster Response | 1,114,685 | 1,123,004 |
| Justice and Peacebuilding | 1,763,552 | 1,500,334 |
| | $ 6,379,098 | $ 5,655,449 |

## 15. Revenue:

Included in MCCC's revenue are the following amounts that were recorded as revenue by the Canadian Provincial MCCs and forwarded to MCCC as grants in accordance with a predetermined revenue sharing agreement between the MCCs in Canada.

| | 2019 | 2018 |
|---|---:|---:|
| Contribution revenue: | | |
| General contributions | $ 12,501,331 | $ 12,834,214 |
| Designated contributions: | | |
| CFGB | 3,838,903 | 3,866,539 |
| Disasters restricted | 249,063 | 1,241,104 |
| Other - international programs | 7,944,642 | 6,698,561 |
| Material resources | 1,759,787 | 1,945,844 |
| Grant revenue: | | |
| Other | 219,600 | 325,000 |
| | $ 26,513,326 | $ 26,911,262 |

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 16. Other revenue:

| | 2019 | 2018 |
|---|---|---|
| Operating Fund: | | |
| Administration fees from CFGB . | $ 173,047 | $ 174,465 |
| Administration fees from Global Affairs Canada (GAC) | 122,713 | 117,713 |
| Interest | 20,877 | 6,297 |
| Other | 32,034 | 27,530 |
| Villages Canada: | | |
| MCC U.S. | 647,720 | – |
| Canadian Provincial MCCs | 300,000 | – |
| Other | 311,290 | 238,063 |
| International | | |
| Other contributions and grants | 572,630 | 577,335 |
| | $ 2,180,311 | $ 1,141,403 |

## 17. Commitments and contingencies:

MCCC has entered into agreements to lease premises for various periods until June 2023. The minimum lease payments, exclusive of realty taxes and other occupancy charges, in the aggregate and for each of the next five years are as follows:

| | |
|---|---|
| 2020 | $ 749,815 |
| 2021 | 557,930 |
| 2022 | 337,434 |
| 2023 | 191,785 |
| 2024 | 2,283 |

MCCC has signed a Private Sponsorship of Refugees (PSR) Agreement with Immigration Refugee and Citizenship Canada (IRCC) to provide financial, human resources and moral support to a certain number of refugees sponsored under the PSR program. MCCC's responsibilities under this agreement were assigned to the various Canadian MCCs but MCCC remains contingently liable for the financial obligations. The estimated amount of the contingent liability as at March 31, 2019 is approximately $5,500,000 (2018 - $7,000,000).

MCCC, together with MCC U.S., are committed to user fees in connection with the Human Resource Information System for $132,000 (US$99,000) per annum to December 28, 2022.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 18. Grants to Provincial MCCs:

During the years ended March 31, 2019 and 2018, the following grant payments were made to provincial MCCs for the purposes indicated:

| | 2019 | 2018 |
|---|---|---|
| Administrative recoveries on Disaster restricted contributions | $ 17,673 | $ 97,652 |
| Bequest policy payments | 435 | 66,002 |
| Annual surplus policy payments | 228,797 | 43,887 |
| Strategic Investment Fund payments for Centennial Donor Relations | 430,000 | – |
| Other grants | 21,585 | – |
| | $ 698,490 | $ 207,541 |

## 19. Pension plan:

MCCC sponsors a defined contribution group RRSP for eligible employees. MCCC's contributions are based on 5 percent of salary costs. Contributions of $440,329 (2018 - $338,836) have been expensed during the year ended March 31, 2019 and are included in administration expenses.

## 20. Financial risks:

MCCC manages risk and risk exposures by applying policies approved by the Board of Directors of MCCC.

(a) Currency risk:

MCCC is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MCCC and MCC U.S. incur international expenditures denominated in various foreign currencies and have agreed to share the currency risk related to these expenditures equally. On behalf of both national entities, MCCC entered into structured foreign exchange options to mitigate this risk during the year ended March 31, 2019. As at March 31, 2019, MCCC had no foreign exchange contracts outstanding.

# MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2019

**20. Financial risks (continued):**

Villages Canada is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Villages Canada purchases inventories denominated in US dollars. Villages Canada entered into forward contracts to mitigate this risk during the year ended March 31, 2019. As at March 31, 2019, Villages Canada had foreign exchange contracts outstanding of US$99,675 at an exchange rate of 1.3290 which matures on May 31, 2019 (2018 - US$250,450 at exchange rates from 1.2465 to 1.2580 which matured between April 30, 2018, and May 31, 2018). Villages Canada has recognized an unrealized gain on these foreign exchange contracts at March 31, 2019 of $390 (2018 - $7,243) which is included in accounts payable and accrued liabilities.

These derivatives have not been designated as hedges for accounting purposes and are recorded at fair value.

(b) Liquidity risk:

Liquidity risk is the risk that MCCC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MCCC manages its liquidity risk by monitoring its operating requirements. MCCC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2018.

(c) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. MCCC is exposed to credit risk with respect to the accounts receivable. MCCC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The allowance for doubtful accounts at March 31, 2019 is nil (2018 - nil). There has been no change to the risk exposure from 2018.

(d) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on Villages Canada's cash flows, financial position and operations. MCCC is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Further details about the fixed rate financial instruments are included in note 7, 9 and note 11. There has been no change to the risk exposure from 2018.

# MENNONITE CENTRAL COMMITTEE CANADA

Program Expenses | Schedule A

Year ended March 31, 2019, with comparative information for 2018

| | Domestic Program | International Program | 2019 Total | 2018 Total |
|---|---|---|---|---|
| Sustainable Community Development: | | | | |
| Education | $ 149,452 | $ 4,917,988 | $ 5,067,440 | $ 4,183,707 |
| Food security and sustainable livelihoods: | 142,195 | 10,044,405 | 10,186,600 | 8,907,829 |
| HIV AIDS | – | 104,171 | 104,171 | 120,295 |
| Water | – | 745,358 | 745,358 | 577,336 |
| Health: | 19,077 | 1,152,786 | 1,171,863 | 1,275,715 |
| HIV AIDS | – | 637,372 | 637,372 | 659,998 |
| Water | – | 4,055,450 | 4,055,450 | 3,946,985 |
| Migration and resettlement | 302,631 | 138,782 | 441,413 | 446,643 |
| | 613,355 | 21,796,312 | 22,409,667 | 20,118,508 |
| Disaster Response: | | | | |
| Humanitarian relief and disaster response (HRDR) | 138,780 | 2,729,296 | 2,868,076 | 3,709,989 |
| HRDR - Food | – | 9,221,935 | 9,221,935 | 9,088,882 |
| | 138,780 | 11,951,231 | 12,090,011 | 12,798,871 |
| Justice and Peacebuilding: | | | | |
| Peacebuilding and conflict transformation | 765,844 | 3,698,537 | 4,464,381 | 3,648,630 |
| Conflict prevention | 112,529 | 913,723 | 1,026,252 | 757,502 |
| Restorative justice | 272,266 | 71,848 | 344,114 | 319,281 |
| | 1,150,639 | 4,684,108 | 5,834,747 | 4,725,413 |
| Total expenses | $ 1,902,774 | $ 38,431,651 | $ 40,334,425 | $ 37,642,792 |

# MENNONITE CENTRAL COMMITTEE CANADA

Restricted Funds Summary

Schedule B

Year ended March 31, 2019, with comparative information for 2018

| | Fund balance March 31, 2018 | Revenue | Program expenses | Inter-fund transfers | Fund balance March 31, 2019 |
|---|---|---|---|---|---|
| CFGB | $ 3,336,314 | $ 13,858,424 | $ (14,077,274) | $ 255,412 | $ 3,372,876 |
| Shared Program | 1,171,418 | – | – | – | 1,171,418 |
| Designated government grants: | | | | | |
| GAC | 3,275,530 | 174,346 | (3,122,950) | – | 326,926 |
| Designated contributions: | | | | | |
| The Meeting House | 356,512 | 210,150 | (330,618) | – | 236,044 |
| Nepal Earthquake | 654,009 | – | (524,418) | (66,000) | 63,591 |
| Africa Famine | 92,520 | – | – | (92,520) | – |
| East Africa Drought | (3,108) | – | – | 3,108 | – |
| Kasai Crisis | 64,490 | 70,278 | (124,841) | – | 9,927 |
| Rohingya Crisis | 59,824 | 66,971 | (74,791) | – | 52,004 |
| Syria/Iraq Crisis | 234,433 | 221,955 | (351,132) | (100,000) | 5,256 |
| Water restricted | 62,805 | – | (38,298) | – | 24,507 |
| Water general | – | 549,206 | (549,206) | – | – |
| Other international programs | – | 5,564,242 | (16,690,463) | 11,126,221 | – |
| Exchange & other income | – | 756,198 | (756,198) | – | – |
| Material resources | 707,765 | 1,749,333 | (1,509,291) | – | 947,807 |
| Constituency initiated projects | 6,505 | 374,678 | (282,171) | – | 99,012 |
| Total International Fund | $ 10,019,017 | $ 23,595,781 | $ (38,431,651) | $ 11,126,221 | $ 6,309,368 |

Note

During the year ended March 31, 2019, payments of $255,412 (2018 - $220,000) were made by MCCC to CFGB to replenish the MCCC account for the significant payments made by CFGB in connection with the Nepal Earthquake, Africa Famine and Syria/Iraq Crisis projects. These funds were drawn from the Nepal Earthquake, Africa Famine and Syria/Iraq Crisis net restricted assets.

In accordance with the Covenant referred to in Note 1, during the year ended March 31, 2019, $11,126,221 (2018 - $8,447,481) was allocated from other international programs to the Restricted Fund to cover related international program expenses from undesignated revenue in the General Fund.