

MENNONITE CENTRAL COMMITTEE ALBERTA
Financial Statements
Year Ended March 31, 2015

MENNONITE CENTRAL COMMITTEE ALBERTA

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Year Ended March 31, 2015

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#212, 280 Midpark Way SE
Calgary, Alberta T2X 1J6

Telephone: 403.234.9080
Facsimile: 403.775.0595
Email: christopher@clsmith.ca
Web: www.clsmith.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Mennonite Central Committee Alberta

I have audited the accompanying financial statements of Mennonite Central Committee Alberta, which comprise the statement of financial position as at March 31, 2015 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

(continues)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Mennonite Central Committee Alberta derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Mennonite Central Committee Alberta. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2015, current assets and net assets as at March 31, 2015.

Qualified Opinion

In my 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 Mennonite Central Committee Alberta as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*C. L. Smith & Company**

Calgary, Alberta

August 31, 2015

CHARTERED ACCOUNTANT

MENNONITE CENTRAL COMMITTEE ALBERTA

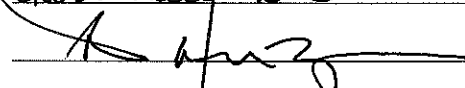
Statement of Financial Position

March 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash	\$ 251,438	\$ 850,360
Temporary investments (Note 3)	562,785	549,063
Accounts receivable	73,411	82,147
Goods and services tax recoverable	25,719	26,646
Inventory	17,974	20,373
Prepaid expenses	33,070	53,535
	<u>964,397</u>	1,582,124
CAPITAL ASSETS (Note 4)	<u>4,560,864</u>	4,663,327
	<u>\$ 5,525,261</u>	<u>\$ 6,245,451</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 346,009	\$ 942,437
Current portion of mortgage payable (Note 5)	24,000	23,611
Unearned revenue	700	6,526
	<u>370,709</u>	972,574
MORTGAGE PAYABLE (Note 5)	675,783	1,076,389
DEFERRED OPERATING CONTRIBUTIONS (Note 6)	141,237	149,914
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	679,817	697,248
	<u>1,867,546</u>	2,896,125
NET ASSETS		
Unrestricted	10,588	(471,489)
Internally restricted (Note 8)	465,861	954,735
Invested in capital assets (Note 9)	3,181,266	2,866,080
	<u>3,657,715</u>	3,349,326
	<u>\$ 5,525,261</u>	<u>\$ 6,245,451</u>

ON BEHALF OF THE BOARD

 Director

 Director

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA**Statement of Revenues and Expenditures****Year Ended March 31, 2015**

	2015	2014
REVENUE		
THRIFT SHOPS (<i>Schedule 2</i>)	\$ 2,246,363	\$ 2,022,257
DONATIONS		
Overseas	1,525,324	1,453,536
Where needed most	1,215,948	1,164,188
Canadian Foodgrains Bank	298,219	309,465
Provincial	233,254	287,473
Disaster response	78,928	330,847
Other	124,220	171,777
OTHER REVENUE		
Grants	282,084	435,087
Relief sale and other events (<i>Note 10</i>)	243,751	349,332
Interest	17,145	17,664
Facility rent	14,400	15,360
Other	88,895	61,921
	<u>6,368,531</u>	<u>6,618,907</u>
EXPENSES		
THRIFT SHOPS (<i>Schedule 2</i>)	1,573,478	1,417,435
PROGRAMS		
Restorative justice	588,499	491,935
Peace	272,753	295,537
Migration	187,359	241,204
Education and health	140,129	104,307
Material aid	111,192	143,268
Youth	39,440	41,776
SUPPORT SERVICES		
Fundraising	503,469	516,048
Administration	177,954	284,142
	<u>3,594,273</u>	<u>3,535,652</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>2,774,258</u>	<u>3,083,255</u>
REVENUE FORWARDED TO:		
MCC Canada	2,789,684	3,125,010
Mennonite Disaster Service	550	17,580
	<u>2,790,234</u>	<u>3,142,590</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEM	(15,976)	(59,335)
Losses (gains) on disposal of capital assets	<u>(324,365)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 308,389</u>	<u>\$ (59,335)</u>

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA**Statement of Changes in Net Assets****Year Ended March 31, 2015**

	Unrestricted	Internally restricted (Note 8)	Invested in capital assets (Note 9)	2015	2014
NET ASSETS - BEGINNING OF YEAR	\$ (471,489)	\$ 954,735	\$ 2,866,080	\$ 3,349,326	\$ 3,408,662
Excess of revenue over expenses	(17,923)	11,126	315,186	308,389	(59,335)
Interfund transfers	500,000	(500,000)	-	-	-
NET ASSETS - END OF YEAR	\$ 10,588	\$ 465,861	\$ 3,181,266	\$ 3,657,715	\$ 3,349,327

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA**Statement of Cash Flow****Year Ended March 31, 2015**

	2015	2014
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 308,389	\$ (59,335)
Items not affecting cash:		
Amortization of capital assets	136,408	109,376
Gain on disposal of assets	(324,365)	-
Amortization of deferred capital contributions	(18,672)	(17,978)
	<u>101,760</u>	<u>32,063</u>
Changes in non-cash working capital:		
Accounts receivable	8,736	(18,627)
Goods and services tax payable	927	(3,250)
Inventory	2,399	(9,063)
Prepaid expenses	20,465	(7,258)
Accounts payable and accrued liabilities	(596,422)	14,751
Unearned revenue	(5,826)	1,700
Deferred operating contributions	(8,677)	(89,216)
	<u>(578,398)</u>	<u>(110,963)</u>
Cash flow used by operating activities	<u>(476,638)</u>	<u>(78,900)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(235,081)	(1,222,557)
Proceeds on disposal of capital assets	526,735	-
Cash flow from (used by) investing activities	<u>291,654</u>	<u>(1,222,557)</u>
FINANCING ACTIVITIES		
Proceeds from mortgage payable	702,614	1,100,000
Repayment of mortgage payable	(1,102,830)	(230,371)
Cash flow from (used by) financing activities	<u>(400,216)</u>	<u>869,629</u>
DECREASE IN CASH FLOW	(585,200)	(431,828)
Cash - beginning of year	<u>1,399,423</u>	<u>1,831,251</u>
CASH - END OF YEAR	\$ 814,223	\$ 1,399,423
CASH CONSISTS OF:		
Unrestricted cash	\$ 251,438	\$ 850,360
Temporary investments	562,785	549,063
	<u>\$ 814,223</u>	<u>\$ 1,399,423</u>

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2015

1. PURPOSE OF THE ORGANIZATION

Mennonite Central Committee Alberta ("MCCA" or the "Organization") is a not-for-profit organization incorporated in 1967 under the Societies Act of the Province of Alberta and is a registered charity, and therefore not subject to tax under Section 149 (1) of the Income Tax Act. MCCA is an agency of the Mennonite and the Brethren in Christ Churches in Alberta. MCCA's purpose is to demonstrate God's love through work among people suffering from poverty, conflict, oppression and natural disaster. MCCA strives for peace, justice and dignity of all people by sharing our experiences, resources, and faith in Jesus Christ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

The Organization accounts for its operations using the following funds:

Unrestricted - accounts for unrestricted assets and liabilities that are used to support ongoing operations and to aid ongoing projects approved by the Board of Directors and management.

Internally restricted - accounts for funds that have been set aside by the Board of Directors for future designated purposes.

Invested in capital assets - net assets invested in capital assets net of related liabilities and deferred contributions.

Revenue recognition

Mennonite Central Committee Alberta follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising and other revenues are recognized as revenue when received or receivable.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land	N/A	non-depreciable
Buildings	2.5%	declining balance method
Equipment and furniture	20%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	50%	declining balance method
Leasehold improvements	10%	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed services

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

Measurement uncertainty

When preparing financial statements according to ASNFP0, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ.

Financial instruments policy

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.

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2015

3. TEMPORARY INVESTMENTS

Temporary investments consist of redeemable deposits bearing interest at 2.25%. The balances include amounts internally restricted by the board of directors for the New Initiatives Fund (Y.O.U.) and reserves for capital assets (building and other).

	<u>2015</u>	<u>2014</u>
MFC Term Investment	\$ 547,987	\$ 534,731
CCMBC Savings Fund	14,418	13,964
CCMBC Land Fund	379	367
	<u>\$ 562,784</u>	<u>\$ 549,062</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Buildings	\$ 4,015,671	\$ 772,397	\$ 3,243,274	\$ 3,289,121
Computer equipment	102,815	80,234	22,581	33,153
Equipment	282,642	243,710	38,932	21,779
Land	1,148,339	-	1,148,339	1,197,414
Leasehold improvements	112,219	33,666	78,553	89,775
Motor vehicles	73,175	43,990	29,185	32,085
	<u>\$ 5,734,861</u>	<u>\$ 1,173,997</u>	<u>\$ 4,560,864</u>	<u>\$ 4,663,327</u>

5. MORTGAGE PAYABLE

	<u>2015</u>	<u>2014</u>
Mennonite Foundation of Canada loan bearing interest at 3.25% per annum, repayable in monthly blended payments of \$5,017. The loan matures on February 24, 2017 and is secured by secured by land and building with a net book value of \$2,822,246 (2014 - \$2,762,674).	\$ 699,783	\$ 1,100,000
Amounts payable within one year	<u>(24,000)</u>	<u>(23,611)</u>
	<u>\$ 675,783</u>	<u>\$ 1,076,389</u>

Principal repayment terms are approximately:

2016	\$ 24,000
2017	24,000
2018	24,000
2019	24,000
2020	24,000
Thereafter	<u>579,783</u>
	<u>\$ 699,783</u>

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2015

6. DEFERRED OPERATING CONTRIBUTIONS

The Organization uses the deferred contribution method for recognizing externally restricted revenue for specific purposes. These revenues are deferred until the related expenditures have been incurred. Changes in deferred contributions during the year are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Utilizations</u>	<u>Ending</u>
Alberta Education Fund	\$ -	\$ 30,900	\$ 28,019	\$ 2,881
Chaplaincy	575	200	540	235
R.A.F.T.	62,641	-	42,641	20,000
Caring for Families	2,333	1,817	158	3,992
Justice Ministries Camp	1,817	-	1,817	-
Other programs	52,736	45,739	17,286	81,189
Refugee Assistance Program	27,878	14,879	11,752	31,005
Counselling/Education	1,934	-	-	1,934
	<u>\$ 149,914</u>	<u>\$ 93,535</u>	<u>\$ 102,213</u>	<u>\$ 141,236</u>

7. DEFERRED CAPITAL CONTRIBUTIONS

The deferred capital contribution amounts relate to donations received for specific purposes related to the acquisition of the Calgary Building. As such, they are treated as restricted contributions, with revenue being recognized using the same rate and method as the amortization expense of the building. Changes in deferred contributions during the year are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Utilizations</u>	<u>Ending</u>
Calgary building	\$ 697,248	\$ -	\$ 17,431	\$ 679,817

8. INTERNALLY RESTRICTED NET ASSETS

The board of directors of the Organization have internally restricted \$465,350 (2014 - \$974,671) of net assets. During the year, \$488,874 was removed from internally restricted funds (2014 - \$90,528 was added) resulting in the following year-end fund balances:

	<u>2015</u>	<u>2014</u>
Stability Fund	\$ -	\$ 500,000
New Initiatives Fund (Y.O.U.)	354,207	364,207
Reserve for capital assets (buildings)	40,383	20,447
Reserve for capital assets (other)	71,271	70,081
	<u>\$ 465,861</u>	<u>\$ 954,735</u>

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2015

9. NET ASSETS INVESTED IN CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Capital assets, net	\$ 4,560,866	\$ 4,663,329
Less: deferred capital contributions	(679,817)	(697,248)
Less: long term debt	(699,783)	(1,100,001)
	<u>\$ 3,181,266</u>	<u>\$ 2,866,080</u>

10. RELIEF SALE

	<u>2015</u>	<u>2014</u>
Auction sales and donation revenue	\$ 243,751	\$ 349,332
Sale expenses	(71,924)	(80,500)
	<u>\$ 171,827</u>	<u>\$ 268,832</u>

11. RELATED PARTY TRANSACTIONS

MCCA is significantly influenced by its national counterpart, MCC Canada. The Covenant for the Mennonite Central Committees in Canada is a document that outlines the working relationship among the MCC's within Canada, including the sharing of financial resources. This document complements an agreement between MCC Canada and MCC US. Provincial and national staff work together for joint planning and decision-making, and one director from MCCA also serves on the Board of MCC Canada.

MCCA has paid \$2,789,684 (2014 - \$3,125,010) in revenue forwarding to MCC Canada. At year end, accounts receivable includes \$4,469 (2014 - \$747) due from MCC Canada, and accounts payable includes \$239,265 (2014 - \$768,546) due to MCC Canada.

12. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from amounts due from granting agencies.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Organization to interest rate risk arises from its interest bearing assets.

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2015

13. COMMITMENTS

As at March 31, 2015, the Organization has entered into operating lease agreements with terms extending beyond the current fiscal year. These commitments are as follows:

Premises

The Organization's commitments on operating leases for store premises are as follows:

Edmonton Thrift Shop - lease at 9251 - 34 Avenue, Edmonton, AB, expiring November 15, 2015.
The annual commitment is as follows:

2016 - \$ 82,929

14. SUBSEQUENT EVENTS

The board of the Organization approved the construction of a \$1,750,000 addition to the Calgary building expected to be completed by January 31, 2016.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

MENNONITE CENTRAL COMMITTEE ALBERTA**Schedule of Expenses by Function***(Schedule 1)***Year Ended March 31, 2015**

	2015	2014
OPERATING EXPENSES		
Salaries and benefits	\$ 2,295,370	\$ 2,237,630
Facility costs	364,024	357,991
Travel	185,592	157,932
Office	162,593	151,530
Amortization	136,408	109,376
Advertising and promotion	83,633	36,559
Relief sale expenses	71,924	80,500
Professional fees	55,806	214,654
Hospitality and hosting	55,581	30,670
Bank charges	49,976	29,833
Telephone	47,583	38,637
Insurance	41,834	37,300
Material aid supplies	25,387	19,144
Training	9,850	10,077
Vehicle	8,712	5,539
Donations	-	18,280
	<u>\$ 3,594,273</u>	<u>\$ 3,535,652</u>

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA

**Thrift Shop Activities
Year Ended March 31, 2015**

(Schedule 2)

	Calgary	Edmonton	Lethbridge	Taber	2015	2014
REVENUE						
Sales	\$ 1,372,944	\$ 328,146	\$ 329,320	\$ 170,719	\$ 2,201,129	\$ 1,991,783
Donations	10,494	19,561	13,890	-	43,945	24,986
Interest and other income	-	476	813	-	1,289	5,488
	<u>1,383,438</u>	<u>348,183</u>	<u>344,023</u>	<u>170,719</u>	<u>2,246,363</u>	<u>2,022,257</u>
OPERATING EXPENSES						
Salaries and wages	548,829	109,861	113,274	94,569	866,533	734,573
Facility costs	72,814	183,265	53,613	19,458	329,150	248,105
Amortization	39,792	16,330	26,327	6,147	88,596	68,058
Office	26,990	17,581	10,294	9,966	64,831	54,532
Advertising and promotion	22,483	949	1,271	-	24,703	7,163
Bank charges	7,267	6,524	939	8,576	23,306	17,872
Insurance	300	673	4,951	2,285	8,209	7,254
Vehicle	5,939	-	608	-	6,547	5,538
Professional fees	1,748	-	-	-	1,748	119,702
Forwarding to MDS	-	-	-	-	-	18,280
	<u>726,162</u>	<u>335,183</u>	<u>211,277</u>	<u>141,001</u>	<u>1,413,623</u>	<u>1,281,077</u>
INCOME FROM OPERATIONS	<u>\$ 657,276</u>	<u>\$ 13,000</u>	<u>\$ 132,746</u>	<u>\$ 29,718</u>	<u>\$ 832,740</u>	<u>\$ 741,180</u>

Note: MCCA incurred an additional \$159,855 (2014 - \$136,358) in expenses for Thrift Coordinator and head office overhead.

See notes to financial statements