



## Non-consolidated Financial Statements

March 31, 2018

<b>Table of Contents</b>	<b>Page</b>
Independent Auditors' Report	1
Statement of Operations	3 - 4
Statement of Changes in Net Assets	5
Statement of Financial Position	6 - 7
Statement of Cash Flows	8
Schedule of Program Revenues and Expenses	9
Schedule of Thrift Stores	10
Schedule of Relief Festivals and Banquets	11
Notes to Financial Statements	12



ACCOUNTANTS  
AND BUSINESS  
ADVISORS

**Friesen Pankratz & Associates LLP**

201-2752 Allwood Street,  
Abbotsford, BC V2T 3R7

T 604.854.3733  
F 604.854.6433

E info@fpallp.com  
www.fpallp.com

## **INDEPENDENT AUDITORS' REPORT**

---

To the members of:

### **MENNONITE CENTRAL COMMITTEE BC**

We were engaged to audit the accompanying non-consolidated financial statements of MENNONITE CENTRAL COMMITTEE BC which are comprised of the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, along with 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.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the society derives part of its revenue from the general public in the form of 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 society and we were not able to determine whether any adjustment might be necessary to contributions, excess of revenue over expenses, current assets, and net assets.

### **Qualified Opinion**

Except for the failure to satisfy ourselves as to the completeness of donations, in our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of MENNONITE CENTRAL COMMITTEE BC as at March 31, 2018 and its financial performance and its cash flows for the year then ended, in accordance with Canadian accounting standards for not for profit organizations.

## **Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not for profit organizations have been applied on a basis consistent with that of the preceding year.

*Friesen Pankratzy & Associates LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Abbotsford, B.C.

July 16, 2018

# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Statement of Operations

For the year ended March 31, 2018

	2018		2017
	Actual	Budget	
<b>SHARED INTERNATIONAL REVENUE</b>			
<b>Undesignated:</b>			
Contributions	\$ 1,687,160	\$ 1,600,000	\$ 1,407,441
Thrift Store Revenues (see schedule pg. 10)	6,997,331	6,872,100	6,874,539
Interest - shared	15,000	15,000	15,000
Relief Festivals and Banquets (see schedule pg. 11)	887,366	849,661	868,025
Bequests	640,428	100,000	591,721
	<b>10,227,285</b>	<b>9,436,761</b>	<b>9,756,726</b>
<b>Designated:</b>			
Designated contributions	722,704	1,100,000	1,004,018
Material resources	300,510	345,000	244,810
Canadian Foodgrains Bank	580,346	115,000	47,690
Contributions - Major Disasters	206,941	-	261,803
	<b>1,810,501</b>	<b>1,560,000</b>	<b>1,558,321</b>
<b>TOTAL SHARED INTERNATIONAL REVENUE</b>	<b>12,037,786</b>	<b>10,996,761</b>	<b>11,315,047</b>
<b>LOCAL B.C. REVENUE</b>			
<b>Program Related: (see schedule pg. 9)</b>			
Relief Festivals and Banquets (see schedule pg. 11)	296,587	227,352	211,849
Grants	135,998	87,120	96,136
IVEP and Service Worker program	124,172	160,783	130,635
Material resources	38,528	21,000	31,963
Program rent	55,140	57,188	65,885
Interest and other revenues	43,725	9,000	35,101
Remittances to special poverty reduction project	100,000	-	-
Refugee Private Sponsorships	290,719	-	359,788
Remittances to Mennonite Disaster Services	74,823	-	-
	<b>1,159,692</b>	<b>562,443</b>	<b>931,357</b>
Local B.C. program fundraising	322,952	291,088	157,830
Capital campaign	207,990	70,000	141,433
Legacy - interest from subsidiaries	100,073	80,000	76,954
Recoveries from subsidiaries	-	-	44,147
Non-program rent	39,040	39,040	39,040
Grants - MCC Canada	21,397	-	18,777
Other revenue	47,163	25,000	23,221
Ten Thousand Villages	495,698	578,380	485,547
	<b>1,234,313</b>	<b>1,083,508</b>	<b>986,949</b>
<b>TOTAL LOCAL B.C. REVENUE</b>	<b>2,394,005</b>	<b>1,645,951</b>	<b>1,918,306</b>
<b>TOTAL REVENUE</b>	<b>14,431,791</b>	<b>12,642,712</b>	<b>13,233,353</b>

See accompanying Notes to Financial Statements and Auditor's Report

3

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Statement of Operations**  
**For the year ended March 31, 2018**

	2018		
	Actual	Budget	2017
<b>TOTAL REVENUE (Continued from previous page)</b>	<b>14,431,791</b>	12,642,712	13,233,353
<b>EXPENDITURES</b>			
<b>Programs:</b>			
Disaster Relief (see schedule pg. 9)	267,272	183,439	157,640
Community Development (see schedule pg. 9)	1,310,019	1,239,140	1,151,018
Justice and Peace (see schedule pg. 9)	262,870	266,471	245,285
Refugee Private Sponsorship (see schedule pg. 9)	290,719	-	359,788
Ten Thousand Villages	514,200	598,956	531,354
	<b>2,645,080</b>	2,288,006	2,445,085
<b>Resource Development:</b>			
Advancement	469,292	512,242	424,153
Thrift Stores (see schedule pg. 10)	5,201,728	5,172,162	4,915,611
Relief Festivals and Banquets (see schedule pg. 11)	328,942	258,417	279,313
	<b>5,999,962</b>	5,942,821	5,619,077
<b>Support Services:</b>			
Finance and Administration	891,833	779,267	887,286
Legacy - related costs	72,172	80,000	64,987
Human resources	93,884	96,724	109,327
	<b>1,057,889</b>	955,991	1,061,600
<b>TOTAL EXPENDITURES</b>	<b>9,702,931</b>	9,186,818	9,125,762
<b>EXCESS OF REVENUE FROM OPERATIONS</b>	<b>4,728,860</b>	3,455,894	4,107,591
Remittance to MCC Canada	(3,731,270)	(3,041,733)	(3,270,601)
Material resources shipped	(299,496)	(345,000)	(244,200)
Remittance to MCC Canada - Major Disasters	(206,341)	-	(260,048)
<b>EXCESS OF REVENUE BEFORE OTHER ITEMS</b>	<b>491,753</b>	-	332,742
Gain on disposal of capital assets	30,176	-	7,808
Subsidiary net income (Note 15)	82,572	-	1,980,696
Building project transitional costs	(75,000)	(75,000)	(75,000)
<b>EXCESS OF REVENUE</b>	<b>\$ 529,501</b>	\$ -	\$ 2,246,246

See accompanying Notes to Financial Statements and Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Statement of Changes in Net Assets**  
**For the year ended March 31, 2018**

	<b>Restricted (Note 2.m)</b>	<b>Internally Restricted (Note 22)</b>	<b>Unrestricted (Note 23)</b>	<b>2018</b>	<b>2017</b>
<b>NET ASSETS - Open</b>	\$ 8,854,013	\$ 48,090,336	\$ 1,476,919	<b>\$ 58,421,268</b>	\$ 56,168,109
Excess(Deficiency) of Revenue	(555,383)	-	1,084,884	<b>529,501</b>	2,246,246
Contributions	11,775	-	-	<b>11,775</b>	6,913
Internally Restricted Transfer <b>(Note 2.j)</b>	-	151,723	(151,723)	-	-
Changes in Capital Assets	(38,100)	-	38,100	-	-
<b>NET ASSETS - Close</b>	<b>\$ 8,272,305</b>	<b>\$ 48,242,059</b>	<b>\$ 2,448,180</b>	<b>\$ 58,962,544</b>	<b>\$ 58,421,268</b>

See accompanying Notes to Financial Statements and Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Statement of Financial Position**  
**As at March 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,981,202	\$ 4,361,879
Temporary investments	-	18,118
Accounts receivable	77,590	90,353
Inventory (Note 4)	156,413	169,225
Prepaid expenses	62,303	136,364
Current portion of due from related parties (Note 5)	2,943,729	3,563,285
	<b>8,221,237</b>	<b>8,339,224</b>
<b>LONG-TERM INVESTMENTS IN SUBSIDIARIES</b>		
Long-term portion of due from related parties (Note 5)	1,600,000	1,600,000
Investment in subsidiaries - MCC Legacy Trust (Note 6)	36,154,322	35,182,843
Investment in subsidiaries - MCC Social Enterprise (Note 6)	7,017,637	7,600,344
	<b>44,771,959</b>	<b>44,383,187</b>
<b>CAPITAL ASSETS (Note 11)</b>	<b>26,839,448</b>	<b>23,876,921</b>
	<b>\$ 79,832,644</b>	<b>\$ 76,599,332</b>

APPROVED ON BEHALF OF THE BOARD:



Terry Christie



Peter Wolfe

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Statement of Financial Position**  
**As at March 31, 2018**

	2018	2017
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt (Note 12)	\$ 60,000	\$ 351,948
Accounts payable and accruals	224,131	166,702
Payable to MCC Canada	299,494	1,163,106
Sales taxes payable	5,865	50,708
Payroll and deductions payable	288,304	221,866
Current portion of due to related parties (Note 13)	96,738	117,119
Deferred operating contributions (Note 16)	528,220	492,546
Deferred capital contributions - current (Note 17)	218,200	151,022
Refugee sponsorship deposits	798,888	589,660
Current portion of long-term debt (Note 19)	10,361,947	9,512,030
	<b>12,881,787</b>	<b>12,816,707</b>
<b>LONG-TERM LIABILITIES</b>		
Deferred capital contributions - long-term (Note 17)	7,700,493	5,359,857
Rental deposits	1,313	1,500
Long-term debt (Note 19)	286,507	-
	<b>7,988,313</b>	<b>5,361,357</b>
<b>NET ASSETS</b>	<b>58,962,544</b>	<b>58,421,268</b>
	<b>\$ 79,832,644</b>	<b>\$ 76,599,332</b>

See accompanying Notes to Financial Statements and Auditor's Report



# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenue before other items	\$ 491,753	\$ 332,742
Add: non-cash items affecting operations		
Amortization	555,486	580,435
Accounts receivable	12,762	34,752
Inventory	12,813	2,607
Prepaid expenses	74,061	(19,748)
Accounts payable and accruals	(806,183)	624,284
Sales taxes payable	(44,843)	26,253
Payroll and deductions payable	66,438	(7,724)
Deferred operating contributions	35,673	261,550
Deferred capital contributions	2,419,300	2,003,453
Refugee sponsorship deposits	209,228	162,856
Building transitional costs	(75,000)	(75,000)
Gain on disposal of assets	30,176	-
	<b>2,981,664</b>	<b>3,926,460</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds of long-term debt	3,050,000	-
Repayment of long-term debt	(1,913,575)	(493,763)
Short-term debt	(291,948)	(1,221,535)
Due to related parties	(20,381)	(1,275,789)
	<b>824,096</b>	<b>(2,991,087)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of capital assets	(3,517,914)	(171,013)
Proceeds from disposal of capital assets	-	12,471
Due from related parties	619,559	(1,538,454)
Investment in shares of Ecoworks Landscape Services Inc.	(306,200)	-
	<b>(3,204,555)</b>	<b>(1,696,996)</b>
<b>INCREASE (DECREASE) IN CASH OR EQUIVALENTS</b>	<b>601,205</b>	<b>(761,623)</b>
<b>CASH - OPEN</b>	<b>4,379,997</b>	<b>5,141,620</b>
<b>CASH - CLOSE</b>	<b>\$ 4,981,202</b>	<b>\$ 4,379,997</b>
<b>CASH REPRESENTED BY:</b>		
Cash	\$ 4,981,202	\$ 4,361,879
Temporary investments	-	18,118
	<b>\$ 4,981,202</b>	<b>\$ 4,379,997</b>

See accompanying Notes to Financial Statements and Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Schedule of Program Revenue and Expenses**  
**For the year ended March 31, 2018**

	2018	2017
<b>PROGRAM REVENUE</b>	<b>\$ 1,159,692</b>	<b>\$ 931,357</b>
<b>PROGRAM EXPENSES</b>		
<b>Disaster Relief</b>		
Material resources	192,449	157,640
Remittance to Mennonite Disaster Service	74,823	-
	<b>267,272</b>	157,640
<b>Community Development</b>		
Homelessness Prevention and Outreach	207,202	120,590
MCC guest house	57,383	48,354
Poverty reduction projects	294,338	263,451
Program coordination and development	142,178	105,316
Refugee assistance	269,126	263,618
Service Worker program and IVEP	285,317	265,709
Volunteer development	54,475	56,719
COSA	-	27,261
	<b>1,310,019</b>	1,151,018
<b>Justice and Peace</b>		
End Abuse	136,991	109,117
Indigenous relations	41,400	38,451
Constituency engagement	84,479	97,717
	<b>262,870</b>	245,285
<b>Refugee Private Sponsorships</b>		
Refugee Private Sponsorship Groups	290,719	359,788
<b>TOTAL PROGRAM EXPENSES</b>	<b>2,130,880</b>	<b>1,913,731</b>
<b>NET PROGRAM EXPENSES</b>	<b>\$ (971,188)</b>	<b>\$ (982,374)</b>

See accompanying Notes to Financial Statements and Auditor's Report

# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Schedule of Thrift Stores

For the year ended March 31, 2018

	2018	2017
<b>REVENUE</b>		
Chilliwack store	\$ 419,995	\$ 400,258
Clearbrook clothing store	1,055,323	1,083,091
Fort St. John store	600,818	478,935
Kelowna store	653,448	642,207
MCC Centre	1,964,873	1,960,000
Mission store	639,440	596,309
Powell River store	399,600	475,781
Surrey store	615,219	605,932
Vancouver store	589,258	581,236
Yarrow store	59,357	50,790
	<b>6,997,331</b>	<b>6,874,539</b>
<b>EXPENDITURES</b>		
Advertising	27,410	24,867
Amortization	187,655	200,791
Human resources	6,181	1,772
Insurance	51,531	49,900
Interest on long-term debt	130,216	81,334
Office expenses	98,663	77,971
Products for resale	21,452	30,037
Property tax	262,564	191,794
Rent	881,878	957,174
Repair and building costs	343,517	326,272
Store operating expenses	427,647	375,812
Travel and delivery	78,189	109,184
Wages and benefits	2,684,825	2,488,703
	<b>5,201,728</b>	<b>4,915,611</b>
<b>EXCESS OF REVENUE</b>	<b>\$ 1,795,603</b>	<b>\$ 1,958,928</b>

See accompanying Notes to Financial Statements and Auditor's Report

10

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Schedule of Relief Festivals and Banquets**  
**For the year ended March 31, 2018**

	2018	2017
<b>SHARED INTERNATIONAL REVENUE</b>		
Fraser Valley	\$ 882,673	\$ 843,442
Kelowna	4,693	-
Black Creek (net)	-	6,483
Prince George (net)	-	18,100
	<b>887,366</b>	<b>868,025</b>
<b>LOCAL B.C. REVENUE</b>		
Fraser Valley	<b>296,587</b>	211,849
<b>TOTAL REVENUE</b>	<b>1,183,953</b>	<b>1,079,874</b>
<b>EXPENDITURES</b>		
Advertising and promotion	<b>18,649</b>	31,240
Amortization	<b>758</b>	1,551
Banquets	<b>37,025</b>	8,502
Facilities and equipment	<b>97,699</b>	80,602
Food and supplies	<b>61,947</b>	53,667
Insurance	<b>2,612</b>	2,253
Office expenses	<b>29,054</b>	24,578
Setup and maintenance	<b>2,082</b>	1,787
Travel and meetings	<b>3,961</b>	4,910
Wages and benefits	<b>75,155</b>	70,223
	<b>328,942</b>	<b>279,313</b>
<b>EXCESS OF REVENUE</b>	<b>\$ 855,011</b>	<b>\$ 800,561</b>

See accompanying Notes to Financial Statements and Auditor's Report

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

### For the year ended March 31, 2018

---

#### 1. PURPOSE OF THE ORGANIZATION

Mennonite Central Committee started in 1920 in response to hunger in Ukraine, and is the co-operative relief, service and development agency of the Mennonite and Brethren in Christ Churches in North America.

- Mennonite Central Committee (MCC) is a worldwide ministry of Anabaptist churches whose priorities are disaster relief, sustainable community development and justice and peace-building.
- MCC endeavours to share 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.

The Mennonite Central Committee British Columbia was established as a not-for-profit society in 1968. It is registered as a charity for purposes of the Income Tax Act (Canada), and as such is not subject to income tax on its excess of revenues over expenditures.

#### 2. ACCOUNTING POLICIES

##### (a) Accounting framework

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations.

##### (b) Amortization

Capital assets are recorded at cost, or, in the case of donated assets, at their fair market value at the time of contribution, and are being amortized on the straight-line basis at the following rates. Full year amortization is claimed in the year of purchase except for buildings for which amortization is recorded for the fraction of the year of purchase or construction, based on the date the building is available for use as determined by management.

Buildings	40 Years
Furniture and fixtures	10 Years
Equipment	5 Years
Motor vehicles	3 Years
Computer equipment	3 Years
Computer software	2 Years

Leasehold improvements are being amortized on the straight-line basis over their estimated useful life. Vancouver Thrift Store building leaseholds are being amortized over the life of the underlying land lease.

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

---

**ACCOUNTING POLICIES** (Continued)

(c) Investments

The Society accounts for its investments in wholly owned, for profit subsidiary corporations, on the equity method.

(d) Revenue recognition

The Society uses the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period when the related expenses are incurred. Deferred contributions, related to purchase of capital assets, and the repayment of debt on capital assets, are deferred and recognized as revenue over the life of the related capital asset.

Rent and interest is recognized as revenue for the period to which it relates.

Revenue from the sale of product is recognized in the period that the sale takes place and the title to product is transferred. Material resources revenue is recognized in the period that they are shipped.

Revenue from grants is recognized when performance of the program specified by the grant is achieved.

(e) Measurement uncertainty

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(f) Foreign currency

Foreign-currency-denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign-currency-denominated non-monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect on the transaction date. Revenue and expense items are translated at the exchange rate in effect at the time of the transaction. Amortization and property write-downs are translated at the same exchange rate as the assets to which they relate. Foreign exchange gains or losses are included in the determination of net earnings for the year.

(g) Estate donations

The Society's policy, which coincides with MCC Canada policy, is to recognize all estate donations as revenue in the year of receipt.

# **MENNONITE CENTRAL COMMITTEE BC**

## **Notes to Non-consolidated Financial Statements**

### **For the year ended March 31, 2018**

---

#### **ACCOUNTING POLICIES (Continued)**

##### (h) Donations and gifts in kind

Donations of materials and services are recognized in the accounts of the Society at estimated fair market value when the materials and services are used in the normal course of the Society's operations and would otherwise have been acquired for distribution in accordance with the Society's purpose and objectives. The total donations in kind recorded as contributions during the year were \$151,596 (2017 - \$141,798).

##### (i) Contributed services

Thousands of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

##### (j) Internally restricted funds

The Society has internally restricted net assets for a number of purposes. In addition, the MCC BC Board has passed resolutions to internally restricted funds as detailed in (Note 22).

##### (k) Capitalization of constructed assets

The Society has a policy to capitalize all costs associated with the acquisition, construction and development of capital assets. This includes carrying costs related to property held for construction and development, such as interest and property taxes. Interest and property taxes related to land, that are not held for construction or development, are recorded as an expense in the period in which they are incurred.

##### (l) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

##### (m) Restricted funds

The restricted net assets of the Society are comprised of the net book value of capital assets less debt related to the purchase of those assets, and contributions designated for the purchase of capital assets.

##### (n) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and on deposit in financial institutions, as well as short term investments that are on deposit with Abundance Canada.

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

---

**3. FINANCIAL INSTRUMENTS**

The Society is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below:

**Credit Risk**

The Society's financial assets that are exposed to credit risk are cash, investments, contributions, loans and proceeds receivable. Credit risk associated with cash and investments is minimized substantially by ensuring these assets are invested in accounts at a Schedule I bank with investment grade ratings. Credit risk associated with contributions, loans and proceeds receivable is minimized by restricting the granting of credit and by application of internal collection policies and procedures.

**Interest Rate Risk**

The Society is exposed to interest rate risk on its banker's acceptances and commercial promissory note because they are subject to fluctuation in the prime lending rate of the Society's financial institution. The Society is not exposed to interest rate risk on other long-term debt because these financial instruments are subject to fixed rates of interest.

**Liquidity Risk**

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its long-term debt and its accounts payable.

**4. INVENTORY**

Inventory is recorded at the lower of cost and net market value. Cost of inventory is computed using the first in first out method. Net realizable value for inventory is the estimated selling price in the ordinary course of business. Items donated for Material Resource shipments overseas are recorded at standard cost stipulated by MCC Canada when shipped.



**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**5. DUE FROM RELATED PARTIES**

Until March 31, 2018 the Society had notes receivable from Ecoworks Landscaping Services Inc., a wholly owned for profit subsidiary. The first note was for \$180,000 (2017 - \$180,000), bearing interest at the Envision Financial prime rate less 1.25%; the second note was for \$126,200 (2017 - \$126,200) bearing interest at the Envision Financial prime rate plus 0.5%. On March 31, 2018 these notes were converted to 3,062 Class G Preferred Shares of Ecoworks Landscape Services Inc., valued at \$100 per share.

Effective December 31, 2017, 4171 Investments Ltd. merged with Promontory Ridge Estates Inc., both were wholly owned for profit subsidiaries; the name Promontory Ridge Estates Inc. is the surviving name. For comparison purposes, all results for fiscal 2017 have been restated as if the merger had taken place prior to the 2017 year end.

The loans previously owed to the Society by 4171 Investments Ltd. are now owed by Promontory Ridge Estates Inc. The first note is for \$1.1 million (2017 - \$1.1 million); the note bears interest at 3% per annum and is payable on demand. The second note is for a maximum of \$1.25 million, of which \$500,000 had been advanced as of March 31, 2018 (2017 - \$500,000). The note bears interest at 3.5% per annum and is due on demand. The amounts of the two notes have been classified as long-term as they are not expected to be demanded within the current year. A third loan is owed by Promontory Ridge Estates Inc.. It is for \$200,000 (2017 - \$200,000); it bears interest at 5% and is due on demand. The balance of the amount due from Promontory Ridge Estates Inc. is comprised of accrued interest on the above notes and other amounts paid on behalf of the company. These other amounts are subject to interest at 3% and due upon demand.

All amounts due from Cedar Ridge Estates Inc., a wholly owned for-profit subsidiary, are subject to interest at 3%, and due March 31, 2019.

	<b>2018</b>	<b>2017</b>
Cedar Ridge Estates Inc.	<b>\$ 2,586,570</b>	\$ 2,948,620
Promontory Ridge Estates Inc.	<b>1,956,890</b>	1,908,465
Due from MCC CE	<b>269</b>	-
Ecoworks Landscape Services Inc.	-	306,200
	<b>4,543,729</b>	5,163,285
Less: principal due within one year	<b>(2,943,729)</b>	(3,563,285)
	<b>\$ 1,600,000</b>	\$ 1,600,000

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**6. INVESTMENT IN SUBSIDIARIES**

The shares and shareholder loans of Promontory Ridge Estates Inc. and Cedar Ridge Estates Inc. were gifts from a donor to MCC BC and are grouped together as "MCC Legacy Trust" and managed by a Board of Directors with related expertise, appointed by the Board of MCC BC. The donor's wish is that these donated properties be held as revenue generating assets to support the ministry of MCC for generations to come, similar to an endowment, with some of the net income from these properties being re-invested to maintain the revenue generating asset base, and some of the net income being used as donations to support the global ministry of MCC at the discretion of the MCC BC Board, with a focus on helping the poorest of the poor in the developing world.

Ecoworks Landscape Services Inc. and MCC Community Enterprises Inc. are social enterprises created with the purposes of empowering people and communities towards job creation and economic self reliance and to provide resources for MCC BC programs.

	<b>2018</b>	<b>2017</b>
Ecoworks Landscape Services Inc.	<b>\$ 6,649,296</b>	\$ 6,621,207
MCC Community Enterprises Inc.	<b>368,341</b>	979,137
Cedar Ridge Estates Inc.	<b>6,327,131</b>	6,266,474
Promontory Ridge Estates Inc.	<b>29,827,191</b>	28,916,369
	<b>\$ 43,171,959</b>	\$ 42,783,187

**7. ECOWORKS LANDSCAPE SERVICES INC.**

The investment in Ecoworks Landscape Services Inc., a wholly owned for profit subsidiary, is accounted for using the equity method. The subsidiary is subject to income tax and uses the taxes payable method. The following represents summary information from the subsidiary's unaudited financial statements for the year ended March 31, 2018 and comparisons for the year ended March 31, 2017.

	<b>2018</b>	<b>2017</b>
Total assets	<b>\$ 14,279,970</b>	\$ 14,831,194
Total liabilities	<b>\$ 8,802,070</b>	\$ 9,381,383
Share capital and retained earnings	<b>\$ 5,477,900</b>	\$ 5,449,811
Revenue	<b>\$ 1,648,724</b>	\$ 2,599,962
Expenses	<b>\$ 1,926,835</b>	\$ 2,317,772
Net (loss) income	<b>\$ (278,111)</b>	\$ 282,190
Cash flow from operating	<b>\$ (132,881)</b>	\$ 389,232
Cash flow from financing	<b>\$ (162,571)</b>	\$ (157,065)
Cash flow from investing	<b>\$ 246,662</b>	\$ (85,077)

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**8. MCC COMMUNITY ENTERPRISES INC.**

The investment in MCC Community Enterprises Inc., a wholly owned for profit subsidiary, is accounted for using the equity method. The subsidiary is subject to income tax and uses the taxes payable method. The following represents summary information from the subsidiary's unaudited financial statements for the year ended March 31, 2018 and comparisons for the year ended March 31, 2017.

	<b>2018</b>	<b>2017</b>
Total assets	\$ 1,328,471	\$ 1,338,597
Total liabilities	\$ 960,127	\$ 358,457
Share capital and retained earnings	\$ 368,344	\$ 979,140
Revenue	\$ 3,484,901	\$ 2,944,066
Expenses	\$ 4,095,697	\$ 2,916,765
Net (loss) income	\$ (610,796)	\$ 27,301
Cash flow from operating	\$ (706,307)	\$ 84,528
Cash flow from financing	\$ 350,000	\$ -
Cash flow from investing	\$ 157,769	\$ 99,282

**9. CEDAR RIDGE ESTATES INC.**

The investment in Cedar Ridge Estates Inc., a wholly owned for profit subsidiary, is accounted for using the equity method. The subsidiary is subject to income tax and uses the taxes payable method. The following represents summary information from the subsidiary's unaudited financial statements for the year ended March 31, 2018 and comparisons for the year ended March 31, 2017. There is a permanent difference of \$5,044,751 between the carrying cost of the assets on the financial statements of the subsidiary and the fair market value of the company at the time it was donated to MCC BC on August 1, 2012.

	<b>2018</b>	<b>2017</b>
Total assets	\$ 5,191,424	\$ 6,630,114
Total liabilities	\$ 3,932,200	\$ 5,431,547
Share capital and retained earnings	\$ 1,259,224	\$ 1,198,567
Revenue	\$ 4,399,468	\$ 6,072,607
Expenses	\$ 4,338,811	\$ 4,865,045
Net income	\$ 60,657	\$ 709,192
Cash flow from operating	\$ (497,224)	\$ 2,793,102
Cash flow from financing	\$ (1,482,943)	\$ (1,301,444)
Cash flow from investing	\$ 128,198	\$ 54,575

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**10. PROMONTORY RIDGE ESTATES INC.**

The investment in Promontory Ridge Estates Inc., a wholly owned for profit subsidiary, is accounted for using the equity method. The subsidiary is subject to income tax and uses the taxes payable method. The following represents summary information from the subsidiary's unaudited financial statements for the year ended March 31, 2018 and comparisons for the year ended March 31, 2017. There is a permanent difference of \$2,620,244 between the carrying cost of the assets on the financial statements of the subsidiary and the fair market value of the company at the time it was donated to MCC BC on October 1, 2013.

	<b>2018</b>	<b>2017</b>
Total assets	<b>\$ 36,059,327</b>	\$ 35,253,745
Total liabilities	<b>\$ 33,920,981</b>	\$ 34,026,222
Share capital and retained earnings	<b>\$ 2,138,346</b>	\$ 1,227,523
Revenue	<b>\$ 5,104,141</b>	\$ 4,344,418
Expenses	<b>\$ 8,231,997</b>	\$ 5,609,049
Income from joint ventures	<b>\$ 4,038,579</b>	\$ 2,226,644
Net income	<b>\$ 910,723</b>	\$ 962,013
Cash flow from operating	<b>\$ 2,732,020</b>	\$ 1,774,747
Cash flow from financing	<b>\$ (2,212,149)</b>	\$ 2,190,948
Cash flow from investing	<b>\$ (1,821,512)</b>	\$ 3,891,041

**11. CAPITAL ASSETS**

	<b>Original Cost</b>	<b>Accumulated Amortization</b>	<b>2018</b>	<b>2017</b>
Land	\$ 9,968,659	\$ -	<b>\$ 9,968,659</b>	\$ 8,620,559
Buildings	19,420,766	(2,722,020)	<b>16,698,746</b>	14,974,807
Computer equipment	173,694	(167,785)	<b>5,909</b>	8,109
Computer software	44,253	(44,253)	-	-
Equipment	704,707	(630,845)	<b>73,862</b>	136,900
Furniture and fixtures	165,578	(103,633)	<b>61,945</b>	72,186
Leasehold improvements	189,121	(182,839)	<b>6,282</b>	12,425
Motor vehicles	356,054	(332,009)	<b>24,045</b>	37,023
Buildings under capital lease	598,430	(598,430)	-	14,912
	<b>\$ 31,621,262</b>	<b>\$ (4,781,814)</b>	<b>\$ 26,839,448</b>	<b>\$ 23,876,921</b>

**12. SHORT-TERM DEBT**

The Society has received private demand loans payable without interest or security. Balance outstanding at March 31, 2018 is \$60,000 (2017 - \$210,000).

The Society has a HSBC Line of credit to a maximum allowable limit of \$6,000,000. Interest only payments are made on the outstanding balance at prime plus 0.25% per annum. Secured by first charge over Gladys Road and South Fraser Way Plaza properties and assignment of rents to a maximum of \$15,000,000. Balance outstanding at March 31, 2018 is \$NIL (2017 - \$141,948).

See accompanying Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

---

**13. DUE TO RELATED PARTIES**

The Society has an amount owing to Promontory Ridge Estates Inc., a wholly owned for profit subsidiary, of \$96,575 (2017 - \$96,641), is non-interest bearing and has no scheduled terms of repayment.

The Society has an amount owing to MCC Community Enterprises Inc., a wholly owned for profit subsidiary, of \$NIL (2017 - \$20,478), is non-interest bearing and has no scheduled terms of repayment.

The Society has an amount owing to Ecoworks Landscape Services Inc., a wholly owned for profit subsidiary, of \$163 (2017 - \$NIL), is non-interest bearing and has no scheduled terms of repayment.

**14. RELATED PARTY TRANSACTIONS**

During the year the Society entered into various transactions with its wholly owned for profit subsidiaries. All transactions have been measured at exchange amount by the parties. With the exception of long-term debt between the parties, all amounts owing from, or due to, the subsidiaries are without interest and are payable in 30 days.

**Interest on Related Party Debt**

The Society has received interest on related party debt in the current fiscal year from Ecoworks Landscape Services Inc. of \$7,364 (2017 - \$6,324), from MCC Community Enterprises Inc. of \$NIL (2017 - \$NIL), from Cedar Ridge Estates Inc. of \$77,597 (2017 - \$72,013), and from Promontory Ridge Estates Inc. of \$7,534 (2017 - \$28,278).

The Society has repaid principal on related party debt to Ecoworks Landscape Services Inc. of \$NIL (2017 - \$1,300,000) and interest on related party debt to Ecoworks Landscape Services Inc. of \$NIL (2017 - \$24,404).

**Administrative Services**

The Society has received payments for rent, compensation and benefits, administration and office services in the current fiscal year from Ecoworks Landscape Services Inc. of \$NIL (2017 - \$5,266), from MCC Community Enterprises Inc. of \$64,989 (2017 - \$165,917), and from Promontory Ridge Estates Inc. of \$15,430 (2017 - \$22,104).

The Society has made payment for landscaping supplies in the current fiscal year to Ecoworks Landscape Services Inc. of \$3,398 (2017 - \$NIL).

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**RELATED PARTY TRANSACTIONS** (Continued)

**Fees for Service**

The Society has made payment for landscaping and maintenance services for various Thrift Stores and the Deer Trail Guest House to Ecoworks Landscape Services Inc. of \$19,602 (2017 - \$10,106).

**Donations**

During the year, the Society received a donation of \$1,500,000 (2017 - \$NIL) from Cedar Ridge Estates Inc.. This amount is included in Deferred Capital Contributions in the current year.

**15. SUBSIDIARY NET INCOME**

	<b>2018</b>	<b>2017</b>
Ecoworks Landscape Services Inc.	\$ (278,111)	\$ 282,190
MCC Community Enterprises Inc.	(610,796)	27,301
Cedar Ridge Estates Inc.	60,657	709,192
Promontory Ridge Estates Inc.	910,822	962,013
	<b>\$ 82,572</b>	<b>\$ 1,980,696</b>

**16. DEFERRED OPERATING CONTRIBUTIONS**

Deferred contributions represent unspent resources externally restricted for operating funding received in the current period that are related to the subsequent period. Changes in the deferred contributions balance are as follows:

	<b>2018</b>	<b>2017</b>
Opening balance	\$ 492,546	\$ 230,998
Less amount recognized as revenue in the year	(303,056)	(134,376)
Add amount received related to next year	338,730	395,924
Closing balance	<b>\$ 528,220</b>	<b>\$ 492,546</b>

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**17. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred contributions related to capital assets represent contributed capital assets and restricted contributions for the purchase of capital assets. The changes in the deferred contributions balance for the period are as follows:

	2018	2017
Opening balance	\$ 5,510,879	\$ 3,514,340
Less amount recognized as revenue in the year	(223,235)	(151,787)
Add amount received related to future years	2,631,049	2,148,326
Closing balance	7,918,693	5,510,879
Less: current portion	(218,200)	(151,022)
	<b>\$ 7,700,493</b>	<b>\$ 5,359,857</b>

**18. LEASES**

The Society has entered into various leases for premises, equipment and automobiles.

Under the terms of the leases, the minimum annual lease payments required are:

Year	Operating
2019	\$ 190,272
2020	\$ 132,336
2021	\$ 128,510
2022	\$ 32,128

**19. LONG-TERM DEBT**

	2018	2017
MCC Centre - HSBC Banker's Acceptance maturing April 30, 2018; secured by first charge over Gladys Avenue and South Fraser Way Plaza properties with a net book value of \$11,362,892 and assignment of rents to a maximum of \$15,000,000, bearing interest at 1.69% per annum plus a stamping fee at the banks current rate (at March 31, 2018 - 1.90%).	\$ 1,500,000	\$ 3,000,000
MCC Centre - HSBC Banker's Acceptance maturing April 30, 2018; secured by first charge over Gladys Avenue and South Fraser Way Plaza properties with a net book value of \$11,362,892 and assignment of rents to a maximum of \$15,000,000, bearing interest of 1.69% per annum plus a stamping fee at the banks current rate (at March 31, 2018 - 1.90%).	3,704,875	3,912,625

See accompanying Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**LONG-TERM DEBT** (Continued)

Kelowna Thrift Store - Commercial promissory note payable on demand from Envision Financial with monthly payments of \$8,963 including interest at 3.80% per annum. Note is secured by a mortgage over real property included in capital assets of the Society with a net book value of \$1,090,466.	<b>1,474,187</b>	1,509,000
Fort St. John Thrift Store - Commercial promissory note payable on demand from Envision Financial with monthly payments of \$12,441 including interest at 4.05% per annum. Loan matures in 2023. Secured by a mortgage over real property with a net book value of \$1,967,648 and a general security agreement.	<b>2,026,965</b>	-
Fort St. John Thrift Store - Commercial promissory note payable on demand from Envision Financial with monthly payments of \$5,762 including interest at 3.45% per annum. Loan matures in 2019. Secured by a mortgage over real property with a net book value of \$1,967,648 and a general security agreement.	<b>988,070</b>	-
Powell River Thrift Store - Commercial promissory note payable on demand from Envision Financial with monthly payments of \$2,977 including interest at 3.77% per annum. Loan matures in 2019. Secured by a mortgage over real property with a net book value of \$667,971 and a general security agreement.	<b>445,397</b>	463,917
Powell River Thrift Store - Commercial promissory note due on demand from Envision Financial with monthly payments of \$973 plus interest at prime plus 0.90% per annum. Secured by a mortgage over real property with a net book value of \$667,971 and a general security agreement.	<b>196,476</b>	208,152
Mission Thrift Store - Mortgage payable to Abundance Canada, due July 2021, secured by real property with a net book value of \$504,042, repayable in equal monthly installments of \$3,113, including interest at 3.75%.	<b>312,484</b>	340,003
Surrey Thrift Store - Mortgage payable to Abundance Canada, due March 2018.	-	78,333
	<b>10,648,454</b>	9,512,030
Less: principal amounts due within one year	<b>(10,361,947)</b>	(9,512,030)
	<b>\$ 286,507</b>	\$ -

Under the present terms and conditions of the loans payable, the minimum annual principal payments that will be required to retire the debt will be as follows:

Year	Total
<b>2019</b>	\$ 10,361,947
<b>2020</b>	\$ 26,996
<b>2021</b>	\$ 28,026
<b>2022</b>	\$ 231,485

See accompanying Auditor's Report



**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2018**

**20. CONTINGENT LIABILITIES**

The Society is contingently liable to the City of Abbotsford through Letters of Guarantee issued through HSBC totalling \$28,075 in regards to the MCC Centre building project.

MCC Canada (MCCC) has signed a Private Sponsorship of Refugees (PSR) Agreement with Immigration Refugee and Citizenship Canada (IRCC), formerly the Department of Citizenship and Immigration Canada (CIC), 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.

MCC BC has partnered with various church and community groups to assist with the sponsorship and resettlement of refugee families in British Columbia. These groups have committed to providing the required funding to sponsor and support these refugee families for the required twelve-month period. As at March 31, 2018, MCC BC has 159 active sponsorship cases with various time commitments remaining. Should all of these churches or other groups default on their financial obligations, MCC BC will be responsible for providing the funding shortfall resulting in a contingent liability estimated to be \$727,892. Although it is not a reliable predictor of future events, no groups to date have defaulted on their financial obligations.

**21. COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to current presentation.

**22. INTERNALLY RESTRICTED FUNDS**

The Society's Board of Directors has internally restricted net assets.

The Employment and Community Development (ECD) equity was generated through local employment programs prior to ECD being transferred into two independent, but still wholly owned entities, MCC Community Enterprises Inc. and Ecoworks Landscape Services Inc.; as such, these assets are being held for the benefit of local programs through MCC BC and its subsidiaries at the discretion of the Board of MCC BC.

	<b>2018 Opening</b>	<b>Transfers in</b>	<b>Transfers out</b>	<b>2018 Closing</b>
ECD Funds	1,335,529	-	-	<b>1,335,529</b>
MCC Legacy Trust	38,131,463	971,479	(362,049)	<b>38,740,893</b>
MCC Social Enterprises	7,600,344	306,200	(888,907)	<b>7,017,637</b>
Thrift store expansion	350,000	200,000	-	<b>550,000</b>
MCC Centre	103,000	-	(75,000)	<b>28,000</b>
Kelowna renovation	120,000	-	-	<b>120,000</b>
Powell River renovation	120,000	-	-	<b>120,000</b>
Non-building capital	330,000	-	-	<b>330,000</b>
	<b>\$ 48,090,336</b>			<b>\$ 48,242,059</b>

# **MENNONITE CENTRAL COMMITTEE BC**

## **Notes to Non-consolidated Financial Statements**

### **For the year ended March 31, 2018**

---

#### **23. NET ASSETS AVAILABLE FOR OPERATIONS**

The Society's agreement with MCC Canada calls for a calculation of 'Net Assets Available for Operations' (NAAFO) as it relates to Thrift and General operating expenses for the coming year. This calculation is based on the balance of unrestricted net assets at the end of the year of \$2,448,180.

The amount to be allocated to Thrift Store operating expenses is to be calculated at 'between one and three month's average budgeted operating expenses'. Based on the Society's 2018 budget, this amount is \$1,444,668, which is equal to three months reserve.

The amount to be allocated to the General operating expenses calls for 'between two and four months budgeted operating expenses'. After subtracting from unrestricted net assets the amount for Thrift operating expenses, there remains \$1,003,512 available towards General operating expenses. This is the equivalent of three and a half months of expenses and, therefore, in compliance with the agreement.

#### **24. PAYMENTS TO EMPLOYEES AND CONTRACTORS**

As per the Societies Act (British Columbia), the Society must disclose remuneration paid to contractors and employees whose remuneration was at least \$75,000 during the year. During the year, a combined total of \$833,968 of salaries and benefits was paid to nine employees.

#### **25. SUBSEQUENT EVENTS**

Renovations to the new Fort St. John Thrift Store continued into fiscal 2019. A further \$84,537 was paid to the contractor on April 30, 2018 for the final renovation invoice.

On April 1, 2018 the assets and operations of Ecoworks Landscape Services Inc., a wholly owned subsidiary, were transferred to MCC Community Enterprises Inc., a wholly owned subsidiary. As part of this transaction, a portion of the shares of Ecoworks Landscape Services Inc., that are owned by the Society, were redeemed by the company by way of transferring ownership of preferred shares, that the company owned on MCC Community Enterprises Inc., to the Society. Ecoworks Landscape Services Inc. continues to own and manage the building at 33973 Gladys Avenue.