



## Non-consolidated Financial Statements

March 31, 2016

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## **INDEPENDENT AUDITORS' REPORT**

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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, 2016, and the statements of operations, 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 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, 2016 and its financial performance and its cash flows for the year then ended, in accordance with Canadian accounting standards for not for profit organizations.

*Friesen Pankratz & Associates LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Abbotsford, B.C.

September 20, 2016

# MENNONITE CENTRAL COMMITTEE BC

Non-consolidated Statement of Operations  
For the year ended March 31, 2016

	Actual	2016 Budget	Restated 2015
<b>SHARED REVENUE</b>			
<b>Undesignated:</b>			
Contributions	\$ 1,365,013	\$ 1,600,000	\$ 1,413,630
Thrift Store Revenues (see schedule)	6,467,531	5,741,100	5,372,220
Shared interest	15,000	-	15,000
Relief Sales and Festivals (see schedule)	912,580	775,000	751,401
Estates	338,332	100,000	70,529
	<b>9,098,456</b>	<b>8,216,100</b>	<b>7,622,780</b>
<b>Designated:</b>			
Designated contributions	610,322	900,000	837,191
Material Resources	296,772	420,000	277,947
Canadian Foodgrains Bank	24,642	-	153,330
Contributions - Major Disasters	872,998	-	197,324
Constituancy Initiated Projects	10,666	-	3,000
	<b>1,815,400</b>	<b>1,320,000</b>	<b>1,468,792</b>
<b>TOTAL SHARED REVENUE</b>	<b>10,913,856</b>	<b>9,536,100</b>	<b>9,091,572</b>
<b>NON-SHARED REVENUE</b>			
<b>Domestic Designated:</b>			
Local program fundraising	148,094	135,220	88,875
	<b>148,094</b>	<b>135,220</b>	<b>88,875</b>
<b>Other:</b>			
Capital campaign and other	89,585	86,300	42,108
Grants	113,116	211,900	105,974
IVEP and service worker program	132,810	156,685	111,226
Material resources and fees	82,866	100,200	120,248
Rent	69,309	33,583	50,721
Non-shared interest	39,788	18,000	63,849
Legacy - interest from subsidiaries	82,431	83,000	79,440
Gifts in kind	18,097	1,500	2,221
Recoveries from subsidiaries	112,119	140,000	2,388
	<b>740,121</b>	<b>831,168</b>	<b>578,175</b>
<b>Fair Trade:</b>			
Ten Thousand Villages	497,860	548,976	373,789
Common Place Cafe	276,089	407,000	171,907
	<b>773,949</b>	<b>955,976</b>	<b>545,696</b>
<b>TOTAL NON-SHARED REVENUE</b>	<b>1,662,164</b>	<b>1,922,364</b>	<b>1,212,746</b>
<b>TOTAL REVENUE</b>	<b>12,576,020</b>	<b>11,458,464</b>	<b>10,304,318</b>

See accompanying Notes to Financial Statements and Auditor's Report

# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Statement of Operations

For the year ended March 31, 2016

	2016 Actual	2016 Budget	Restated 2015
<b>TOTAL REVENUE (Continued from previous page)</b>	<b>12,576,020</b>	11,458,464	10,304,318
<b>EXPENDITURES</b>			
<b>Programs: (see schedule)</b>			
Disaster Relief	506,083	596,404	440,530
Sustainable Community Development	1,038,973	703,958	871,550
Justice and Peace	206,603	350,613	219,406
	<b>1,751,659</b>	1,650,975	1,531,486
<b>Resource Development:</b>			
Communications and Donor Relations	332,699	417,198	375,853
Thrift Stores (see schedule)	4,603,668	4,341,100	3,881,032
Relief Sales and Festivals (see schedule)	246,347	225,000	213,150
	<b>5,182,714</b>	4,983,298	4,470,035
<b>Fair Trade:</b>			
Ten Thousand Villages	528,917	559,276	395,204
Common Place Cafe	413,522	407,160	260,638
	<b>942,439</b>	966,436	655,842
<b>Support Services:</b>			
Finance and Administration	934,650	904,773	1,231,770
Legacy - related costs	98,673	83,000	71,869
Human resources	132,266	109,982	117,366
	<b>1,165,589</b>	1,097,755	1,421,005
<b>TOTAL EXPENDITURES</b>	<b>9,042,401</b>	8,698,464	8,078,368
<b>EXCESS OF REVENUE FROM OPERATIONS</b>	<b>3,533,619</b>	2,760,000	2,225,950
Remittance to MCC Canada	(2,939,791)	(2,760,000)	(2,445,714)
Remittance to MCC Canada - Major Disasters	(872,998)	-	-
NAAFO contribution from MCC Canada	547,992	-	-
<b>EXCESS (DEFICIENCY) OF REVENUE BEFORE OTHER ITEMS</b>	<b>268,822</b>	-	(219,764)
Gain on disposal of capital assets	22,745	-	1,359,268
Income from subsidiaries (Note 17)	797,811	-	530,819
Building project transitional revenue	(182,050)	(316,000)	(217,950)
Building project transitional costs	182,050	316,000	217,950
<b>EXCESS OF REVENUE</b>	<b>\$ 1,089,378</b>	\$ -	\$ 1,670,323

See accompanying Notes to Financial Statements and Auditor's Report

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# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Statement of Changes in Net Assets

For the year ended March 31, 2016

	Restricted	Internally Restricted	Unrestricted	2016	Restated 2015
<b>NET ASSETS - Open</b>	\$ 7,621,097	\$ 1,096,846	\$ 46,175,499	\$ <b>54,893,442</b>	\$ 52,460,198
Excess of Revenue	(571,975)	-	1,661,353	<b>1,089,378</b>	1,670,323
Contributions (Note 2,(j),(m))	4,494	338,332	(338,332)	<b>4,494</b>	762,921
Internally Restricted Transfer (Note 2(j))	-	1,264,900	(1,264,900)	-	-
Changes in Capital Assets	2,417,260	-	(2,417,260)	-	-
<b>NET ASSETS - Close</b>	\$ 9,470,876	\$ 2,700,078	\$ 43,816,360	\$ <b>55,987,314</b>	\$ 54,893,442

See accompanying Notes to Financial Statements and Auditor's Report

# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Statement of Financial Position

As at March 31, 2016

	2016	Restated 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,409,846	\$ 3,786,416
Temporary investments (Note 4)	731,774	833,457
Accounts receivable	125,105	52,516
Inventory (Note 5)	171,832	208,550
Prepaid expenses	116,961	117,697
Current portion of due from related parties (Note 6)	581,849	492,111
Sales taxes refundable	-	292,857
	<b>6,137,367</b>	<b>5,783,604</b>
<b>LONG-TERM INVESTMENTS</b>		
Long-term portion of due from related parties (Note 6)	3,047,207	3,111,540
Investment in Subsidiaries - MCC Legacy Trust (Note 7)	33,001,034	32,477,087
Investment in Subsidiaries - MCC Social Enterprise (Note 7)	7,620,660	7,346,796
	<b>43,668,901</b>	<b>42,935,423</b>
<b>CAPITAL ASSETS</b> (Note 13)	<b>24,291,008</b>	<b>24,879,238</b>
	<b>\$ 74,097,276</b>	<b>\$ 73,598,265</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, 2016

	2016	Restated 2015
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt (Note 14)	\$ 1,573,483	\$ 260,000
Accounts payable & accruals	247,178	671,188
Payable to MCC Canada	458,346	17,404
Payroll and deductions payable	229,590	143,436
Current portion of due to related parties (Note 15)	1,397,477	2,606,877
Deferred operating contributions (Note 18)	230,997	246,277
Deferred capital contributions - current (Note 19)	95,221	82,689
Refugee sponsorship deposits	426,804	-
Current portion of long-term debt (Note 21)	9,580,953	11,174,789
Sales taxes payable	24,455	-
	<b>14,264,504</b>	<b>15,202,660</b>
<b>LONG-TERM LIABILITIES</b>		
Deferred capital contributions - long-term (Note 19)	3,419,119	3,135,880
Rental deposits	1,500	1,500
Long-term debt (Note 21)	424,839	364,783
	<b>3,845,458</b>	<b>3,502,163</b>
<b>NET ASSETS</b>	<b>55,987,314</b>	<b>54,893,442</b>
	<b>\$ 74,097,276</b>	<b>\$ 73,598,265</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, 2016

	2016	Restated 2015
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue before other items	\$ 268,822	\$ (219,764)
Add: non-cash items affecting operations		
Amortization	594,720	446,130
Accounts receivable	(72,589)	105,307
Inventory	36,718	(62,594)
Prepaid expenses	735	193,933
Accounts payable & accruals	16,931	(511,459)
Sales taxes payable	317,312	(269,938)
Payroll taxes payable	86,155	(15,006)
Deferred operating contributions	(15,281)	193,578
Deferred capital contributions	301,941	3,032,266
Rental deposits	-	1,500
Refugee sponsorship deposits	426,804	-
	<b>1,962,268</b>	<b>2,893,953</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds of long-term debt	8,305,000	10,964,554
Repayment of long-term debt	(9,838,780)	(4,049,712)
Short-term debt	1,313,483	(400,000)
Due to related parties	(1,209,399)	(14,559)
	<b>(1,429,696)</b>	<b>6,500,283</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of capital assets	(123,031)	(10,146,892)
Proceeds from disposal of capital assets	137,610	1,673,903
Due from related parties	(25,404)	(190,016)
	<b>(10,825)</b>	<b>(8,663,005)</b>
<b>INCREASE IN CASH OR EQUIVALENTS</b>	<b>521,747</b>	<b>731,231</b>
<b>CASH - OPEN</b>	<b>4,619,873</b>	<b>3,888,642</b>
<b>CASH - CLOSE</b>	<b>\$ 5,141,620</b>	<b>\$ 4,619,873</b>
<b>CASH REPRESENTED BY:</b>		
Cash	\$ 4,409,846	\$ 3,786,416
Temporary investments	731,774	833,457
	<b>\$ 5,141,620</b>	<b>\$ 4,619,873</b>

See accompanying Notes to Financial Statements and Auditor's Report



# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Schedule of Program Expenses

For the year ended March 31, 2016

	2016	Restated 2015
<b>PROGRAM EXPENSES</b>		
<b>Disaster Relief</b>		
Material Resources (Note 22)	\$ 506,083	\$ 440,530
	<b>506,083</b>	440,530
<b>Sustainable Community Development</b>		
Homelessness Prevention and Outreach	113,835	70,666
MCC guest house	54,773	42,429
Poverty reduction projects	254,758	204,989
Program coordination and development	108,238	122,678
Refugee assistance	147,344	102,797
Service Worker program and IVEP	249,240	244,947
Volunteer development and HIV/AIDS	54,272	83,044
COSA	56,513	-
	<b>1,038,973</b>	871,550
<b>Justice and Peace</b>		
End Abuse	104,628	106,288
Indigenous relations	29,154	47,643
Constituency engagement	72,821	65,475
	<b>206,603</b>	219,406
<b>TOTAL PROGRAM EXPENSES</b>	<b>\$ 1,751,659</b>	<b>\$ 1,531,486</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, 2016

	2016	Restated 2015
<b>REVENUE</b>		
Chilliwack store	\$ 336,703	\$ 317,141
Clearbrook clothing store	1,068,675	1,006,919
Fort St. John store	369,840	-
Kelowna store	625,802	489,579
MCC Centre	1,825,319	753,495
Mission store	573,914	571,057
Powell River store	447,505	352,075
Surrey store	624,909	498,658
Vancouver store	546,150	543,465
Yarrow store	45,257	41,980
Other sales and donations	3,457	4,576
Abby East store	-	254,447
Clearbrook furniture store	-	538,828
	<b>6,467,531</b>	<b>5,372,220</b>
<b>EXPENDITURES</b>		
Advertising	13,883	30,759
Amortization	200,499	163,823
Human resources	3,431	5,984
Insurance	43,824	26,985
Interest on long-term debt	99,887	46,938
Office expenses	87,494	82,401
Products for resales	35,899	33,508
Property tax	179,516	120,858
Rent	959,372	753,852
Repair and building costs	276,093	197,756
Store operating expenses	420,438	289,668
Travel and delivery	90,529	91,402
Wages and benefits	2,192,803	2,037,098
	<b>4,603,668</b>	<b>3,881,032</b>
<b>EXCESS OF REVENUE</b>	<b>\$ 1,863,863</b>	<b>\$ 1,491,188</b>

See accompanying Notes to Financial Statements and Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Schedule of Relief Sales and Festivals**  
**For the year ended March 31, 2016**

	2016	Restated 2015
<b>REVENUE</b>		
Fraser Valley	\$ 871,095	\$ 722,084
Black Creek (net)	13,985	5,317
Prince George (net)	27,500	24,000
	<b>912,580</b>	<b>751,401</b>
<b>EXPENDITURES</b>		
Advertising and promotion	11,834	9,091
Amortization	1,990	1,236
Banquets	16,608	14,850
Facilities and equipment	70,916	70,635
Food and supplies	71,272	66,049
Insurance	2,439	3,079
Office expenses	16,500	8,461
Setup and maintenance	6,788	5,350
Travel and meetings	2,542	1,827
Wages and benefits	45,458	32,572
	<b>246,347</b>	<b>213,150</b>
<b>EXCESS OF REVENUE</b>	<b>\$ 666,233</b>	<b>\$ 538,251</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, 2016

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### 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, 2016

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### 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 estate donations as revenue in the year of receipt as restricted net assets. These funds are transferred to unrestricted net assets over five years. If an estate donation is specifically designated toward an MCC International project, the amounts are transferred to unrestricted net assets and forwarded to MCC Canada in the year of receipt.

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

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### 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 was \$163,902 (2015 - \$91,213).

#### (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. The fund records the transactions for estate donations as described in Note 2(g). In addition, the MCC BC Board has passed resolutions to internally restricted funds for anticipated building projects related to Thrift Store expansion. Lastly, the Board has internally restricted the net assets of the ECD related projects and subsidiaries.

#### (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.

### 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:

See accompanying Auditor's Report

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### FINANCIAL INSTRUMENTS (Continued)

#### 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, construction loan, 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. TEMPORARY INVESTMENTS

Investments are grouped by financial institution. The maturity dates commence October 2016 and the investments bear interest at rates ranging from 1.35% to 2.65%.

	2016	2015
Envision Financial	\$ 713,868	\$ 815,916
Mennonite Foundation of Canada	6,213	5,571
Mennonite Foundation of Canada	3,400	3,573
Canadian Conference of MB Churches	8,293	8,397
	<b>\$ 731,774</b>	<b>\$ 833,457</b>

### 5. 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.

See accompanying Auditor's Report

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 6. DUE FROM RELATED PARTIES

The Society has notes receivable from Ecoworks Landscaping Services Inc., a wholly owned for profit subsidiary. The first loan is repayable in annual payments of \$60,000 bearing interest at Envision Financial prime minus 1¼%. The second loan is repayable in annual payments of \$75,600 bearing interest at Envision Financial prime plus ½%.

The Society has a note receivable from MCC Community Enterprises Inc., a wholly owned for profit subsidiary, repayable in monthly payments of \$5,000 including interest at prime plus ½%. The loan is to be paid in full by September 1, 2018 and is also payable upon demand.

All amounts due from 4171 Investments Ltd. are subject to interest at 3% and due upon demand.

All amounts due from Cedar Ridge Estates Inc. are subject to interest at 3%, and due August 1, 2017.

All amounts due from Promontory Ridge Estates Inc. are subject to interest at 5%, and due on demand.

	2016	2015
Ecoworks Landscape Services Inc.	\$ 338,774	\$ 305,325
MCC Community Enterprises Inc.	111,658	206,865
4171 Investments Ltd.	99,716	92,211
Cedar Ridge Estates Inc.	2,876,607	2,796,949
Promontory Ridge Estates Inc.	202,301	202,301
	<b>3,629,056</b>	3,603,651
Less: principal due within one year	<b>(581,849)</b>	(492,111)
	<b>\$ 3,047,207</b>	<b>\$ 3,111,540</b>



# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 7. INVESTMENT IN SUBSIDIARIES

The shares and shareholder loans of Promontory Ridge Estates Inc., Cedar Ridge Estates Inc., and 4171 Investments Ltd. 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. (formerly Agora Employment Essentials 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.

	2016	2015
Ecoworks Landscape Services Inc.	\$ 6,668,824	\$ 6,591,790
MCC Community Enterprises Inc.	951,836	755,006
4171 Investments Ltd.	4,202,877	4,831,724
Cedar Ridge Estates Inc.	5,557,282	5,570,903
Promontory Ridge Estates Inc.	23,240,875	22,074,460
	<b>\$ 40,621,694</b>	<b>\$ 39,823,883</b>

### 8. 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, 2016 and comparisons for the year ended March 31, 2015.

	2016	2015
Total assets	\$ 14,999,982	\$ 15,446,878
Total liabilities	9,502,553	10,026,483
Share capital and retained earnings	5,497,429	5,420,395
Revenue	2,789,362	2,023,944
Expenses	2,712,326	1,710,706
Net income	77,036	313,238
Cash flow from operating	(179,203)	337,704
Cash flow from financing	(89,153)	3,950,884
Cash flow from investing	501,971	(4,225,188)

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 9. 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, 2016 and comparisons for the year ended March 31, 2015.

	2016	2015
Total assets	\$ 1,305,266	\$ 1,160,128
Total liabilities	353,427	405,119
Share capital and retained earnings	951,839	755,009
Revenue	2,679,661	2,251,886
Expenses	2,482,831	2,002,424
Net income	196,830	249,462
Cash flow from operating	608,775	(102,632)
Cash flow from financing	(197,903)	(52,097)
Cash flow from investing	(175,498)	86,796

### 10. 4171 INVESTMENTS LTD.

The investment in 4171 Investments Ltd., 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, 2016 and comparisons for the year ended March 31, 2015.

	2016	2015
Total assets	\$ 8,716,157	\$ 8,962,560
Total liabilities	10,804,064	10,423,059
Share capital and retained earnings	(2,087,907)	(1,460,498)
Revenue	1,037,326	1,263,710
Expenses	1,664,734	1,894,470
Net loss	(627,408)	(630,761)
Cash flow from operating	(347,090)	(689,066)
Cash flow from financing	40,451	(351,469)
Cash flow from investing	(1,346)	-

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 11. 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, 2016 and comparisons for the year ended March 31, 2015. 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.

	2016	2015
Total assets	\$ 7,070,556	\$ 5,765,801
Total liabilities	6,581,180	5,262,805
Share capital and retained earnings	489,376	502,996
Revenue	285,571	4,297,769
Expenses	299,192	3,761,500
Net (loss) income	(13,621)	536,269
Cash flow from operating	(2,983,040)	2,583,138
Cash flow from financing	1,564,378	(1,937,756)
Cash flow from investing	275,623	1,096,132

### 12. 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, 2016 and comparisons for the year ended March 31, 2015. 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.

	2016	2015
Total assets	\$ 22,568,034	\$ 20,576,367
Total liabilities	20,710,992	19,899,968
Share capital and retained earnings	1,857,042	676,399
Revenue	2,299,065	357,346
Expenses	1,832,070	332,002
Income from joint ventures	713,649	37,271
Net income	1,180,644	62,615
Cash flow from operating	3,253,624	753,453
Cash flow from financing	949,440	213,560
Cash flow from investing	(4,103,199)	(829,370)

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 13. CAPITAL ASSETS

	Original Cost	Accumulated Amortization	2016	2015
Land	\$ 8,620,559	\$ -	\$ 8,620,559	\$ 8,614,851
Buildings	17,150,801	(1,865,564)	15,285,237	15,719,036
Computer equipment	167,786	(141,172)	26,614	34,641
Computer software	44,253	(44,253)	-	4,238
Equipment	701,716	(492,270)	209,446	341,219
Furniture and fixtures	160,347	(83,151)	77,196	72,953
Leasehold improvements	189,121	(167,993)	21,128	30,606
Motor vehicles	348,075	(335,550)	12,525	-
Buildings under capital lease	598,430	(560,127)	38,303	61,694
	\$ 27,981,088	\$ (3,690,080)	\$ 24,291,008	\$ 24,879,238

### 14. SHORT-TERM DEBT

The Society has received private demand loans payable without interest or security. Balance outstanding at March 31, 2016 is \$260,000 (2015 - \$260,000).

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, 2016 is \$1,313,483 (2015 - \$NIL).

### 15. DUE TO RELATED PARTIES

The Society has an amount owing to Promontory Ridge Estates Inc., a wholly owned for profit subsidiary, of \$97,477 (2015 - \$106,877), is non-interest bearing and has no scheduled terms of repayment.

The Society has a demand loan payable to Ecoworks Landscape Services Inc. of \$1,300,000 (2015 - \$2,500,000). The Society is required to make monthly interest only installments of 5%.

### 16. 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.

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

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### RELATED PARTY TRANSACTIONS (Continued)

#### 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 \$7,108 (2015 - \$11,441), from MCC Community Enterprises Inc. of \$5,499 (2015 - \$7,903), from Cedar Ridge Estates Inc. of \$79,657 (2015 - \$79,440), and from Promontory Ridge Estates Inc. of \$10,000 (2015 - \$2,301).

The Society has repaid principal on related party debt to Ecoworks Landscape Services Inc. of \$1,200,000 (2015 - \$2,500,000) and interest on related party debt to Ecoworks Landscape Services Inc. of \$80,017 (2015 - \$63,657).

#### 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 \$80,017 (2015 - \$63,657), from MCC Community Enterprises Inc. of \$12,085 (2015 - \$NIL), from 4171 Investments Ltd. of \$29,167 (2015 - \$1,744), from Cedar Ridge Estates Inc. of \$341 (2015 - \$341), and from Promontory Ridge Estates Inc. of \$123,732 (2015 - \$14,559).

The Society has made payment for landscaping supplies in the current fiscal year to Ecoworks Landscape Services Inc. of \$183 (2014 - \$4,170).

#### 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 \$7,875 (2015 - \$6,956).

#### Donation

The Society has received a donation in the current fiscal year from Ecoworks Landscape Services Inc. of \$NIL (2015 - \$2,272).

#### Common Place Cafe

The Society has received payment for the sale of the Common Place Cafe operations to MCC Community Enterprises Inc. of \$12,085 (2015 - \$NIL) for inventory, \$139,135 (2015 - \$NIL) for capital assets and \$5,000 (2015 - \$NIL) for goodwill.

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 17. INCOME FROM SUBSIDIARIES

	2016	2015
Ecoworks Landscape Services Inc.	\$ 77,034	\$ 313,237
MCC Community Enterprises Inc.	196,830	249,461
4171 Investments Ltd.	(628,847)	(630,763)
Cedar Ridge Estates Inc.	(13,621)	536,269
Promontory Ridge Estates Inc.	1,166,415	62,615
	<b>\$ 797,811</b>	<b>\$ 530,819</b>

### 18. DEFERRED OPERATING CONTRIBUTIONS

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

	2016	2015
Opening balance	\$ 246,277	\$ 52,700
Less amount recognized as revenue in the year	(598,811)	(229,435)
Add amount received related to next year	666,220	423,012
Closing balance	<b>\$ 230,997</b>	<b>\$ 246,277</b>

### 19. 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:

	2016	2015
Opening balance	\$ 3,218,569	\$ 743,943
Less amount recognized as revenue in the year	(95,345)	(572,502)
Add amount received related to future years	391,116	3,047,128
Closing balance	<b>3,514,340</b>	<b>3,218,569</b>
Less: current portion	(95,221)	(82,689)
	<b>\$ 3,419,119</b>	<b>\$ 3,135,880</b>

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 20. 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:

<b>Year</b>	<b>Operating</b>
<b>2017</b>	\$ 464,422
<b>2018</b>	\$ 210,683
<b>2019</b>	\$ 46,800
<b>2020</b>	\$ 3,826

### 21. LONG-TERM DEBT

	<b>2016</b>	<b>2015</b>
MCC Centre - HSBC Banker's Acceptance maturing May 2, 2016; secured by first charge over Gladys Road and South Fraser Way Plaza properties and assignment of rents to a maximum of \$15,000,000, bearing interest at 1.9% per annum plus a stamping fee at the banks current rate (at March 31, 2016 - 0.94%).	\$ 3,000,000	\$ 3,263,382
MCC Centre - HSBC Banker's Acceptance maturing April 1, 2016; secured by first charge over Gladys Road and South Fraser Way Plaza properties and assignment of rents to a maximum of \$15,000,000, bearing interest of 1.9% per annum plus a stamping fee at the banks current rate (at March 31, 2016 - 0.96%).	4,120,375	-
MCC Centre - Construction loan payable due on demand with a maximum available amount of \$9,500,000. Interest only payments at prime plus 0.75% per annum until October 2015. Monthly payments of principal and interest commence after that with full repayment due in January 2016. Secured by a mortgage over real property and a general security agreement.	-	5,128,604
Constituent Loan - Promissory note payable on demand with interest of 1% per annum. Matures June 2016. Unsecured.	201,567	201,567
Kelowna Thrift Store - Commercial promissory note payable on demand from Envision Financial with interest only payments at prime plus 0.50% per annum payable monthly. Note is secured by a mortgage over real property included in capital assets of the Society.	1,509,000	1,700,000
Surrey Thrift Store - Mortgage payable to Mennonite Foundation of Canada, due March 2018, secured by real property, repayable in equal monthly installments of \$2,270, including interest at 3.15%.	105,804	127,066
Mission Thrift Store - Mortgage payable to Mennonite Foundation of Canada, due July 2017, secured by real property, repayable in equal monthly installments of \$3,117, including interest at 3.75%.	367,272	387,869

See accompanying Auditor's Report

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# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### LONG-TERM DEBT (Continued)

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 and a general security agreement.	<b>219,828</b>	231,504
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 and a general security agreement.	<b>481,946</b>	499,580
	<b>10,005,792</b>	11,539,572
Less: principal amounts due within one year	<b>(9,580,953)</b>	(11,174,789)
	<b>\$ 424,839</b>	\$ 364,783

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:

<b>Year</b>	<b>Total</b>
<b>2017</b>	\$ 9,580,953
<b>2018</b>	\$ 424,839

## 22. MATERIAL RESOURCES

Material resources expense is made up of the following:

	<b>2016</b>	<b>2015</b>
Material aid shipped	<b>\$ 296,772</b>	\$ 276,652
Warehouse program activity	<b>209,311</b>	163,878
	<b>\$ 506,083</b>	\$ 440,530

## 23. CONTINGENT LIABILITIES

The Society is contingently liable to the City of Abbotsford through Letters of Guarantee issued through HSBC totalling \$53,075 in regards to the MCC Centre building project.

The Society has a Memorandum of Understanding regarding the MCC Refugee Programs in Canada. Under that agreement, in the event of a "Sponsorship Breakdown" or "Default", the Society would be responsible for any financial costs associated with that breakdown or default. At March 31, 2016 the amount that the Society could be responsible for is not determinable. At March 31, 2016, there are no known breakdowns or defaults.

See accompanying Auditor's Report



# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

For the year ended March 31, 2016

### 24. COMPARATIVE FIGURES

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

### 25. RESTATEMENT

During the year it was discovered that the amount recorded as payable to MCC Canada regarding the 2013 and 2014 forwarding was overstated. As a result, the accounts payable to MCC Canada on the Statement of Financial Position and the Remittance to MCC Canada on the Statement of Operations have been increased for the 2015 comparative figures by \$170,909.

Also, during the year it was discovered that the accounts receivable of the Society were overstated. These receivables affect the 2014 and prior years. As a result, the accounts receivable and the net assets on the Statement of Financial Position have been decreased for the comparative figures by \$97,425.

### 26. 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. (formerly Agora Employment Essentials 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.

	2016	2015
Thrift store	\$ 977,603	\$ 977,603
Estates	336,946	119,243
ECD equity	1,335,529	-
Thrift store expansion	50,000	-
	<b>\$ 2,700,078</b>	<b>\$ 1,096,846</b>