

MENNONITE CENTRAL COMMITTEE ALBERTA
Financial Statements
Year Ended March 31, 2018

MENNONITE CENTRAL COMMITTEE ALBERTA

Index to Financial Statements

Year Ended March 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 12
Schedule of Operating Expenses by Natural Classifications (<i>Schedule 1</i>)	13
Thrift Shop Activities (<i>Schedule 2</i>)	14

INDEPENDENT AUDITOR'S REPORT

To the Members of Mennonite Central Committee Alberta

We have audited the accompanying financial statements of Mennonite Central Committee Alberta, which comprise the statement of financial position as at March 31, 2018 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

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.

(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, we were 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, 2018, current assets and net assets as at March 31, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mennonite Central Committee Alberta as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Schwartz & Company **



Calgary, Alberta
July 9, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

MENNONITE CENTRAL COMMITTEE ALBERTA
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 839,049	\$ 1,219,191
Temporary investments (Note 3)	577,506	569,419
Accounts receivable	37,589	233,241
Inventory	11,200	11,370
Goods and services tax recoverable	23,794	45,148
Prepaid expenses	77,515	74,866
	<u>1,566,653</u>	<u>2,153,235</u>
CAPITAL ASSETS (Note 4)	<u>5,760,203</u>	<u>5,794,018</u>
	<u>\$ 7,326,856</u>	<u>\$ 7,947,253</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 285,504	\$ 484,841
Current portion of long term debt (Note 5)	554,961	213,930
Deferred income	4,371	3,090
	<u>844,836</u>	<u>701,861</u>
MORTGAGE PAYABLE (Note 5)	<u>1,352,322</u>	<u>1,971,291</u>
DEFERRED OPERATING CONTRIBUTIONS (Note 6)	<u>450,453</u>	<u>523,975</u>
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	<u>657,327</u>	<u>665,385</u>
	<u>3,304,938</u>	<u>3,862,512</u>
NET ASSETS		
Unrestricted	735,796	1,050,803
Internally restricted (Note 8)	90,528	90,528
Invested in capital assets (Note 9)	3,195,594	2,943,410
	<u>4,021,918</u>	<u>4,084,741</u>
	<u>\$ 7,326,856</u>	<u>\$ 7,947,253</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, 2018**

	2018	2017
REVENUE		
THRIFT SHOPS (<i>Schedule 2</i>)	\$ 2,498,460	\$ 2,587,392
DONATIONS		
Overseas	1,187,691	1,065,522
Where needed most	1,653,158	1,543,527
Canadian Foodgrains Bank	301,289	483,972
Provincial	86,492	166,806
Disaster response	173,672	122,291
Refugee sponsorship	372,863	651,697
Other	160,989	132,300
OTHER REVENUE		
Contributions from Mennonite Central Committee Canada	20,000	74,386
Grants	335,931	234,517
Relief sales and other events (<i>Note 10</i>)	271,435	302,332
Interest	9,281	10,891
Facility rent	7,088	16,852
Other	46,319	100,233
	<u>7,124,668</u>	<u>7,492,718</u>
EXPENSES		
THRIFT SHOPS (<i>Schedule 2</i>)	1,761,925	1,675,359
PROGRAMS		
Restorative justice	504,337	496,606
Peace	249,701	208,493
Migration	525,920	879,920
Education and health	123,754	216,673
Material aid	140,477	110,254
Youth	34,817	33,483
SUPPORT SERVICES		
Fundraising	479,465	446,062
Administration	532,249	593,511
	<u>4,352,645</u>	<u>4,660,361</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>2,772,023</u>	<u>2,832,357</u>
REVENUE FORWARDED TO		
Mennonite Central Committee Canada	2,832,646	2,931,507
Mennonite Disaster Service	2,200	5,030
	<u>2,834,846</u>	<u>2,936,537</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (62,823)</u>	<u>\$ (104,180)</u>

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA**Statement of Changes in Net Assets****Year Ended March 31, 2018**

	Unrestricted	Internally restricted (Note 8)	Invested in capital assets (Note 9)	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 1,050,803	\$ 90,528	\$ 2,943,410	\$ 4,084,741	\$ 4,188,921
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(315,007)</u>	-	252,184	(62,823)	<u>(104,180)</u>
NET ASSETS - END OF YEAR	<u>\$ 735,796</u>	<u>\$ 90,528</u>	<u>\$ 3,195,594</u>	\$ 4,021,918	<u>\$ 4,084,741</u>

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA**Statement of Cash Flow****Year Ended March 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (62,823)	\$ (104,180)
Items not affecting cash:		
Amortization of capital assets	199,769	193,327
Amortization of deferred capital contributions	(20,310)	(17,061)
	<u>116,636</u>	<u>72,086</u>
Changes in non-cash working capital:		
Accounts receivable	195,652	128,704
Inventory	170	5,248
Accounts payable and accrued liabilities	(199,336)	(542,663)
Unearned revenue	1,281	(1,590)
Prepaid expenses	(2,649)	(43,961)
Goods and services tax payable	21,354	2,866
Deferred operating contributions	(73,522)	(216,924)
Deferred capital contributions	12,252	5,000
	<u>(44,798)</u>	<u>(663,320)</u>
Cash flow from (used by) operating activities	<u>71,838</u>	<u>(591,234)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(165,954)</u>	<u>(573,904)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	1,583,074	1,174,618
Repayment of long term debt	(1,861,013)	(59,489)
Cash flow from (used by) financing activities	<u>(277,939)</u>	<u>1,115,129</u>
DECREASE IN CASH FLOW	(372,055)	(50,009)
Cash - beginning of year	<u>1,788,610</u>	<u>1,838,619</u>
CASH - END OF YEAR	\$ 1,416,555	\$ 1,788,610
CASH CONSISTS OF:		
Unrestricted cash	\$ 839,049	\$ 1,219,191
Temporary investments	<u>577,506</u>	<u>569,419</u>
	\$ 1,416,555	\$ 1,788,610

See notes to financial statements

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

1. PURPOSE OF THE MCCA

Mennonite Central Committee Alberta ("MCCA") 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

MCCA 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 temporary investments (Note 3) 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.

(continues)

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

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

MCCA 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 MCCA 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, 2018

3. TEMPORARY INVESTMENTS

Temporary investments consist of redeemable deposits bearing interest at 1.41%. The balances include amounts internally restricted by the Board of Directors for reserves for capital assets (building and other).

	<u>2018</u>	<u>2017</u>
Mennonite Foundation of Canada Term Investment	\$ 576,900	\$ 568,861
Canadian Conference of Mennonite Brethren Churches Land Fund	<u>606</u>	<u>558</u>
	<u>\$ 577,506</u>	<u>\$ 569,419</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	\$ 5,463,718	\$ 1,080,466	\$ 4,383,252	\$ 4,425,590
Land	1,148,339	-	1,148,339	1,148,339
Leasehold improvements	112,219	67,331	44,888	56,109
Equipment and furniture	420,202	298,795	121,407	110,145
Computer equipment	191,277	157,857	33,420	24,806
Motor vehicles	101,440	72,543	28,897	29,029
	<u>\$ 7,437,195</u>	<u>\$ 1,676,992</u>	<u>\$ 5,760,203</u>	<u>\$ 5,794,018</u>

5. MORTGAGE PAYABLE

	<u>2018</u>	<u>2017</u>
Abundance Canada loan bearing interest at 3.45% per annum, repayable in monthly blended payments of \$5,076. The loan matures on February 24, 2019 and is secured by land and building with a net book value of \$4,064,291 (2017 - \$4,078,338).	\$ 515,283	\$ 602,147
Abundance Canada loan bearing interest at 3.15% per annum, repayable in monthly blended payments of \$2,631. The loan matured on July 31, 2017 and was secured by land and building with a net book value of \$4,064,291 (2017 - \$4,078,338).	-	1,583,074
Abundance Canada loan bearing interest at 3.75% per annum, repayable in monthly blended payments of \$7,600. The loan matures on July 31, 2020 and is secured by land and building with a net book value of \$4,064,291 (2017 - \$4,078,338).	<u>1,392,000</u>	<u>-</u>
	<u>1,907,283</u>	<u>2,185,221</u>
Amounts payable within one year	(554,961)	(213,930)

(continues)

MENNONITE CENTRAL COMMITTEE ALBERTA**Notes to Financial Statements****Year Ended March 31, 2018**5. MORTGAGE PAYABLE *(continued)*

<u>2018</u>	<u>2017</u>
\$ 1,352,322	\$ 1,971,291

Principal repayment terms are approximately:

2019	\$ 554,961
2020	41,191
2021	<u>1,311,131</u>
	\$ 1,907,283

Total mortgage interest expense for the year was \$72,173 (2017 - \$45,391)

6. DEFERRED OPERATING CONTRIBUTIONS

MCCA 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>
Refugee Fund BVOR	\$ 467,880	\$ 108,605	\$ 380,506	\$ 195,979
Named Refugee Fund	-	211,920	-	211,920
Other programs	28,915	120,580	120,580	28,915
Caring for Families	2,975	100	87	2,988
Chaplaincy	860	50	39	871
Grow Hope	23,345	15,693	31,058	7,980
Shouldering Our Share	-	1,800	-	1,800
	<u>\$ 523,975</u>	<u>\$ 458,748</u>	<u>\$ 532,270</u>	<u>\$ 450,453</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 and a cargo trailer for the Edmonton Thrift Shop. 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 and trailer, respectively. Changes in deferred contributions during the year are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Utilizations</u>	<u>Ending</u>
Calgary building	\$ 665,385	\$ -	\$ 16,634	\$ 648,751
Edmonton Thrift Shop cargo trailer	-	12,252	3,676	8,576
	<u>\$ 665,385</u>	<u>\$ 12,252</u>	<u>\$ 20,310</u>	<u>\$ 657,327</u>

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

8. INTERNALLY RESTRICTED NET ASSETS

The Board of Directors of MCCA have internally restricted \$90,528 (2017 - \$90,528) of net assets.

	<u>2018</u>	<u>2017</u>
Reserve for capital assets (other)	\$ 70,081	\$ 70,081
Reserve for capital assets (buildings)	<u>20,447</u>	<u>20,447</u>
	<u>\$ 90,528</u>	<u>\$ 90,528</u>

9. NET ASSETS INVESTED IN CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Capital assets, net	\$ 5,760,203	\$ 5,794,018
Less deferred capital contributions	(657,327)	(665,385)
Less mortgage payable	<u>(1,907,282)</u>	<u>(2,185,223)</u>
	<u>\$ 3,195,594</u>	<u>\$ 2,943,410</u>

10. RELIEF SALE AND OTHER EVENTS

	<u>2018</u>	<u>2017</u>
Auction sales and donation revenue	\$ 271,435	\$ 302,332
Sale expenses	<u>(93,615)</u>	<u>(80,454)</u>
	<u>\$ 177,820</u>	<u>\$ 221,878</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 received \$20,000 (2017 - \$74,386) in contributions from and paid \$2,832,646 (2017 - \$2,931,507) in revenue forwarding to MCC Canada. At year end, accounts receivable includes \$nil (2017 - \$459) due from MCC Canada, and accounts payable includes \$164,113 (2017 - \$330,889) due to MCC Canada.

12. FINANCIAL INSTRUMENTS

MCCA 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 MCCA's risk exposure and concentration as of March 31, 2018.

(continues)

MENNONITE CENTRAL COMMITTEE ALBERTA

Notes to Financial Statements

Year Ended March 31, 2018

12. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. MCCA 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 MCCA to interest rate risk arises from its interest bearing assets.

13. COMMITMENTS

As at March 31, 2018, MCCA 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, expires July 31, 2018 after an agreement was reached with the landlord to terminate the lease early without penalty. The Edmonton Thrift Shop entered into a new lease agreement at 12345 - 149 Street, Edmonton, AB, expires May 31, 2022. The annual commitment is as follows:

2019 - \$132,668
2020 - \$102,000
2021 - \$102,000
2022 - \$102,000
2023 - \$17,000

14. CONTINGENT LIABILITY

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 Alberta (MCCA) has partnered with various church and community groups to assist with the sponsorship and resettlement of certain refugee families in Alberta. These groups have placed on deposit with MCCA the necessary funds or have committed to raise and hold sufficient funds to sponsor and support these refugee families for the required twelve-month period of time, from the date of arrival. However, should any of these groups default on their financial obligations MCCA will be responsible for providing the funding shortfall. As at March 31, 2018, MCCA has 368 active refugee sponsorships cases with an estimated contingent liability of \$3.1 million.

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 Operating Expenses by Natural Classifications
Year Ended March 31, 2018

(Schedule 1)

	2018	2017
OPERATING EXPENSES		
Salaries and benefits	\$ 2,595,718	\$ 2,547,510
Facility costs	464,637	451,324
Refugee settlement costs	378,833	675,618
Amortization	199,769	193,327
Office	147,124	216,132
Travel	145,000	220,600
Relief sale and other events expenses	93,615	80,454
Professional fees	55,506	55,536
Insurance	51,895	40,942
Telephone	44,557	49,023
Material aid supplies	43,915	22,740
Hospitality and hosting	42,914	34,389
Advertising and promotion	34,063	34,491
Bank charges	22,825	21,933
Training and volunteer appreciation	21,618	10,862
Vehicle	10,656	5,477
	\$ 4,352,645	\$ 4,660,358

MENNONITE CENTRAL COMMITTEE ALBERTA

Thrift Shop Activities

(Schedule 2)

Year Ended March 31, 2018

	Calgary	Edmonton	Lethbridge	Taber	2018	2017
REVENUE						
Sales	\$ 1,382,763	\$ 345,545	\$ 545,573	\$ 194,254	\$ 2,468,135	\$ 2,463,896
Donations	19,724	3,791	3,000	-	26,515	119,553
Interest and other income	-	3,810	-	-	3,810	3,943
	<u>1,402,487</u>	<u>353,146</u>	<u>548,573</u>	<u>194,254</u>	<u>2,498,460</u>	<u>2,587,392</u>
OPERATING EXPENSES						
Salaries and wages	704,442	129,128	170,221	109,898	1,113,689	1,024,658
Facility costs	100,266	193,947	61,077	34,699	389,989	376,693
Amortization	61,363	18,791	23,263	10,635	114,052	113,358
Office	17,430	21,420	8,688	3,840	51,378	75,751
Advertising and promotion	-	343	-	-	343	3,697
Bank charges	5,595	3,532	2,477	2,356	13,960	12,061
Insurance	300	2,338	7,992	4,929	15,559	13,358
Vehicle	7,474	104	991	-	8,569	4,754
Professional fees	-	-	-	-	-	1,840
	<u>896,870</u>	<u>369,603</u>	<u>274,709</u>	<u>166,357</u>	<u>1,707,539</u>	<u>1,626,170</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ 505,617</u>	<u>\$ (16,457)</u>	<u>\$ 273,864</u>	<u>\$ 27,897</u>	<u>\$ 790,921</u>	<u>\$ 961,222</u>

Note: MCCA incurred an additional \$54,386 (2017 - \$49,189) in expenses for Thrift Coordinator and head office overhead.