



## Non-consolidated Financial Statements

March 31, 2019

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ACCOUNTANTS  
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## **INDEPENDENT AUDITORS' REPORT**

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To the members of:

**MENNONITE CENTRAL COMMITTEE BC**

### **Qualified Opinion**

We have audited the financial statements of MENNONITE CENTRAL COMMITTEE BC, which comprise the statement of financial position as at March 31, 2019, and the statements of operations, net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of MENNONITE CENTRAL COMMITTEE BC as at March 31, 2019, 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.

### **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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Emphasis of Matter**

We draw attention to Note 27 to the financial statements which describes the amendment to the previously issued financial statements. These financial statements supersede and replace those previously issued with our auditors' report dated July 4, 2019. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **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 Pankrat & Associates LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Abbotsford, B.C.

October 15, 2019

**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Statement of Operations**  
**For the year ended March 31, 2019**

	2019		Restated 2018
	Actual	Budget	
<b>SHARED INTERNATIONAL REVENUE</b>			
<b>Undesignated:</b>			
Contributions	\$ 2,265,203	\$ 1,650,000	\$ 1,687,160
Thrift Store Revenues (see schedule pg. 10)	7,458,641	7,044,100	6,997,331
Interest - shared	15,000	15,000	15,000
Relief Festivals and Banquets (see schedule pg. 11)	915,707	735,300	887,366
Bequests	103,770	100,000	640,428
	<b>10,758,321</b>	<b>9,544,400</b>	<b>10,227,285</b>
<b>Designated:</b>			
Designated contributions	2,259,294	2,145,000	722,704
Material resources	286,117	276,000	300,510
Canadian Foodgrains Bank	109,811	365,000	580,346
Contributions - Major Disasters	57,869	57,869	206,941
	<b>2,713,091</b>	<b>2,843,869</b>	<b>1,810,501</b>
<b>TOTAL SHARED INTERNATIONAL REVENUE</b>	<b>13,471,412</b>	<b>12,388,269</b>	<b>12,037,786</b>
<b>LOCAL B.C. REVENUE</b>			
<b>Program Related: (see schedule pg. 9)</b>			
Relief Festivals and Banquets (see schedule pg. 11)	208,235	263,228	296,587
Grants	72,559	67,889	132,998
IVEP and Service Worker program	110,403	137,916	127,888
Material resources	54,500	24,800	47,003
Program rent	36,468	58,188	55,140
Interest and other revenues	51,888	29,500	43,261
Remittances to special poverty reduction project	4,097	-	101,352
Refugee Private Sponsorships	433,027	433,027	290,719
Remittances for Mennonite Disaster Services	100	-	74,823
Ten Thousand Villages	527,378	515,000	495,698
	<b>1,498,655</b>	<b>1,529,548</b>	<b>1,665,469</b>
Local B.C. program fundraising	311,648	578,231	322,952
Capital campaign	223,785	210,829	207,990
Legacy - interest from subsidiaries	141,253	80,000	123,575
Non-program rent	56,874	68,196	39,040
Grants - MCC Canada	23,218	3,500	24,397
Other revenue	-	-	10,582
	<b>756,778</b>	<b>940,756</b>	<b>728,536</b>
<b>TOTAL LOCAL B.C. REVENUE</b>	<b>2,255,433</b>	<b>2,470,304</b>	<b>2,394,005</b>
<b>TOTAL REVENUE</b>	<b>15,726,845</b>	<b>14,858,573</b>	<b>14,431,791</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, 2019**

	2019		Restated 2018
	Actual	Budget	
<b>TOTAL REVENUE (Continued from previous page)</b>	<b>15,726,845</b>	14,858,573	14,431,791
<b>EXPENDITURES</b>			
<b>Programs:</b>			
Disaster Relief (see schedule pg. 9)	197,285	204,438	267,272
Community Development (see schedule pg. 9)	1,133,864	1,162,830	1,310,019
Justice and Peace (see schedule pg. 9)	285,308	403,400	262,870
Refugee Private Sponsorship (see schedule pg. 9)	433,027	433,027	290,719
Ten Thousand Villages (see schedule pg. 9)	546,974	535,000	514,200
	<b>2,596,458</b>	2,738,695	2,645,080
<b>Resource Development:</b>			
Advancement	460,053	466,154	469,292
Thrift Stores (see schedule pg. 10)	5,477,991	5,344,100	5,201,728
Relief Festivals and Banquets (see schedule pg. 11)	309,912	263,228	328,942
	<b>6,247,956</b>	6,073,482	5,999,962
<b>Support Services:</b>			
Finance and Administration	863,124	1,066,556	891,833
Legacy - related costs	83,921	80,000	72,172
Human resources	165,518	147,263	93,884
	<b>1,112,563</b>	1,293,819	1,057,889
<b>TOTAL EXPENDITURES</b>	<b>9,956,977</b>	10,105,996	9,702,931
<b>EXCESS OF REVENUE FROM OPERATIONS</b>	<b>5,769,868</b>	4,752,577	4,728,860
Remittance to MCC Canada	(5,237,620)	(4,537,411)	(3,731,270)
Material resources shipped	(294,229)	(276,000)	(299,496)
Remittance to MCC Canada - Major Disasters	(57,868)	(57,868)	(206,341)
<b>EXCESS OF REVENUE BEFORE OTHER ITEMS</b>	<b>180,151</b>	(118,702)	491,753
(Loss) Gain on disposal of capital assets	(5,353)	-	30,176
Subsidiary net (loss) income (Note 16)	(1,516,990)	-	82,572
Building project transitional costs	(28,000)	(28,000)	(75,000)
<b>(DEFICIENCY) EXCESS OF REVENUE</b>	<b>\$ (1,370,192)</b>	\$ (146,702)	\$ 529,501

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, 2019**

	<b>Restricted (Note 2.m)</b>	<b>Internally Restricted (Note 23)</b>	<b>Unrestricted (Note 24)</b>	<b>2019</b>	<b>Restated 2018</b>
<b>NET ASSETS - Open</b>	\$ 8,272,302	\$ 48,242,059	\$ 2,407,186	<b>\$ 58,921,547</b>	\$ 58,380,271
(Deficiency) Excess of Revenue	(592,670)	-	(777,522)	<b>(1,370,192)</b>	529,501
Contributions	4,810,117	-	-	<b>4,810,117</b>	11,775
Internally Restricted Transfer <b>(Note 2.j)</b>	(4,802,000)	3,457,010	1,344,990	-	-
Changes in Capital Assets	1,780,618	-	(1,780,618)	-	-
<b>NET ASSETS - Close</b>	<b>\$ 9,468,367</b>	<b>\$ 51,699,069</b>	<b>\$ 1,194,036</b>	<b>\$ 62,361,472</b>	<b>\$ 58,921,547</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, 2019**

	2019	Restated 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 6,169,160	\$ 4,981,202
Accounts receivable	36,354	77,590
Inventory (Note 4)	188,034	156,413
Prepaid expenses	51,379	62,304
Current portion of due from related parties (Note 5)	3,616,862	2,943,729
	<b>10,061,789</b>	<b>8,221,238</b>
<b>LONG-TERM INVESTMENTS IN SUBSIDIARIES</b>		
Long-term portion of due from related parties (Note 5)	-	1,600,000
Investment in subsidiaries - MCC Legacy Trust (Note 6)	43,136,095	36,154,322
Investment in subsidiaries - MCC Social Enterprise (Note 6)	3,320,875	7,017,637
	<b>46,456,970</b>	<b>44,771,959</b>
<b>CAPITAL ASSETS (Note 12)</b>	<b>26,405,440</b>	<b>26,839,449</b>
	<b>\$ 82,924,199</b>	<b>\$ 79,832,646</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, 2019**

	2019	Restated 2018
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt (Note 13)	\$ 40,000	\$ 60,000
Accounts payable and accruals	274,432	265,131
Payable to MCC Canada	1,349,215	299,494
Sales taxes payable	19,600	5,865
Payroll and deductions payable	285,297	288,304
Current portion of due to related parties (Note 14)	2,762	96,738
Deferred operating contributions (Note 17)	541,326	528,220
Deferred capital contributions - current (Note 18)	232,124	218,200
Refugee sponsorship deposits	1,113,020	798,888
Current portion of long-term debt (Note 20)	8,485,028	10,361,947
	<b>12,342,804</b>	<b>12,922,787</b>
<b>LONG-TERM LIABILITIES</b>		
Deferred capital contributions - long-term (Note 18)	7,960,621	7,700,493
Rental deposits	-	1,313
Long-term debt (Note 20)	259,302	286,507
	<b>8,219,923</b>	<b>7,988,313</b>
<b>NET ASSETS</b>	<b>62,361,472</b>	<b>58,921,547</b>
	<b>\$ 82,924,199</b>	<b>\$ 79,832,647</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, 2019**

	2019	Restated 2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenue before other items	\$ 180,151	\$ 491,753
Add: non-cash items affecting operations		
Amortization	587,317	555,486
Accounts receivable	41,235	12,763
Inventory	(31,621)	12,813
Prepaid expenses	10,929	74,061
Accounts payable and accruals	1,059,022	(806,183)
Sales taxes payable	13,735	(44,843)
Payroll and deductions payable	(3,007)	66,438
Rental deposits	(1,313)	(188)
Deferred operating contributions	13,106	35,673
Deferred capital contributions	251,170	2,374,662
Refugee sponsorship deposits	314,132	209,228
	<b>2,434,856</b>	<b>2,981,663</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds of long-term debt	-	3,050,000
Repayment of long-term debt	(1,904,124)	(1,913,575)
Short-term debt	(20,000)	(291,948)
Due to related parties	(93,976)	(20,381)
	<b>(2,018,100)</b>	<b>824,096</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of capital assets	(157,982)	(3,517,914)
Proceeds from disposal of capital assets	2,317	-
Due from related parties	926,867	619,559
Investment in shares of Ecoworks Landscape Services Inc.	-	(306,200)
	<b>771,202</b>	<b>(3,204,555)</b>
<b>INCREASE IN CASH OR EQUIVALENTS</b>	<b>1,187,958</b>	<b>601,204</b>
<b>CASH - OPEN</b>	<b>4,981,202</b>	<b>4,379,998</b>
<b>CASH - CLOSE</b>	<b>\$ 6,169,160</b>	<b>\$ 4,981,202</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, 2019**

	2019	2018
<b>PROGRAM REVENUE</b>	<b>\$ 1,498,655</b>	<b>\$ 1,665,469</b>
<b>PROGRAM EXPENSES</b>		
<b>Disaster Relief</b>		
Material resources	197,285	192,449
Remittance to Mennonite Disaster Service	-	74,823
	<b>197,285</b>	<b>267,272</b>
<b>Community Development</b>		
Homelessness Prevention and Outreach	202,352	207,202
MCC guest house	45,930	57,383
Poverty reduction projects	134,347	294,338
Program coordination and development	131,784	142,178
Refugee assistance	287,545	269,126
Service Worker program and IVEP	280,265	285,317
Volunteer development	51,641	54,475
	<b>1,133,864</b>	<b>1,310,019</b>
<b>Justice and Peace</b>		
End Abuse	148,794	136,991
Indigenous relations	57,530	41,400
Constituency engagement	78,984	84,479
	<b>285,308</b>	<b>262,870</b>
<b>Refugee Private Sponsorship Groups</b>	<b>433,027</b>	<b>290,719</b>
<b>Ten Thousand Villages</b>	<b>546,974</b>	<b>514,200</b>
<b>TOTAL PROGRAM EXPENSES</b>	<b>2,596,458</b>	<b>2,645,080</b>
<b>NET PROGRAM EXPENSES</b>	<b>\$ (1,097,803)</b>	<b>\$ (979,611)</b>

# MENNONITE CENTRAL COMMITTEE BC

## Non-consolidated Schedule of Thrift Stores

For the year ended March 31, 2019

	2019	2018
<b>REVENUE</b>		
Chilliwack store	\$ 425,313	\$ 419,995
Clearbrook clothing store	1,072,046	1,055,323
Fort St. John store	1,018,914	600,818
Kelowna store	655,088	653,448
MCC Centre	2,038,728	1,964,873
Mission store	602,220	639,440
Powell River store	390,575	399,600
Surrey store	616,772	615,219
Vancouver store	570,587	589,258
Yarrow store	68,398	59,357
	<b>7,458,641</b>	<b>6,997,331</b>
<b>EXPENDITURES</b>		
Advertising	45,790	27,410
Amortization	230,369	187,655
Human resources	8,681	6,181
Insurance	55,356	51,531
Interest on long-term debt	209,182	130,216
Office expenses	70,811	98,663
Products for resale	21,931	21,452
Property tax	318,408	262,564
Rent	780,520	881,878
Repair and building costs	413,516	343,517
Store operating expenses	432,537	427,647
Travel and delivery	76,245	78,189
Wages and benefits	2,814,645	2,684,825
	<b>5,477,991</b>	<b>5,201,728</b>
<b>EXCESS OF REVENUE</b>	<b>\$ 1,980,650</b>	<b>\$ 1,795,603</b>

See accompanying Notes to Financial Statements and Auditor's Report

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**MENNONITE CENTRAL COMMITTEE BC**  
**Non-consolidated Schedule of Relief Festivals and Banquets**  
**For the year ended March 31, 2019**

	2019	2018
<b>SHARED INTERNATIONAL REVENUE</b>		
Fraser Valley	\$ 900,207	\$ 882,673
Prince George (net)	15,500	-
Kelowna	-	4,693
	<b>915,707</b>	<b>887,366</b>
<b>LOCAL B.C. REVENUE</b>		
Fraser Valley	<b>208,235</b>	296,587
<b>TOTAL REVENUE</b>	<b>1,123,942</b>	<b>1,183,953</b>
<b>EXPENDITURES</b>		
Advertising and promotion	7,843	18,649
Amortization	758	758
Banquets	1,723	37,025
Facilities and equipment	90,432	97,699
Food and supplies	86,149	61,947
Insurance	2,650	2,612
Office expenses	35,295	29,054
Setup and maintenance	4,154	2,082
Travel and meetings	4,100	3,961
Wages and benefits	76,808	75,155
	<b>309,912</b>	<b>328,942</b>
<b>EXCESS OF REVENUE</b>	<b>\$ 814,030</b>	<b>\$ 855,011</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, 2019

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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
Land improvements	20 Years
Furniture and fixtures	10 Years
Equipment	5 Years
Motor vehicles	3 Years
Computer equipment	3 Years
Computer software	2 Years

##### (c) Investments

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

See accompanying Auditor's Report

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2019**

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**ACCOUNTING POLICIES** (Continued)

(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.

(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 \$4,941,708 (2018 - \$151,596). Of this, \$4,803,900 was a gift of land and apartment buildings in Prince George; the land and buildings were subsequently transferred to Legacy Trust group under the name Pacific Peace Properties Inc., a wholly owned for-profit subsidiary.

# MENNONITE CENTRAL COMMITTEE BC

## Notes to Non-consolidated Financial Statements

### For the year ended March 31, 2019

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

##### (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 23).

##### (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.

### **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.

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
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**FINANCIAL INSTRUMENTS** (Continued)

**Interest Rate Risk**

The Society is exposed to interest rate risk on its banker's acceptances, commercial promissory notes, and other short-term debt 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**  
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**5. DUE FROM RELATED PARTIES**

Amount due from Cedar Ridge Estates Inc., a wholly owned for-profit subsidiary, is subject to interest at 4%, and due March 31, 2020.

Amount due from Ecoworks Landscape Services Inc., a wholly owned for-profit subsidiary, is subject to interest at 5%, and due July 1, 2019.

The Society has an amount owing from Pacific Peace Properties Inc., a wholly owned for profit subsidiary, that is non-interest bearing and has no scheduled terms of repayment.

The Society has an amount owing from MCC Community Enterprises Inc., a wholly owned for profit subsidiary, that is non-interest bearing and has no scheduled terms of repayment.

	<b>2019</b>	<b>2018</b>
Cedar Ridge Estates Inc.	<b>\$ 2,586,570</b>	\$ 2,586,570
Ecoworks Landscape Services Inc.	<b>1,000,000</b>	-
Promontory Ridge Estates Inc.	-	1,956,890
Pacific Peace Properties Inc.	<b>29,987</b>	-
MCC Community Enterprises Inc.	<b>305</b>	269
	<b>3,616,862</b>	4,543,729
Less: principal due within one year	<b>(3,616,862)</b>	(2,943,729)
	<b>\$ -</b>	\$ 1,600,000

**MENNONITE CENTRAL COMMITTEE BC**  
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**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; Pacific Peace Properties Inc. is the corporate entity created by Legacy Trust to hold a gift to MCC BC, from this same donor, of land and apartment buildings in Prince George. All of the foregoing 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>2019</b>	<b>2018</b>
Ecoworks Landscape Services Inc.	\$ 4,518,497	\$ 6,649,296
MCC Community Enterprises Inc.	(1,197,622)	368,341
Cedar Ridge Estates Inc.	6,582,767	6,327,131
Promontory Ridge Estates Inc.	31,794,757	29,827,191
Pacific Peace Properties Inc.	4,758,571	-
	<b>\$ 46,456,970</b>	<b>\$ 43,171,959</b>

**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, 2019 and comparisons for the year ended March 31, 2018.

	<b>2019</b>	<b>2018</b>
Total assets	\$ 11,595,841	\$ 14,279,970
Total liabilities	\$ 7,216,669	\$ 8,802,070
Share capital and retained earnings	\$ 3,347,101	\$ 5,477,900
Revenue	\$ 672,000	\$ 1,648,724
Expenses	\$ 2,802,799	\$ 1,926,835
Net (loss)	\$ (2,130,799)	\$ (278,111)
Cash flow from operating	\$ (1,610,059)	\$ (132,881)
Cash flow from financing	\$ (517,684)	\$ (162,571)
Cash flow from investing	\$ 1,718,474	\$ 246,662

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2019**

**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, 2019 and comparisons for the year ended March 31, 2018.

	<b>2019</b>	<b>2018</b>
Total assets	\$ 1,686,534	\$ 1,328,471
Total liabilities	\$ 2,161,851	\$ 960,127
Share capital and retained earnings	\$ (475,317)	\$ 368,244
Revenue	\$ 5,358,831	\$ 3,484,901
Expenses	\$ 6,924,794	\$ 4,095,697
Net (loss)	\$ (1,565,963)	\$ (610,796)
Cash flow from operating	\$ (1,095,323)	\$ (706,307)
Cash flow from financing	\$ 1,040,117	\$ 350,000
Cash flow from investing	\$ 133,338	\$ 157,769

**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, 2019 and comparisons for the year ended March 31, 2018. 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>2019</b>	<b>2018</b>
Total assets	\$ 4,284,998	\$ 5,191,424
Total liabilities	\$ 2,770,138	\$ 3,932,200
Share capital and retained earnings	\$ 1,514,860	\$ 1,259,224
Revenue	\$ 5,730,758	\$ 4,399,468
Expenses	\$ 5,475,122	\$ 4,338,811
Net income	\$ 255,636	\$ 60,657
Cash flow from operating	\$ 3,203,290	\$ (369,026)
Cash flow from financing	\$ (872,523)	\$ (1,482,943)

**MENNONITE CENTRAL COMMITTEE BC**  
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**For the year ended March 31, 2019**

**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, 2019 and comparisons for the year ended March 31, 2018. 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>2019</b>	<b>2018</b>
Total assets	\$ 41,577,178	\$ 36,059,327
Total liabilities	\$ 37,471,269	\$ 33,920,981
Share capital and retained earnings	\$ 4,105,909	\$ 2,138,346
Revenue	\$ 3,951,983	\$ 5,104,141
Expenses	\$ 3,688,726	\$ 8,231,997
Income from joint ventures	\$ 1,704,309	\$ 4,038,579
Net income	\$ 1,967,566	\$ 910,723
Cash flow from operating	\$ 634,934	\$ (1,246,110)
Cash flow from financing	\$ 6,239,494	\$ (2,212,149)
Cash flow from investing	\$ 2,826,495	\$ 2,156,617

**11. PACIFIC PEACE PROPERTIES INC.**

The investment in Pacific Peace Properties 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, 2019. The subsidiary was incorporated December 14, 2018.

	<b>2019</b>	<b>2018</b>
Total assets	\$ 5,529,599	\$ -
Total liabilities	\$ 768,028	\$ -
Share capital and retained earnings	\$ 4,758,571	\$ -
Revenue	\$ 99,995	\$ -
Expenses	\$ 143,425	\$ -
Net (loss)	\$ (43,430)	\$ -
Cash flow from operating	\$ (1,819)	\$ -
Cash flow from financing	\$ 102,674	\$ -
Cash flow from investing	\$ (100,855)	\$ -

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
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**12. CAPITAL ASSETS**

	Original Cost	Accumulated Amortization	2019	2018
Land	\$ 9,968,659	\$ -	\$ 9,968,659	\$ 9,968,659
Buildings	19,526,222	(3,207,335)	16,318,887	16,698,746
Land improvements	42,768	(2,138)	40,630	-
Computer equipment	173,694	(169,754)	3,940	5,909
Computer software	44,253	(44,253)	-	-
Equipment	714,463	(697,216)	17,247	73,862
Furniture and fixtures	165,578	(113,474)	52,104	61,945
Leasehold improvements	-	-	-	6,283
Motor vehicles	356,054	(352,081)	3,973	24,045
	\$ 30,991,691	\$ (4,586,251)	\$ 26,405,440	\$ 26,839,449

**13. SHORT-TERM DEBT**

The Society has received private demand loans payable without interest or security. Balance outstanding at March 31, 2019 is \$40,000 (2018 - \$60,000).

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, 2019 is \$NIL (2018 - \$NIL).

**14. DUE TO RELATED PARTIES**

The Society has an amount owing to Promontory Ridge Estates Inc., a wholly owned for profit subsidiary, of \$NIL (2018 - \$96,575), that 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 \$2,762 (2018 - \$163), that is non-interest bearing and has no scheduled terms of repayment.

**15. 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**  
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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 \$29,877 (2018 - \$7,364), from Cedar Ridge Estates Inc. of \$90,530 (2018 - \$77,597), and from Promontory Ridge Estates Inc. of \$2,766 (2018 - \$7,534).

**Administrative Services**

The Society has received payments for rent, compensation and benefits, administration and office services in the current fiscal year from MCC Community Enterprises Inc. of \$44,538 (2018 - \$64,989), and from Promontory Ridge Estates Inc. of \$21,716 (2018 - \$15,430).

The Society has made payment for landscaping supplies in the current fiscal year to Ecoworks Landscape Services Inc. of \$NIL (2018 - \$3,398).

**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 \$NIL (2018 - \$19,602).

The Society has made payment for landscaping and maintenance services for various Thrift Stores and the Deer Trail Guest House to MCC Community Enterprises Inc. of \$29,612 (2018 - \$NIL).

**Donations**

During the year, the Society received a donation of \$1,500,000 (2018 - \$1,500,000) from Cedar Ridge Estates Inc. Of this, \$500,000 is included in Deferred Capital Contributions in the current year; the balance of \$1,000,000 was in turn donated to MCC Canada's international relief work per the original donor's wishes.

**16. SUBSIDIARY NET (LOSS) INCOME**

	<b>2019</b>	<b>2018</b>
Ecoworks Landscape Services Inc.	<b>\$ (2,130,799)</b>	\$ (278,111)
MCC Community Enterprises Inc.	<b>(374,919)</b>	(77,120)
MCC Community Enterprises Inc. - discontinued operations	<b>(1,191,044)</b>	(533,676)
Cedar Ridge Estates Inc.	<b>255,636</b>	60,657
Promontory Ridge Estates Inc.	<b>1,967,566</b>	910,822
Pacific Peace Properties Inc.	<b>(43,430)</b>	-
	<b>\$ (1,516,990)</b>	\$ 82,572

**MENNONITE CENTRAL COMMITTEE BC**  
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**17. 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:

	2019	2018
Opening balance	\$ 528,220	\$ 492,546
Less amount recognized as revenue in the year	(370,555)	(303,056)
Add amount received related to next year	383,661	338,730
Closing balance	\$ 541,326	\$ 528,220

**18. 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:

	2019	2018
Opening balance	\$ 7,918,693	\$ 5,510,879
Less amount recognized as revenue in the year	(231,226)	(223,235)
Add amount received related to future years	505,278	2,631,049
Closing balance	8,192,745	7,918,693
Less: current portion	(232,124)	(218,200)
	\$ 7,960,621	\$ 7,700,493

**19. 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
2020	\$ 199,589
2021	\$ 141,425
2022	\$ 45,043

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2019**

**20. LONG-TERM DEBT**

	<b>2019</b>	<b>2018</b>
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 \$16,715,095 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
MCC Centre - HSBC Banker's Acceptance maturing April 30, 2019; secured by first charge over Gladys Avenue and South Fraser Way Plaza properties with a net book value of \$16,715,095 and assignment of rents to a maximum of \$15,000,000, bearing interest of 2.07% (2018 - 1.69%) per annum plus a stamping fee at the banks current rate of 1.9% (2018 - 1.90%).	<b>3,514,437</b>	3,704,875
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 \$2,509,075.	<b>1,420,969</b>	1,474,187
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 2022. Secured by a mortgage over real property with a net book value of \$3,348,980 and a general security agreement.	<b>1,957,832</b>	2,026,965
Fort St. John Thrift Store - Commercial promissory note payable on demand from Envision Financial with monthly payments of \$6,535 including interest at 4.95% per annum. Loan matures in 2019. Secured by a mortgage over real property with a net book value of \$3,348,980 and a general security agreement.	<b>953,864</b>	988,070
Powell River Thrift Store - Commercial promissory note payable on demand from Envision Financial with monthly payments of \$3,080 including interest at 4.2% per annum. Loan matures in 2019. Secured by a mortgage over real property with a net book value of \$787,453 and a general security agreement.	<b>426,130</b>	445,397
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 \$787,453 and a general security agreement.	<b>184,800</b>	196,476
Mission Thrift Store - Mortgage payable to Abundance Canada, due July 2021, secured by real property with a net book value of \$791,342, repayable in equal monthly installments of \$3,113, including interest at 3.75%.	<b>286,298</b>	312,484

See accompanying Auditor's Report



**MENNONITE CENTRAL COMMITTEE BC**  
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**LONG-TERM DEBT** (Continued)

	<b>8,744,330</b>	10,648,454
Less: principal amounts due within one year	<b>(8,485,028)</b>	(10,361,947)
	<b>\$ 259,302</b>	\$ 286,507

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>2020</b>	\$ 8,485,028
<b>2021</b>	\$ 28,026
<b>2022</b>	\$ 29,095
<b>2023</b>	\$ 30,205
<b>2024</b>	\$ 171,976

**21. 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, 2019, MCC BC has 233 (2018 - 255) 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 \$195,051 (2018 - \$727,892). Although it is not a reliable predictor of future events, no groups to date have defaulted on their financial obligations.

**22. COMPARATIVE FIGURES**

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

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2019**

**23. 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.

	2019 Opening	Transfers in	Transfers out	2019 Closing
ECD Funds	\$ 1,335,529	\$ -	\$ -	\$ 1,335,529
MCC Legacy Trust	38,740,893	6,981,772	-	45,722,665
MCC Social Enterprises	7,017,637	-	(3,696,762)	3,320,875
Thrift store expansion	550,000	440,000	-	990,000
MCC Centre	28,000	-	(28,000)	-
Kelowna renovation	120,000	-	(120,000)	-
Powell River renovation	120,000	-	(120,000)	-
Non-building capital	330,000	-	-	330,000
	<b>\$ 48,242,059</b>			<b>\$ 51,699,069</b>

**24. 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 Store 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 \$1,194,036.

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 2019 budget, this amount is \$502,523, which is equal to one month 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 Store operating expenses, there remains \$691,513 available towards General operating expenses. This is the equivalent of two and a half months of expenses and, therefore, in compliance with the agreement.

**25. 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 \$937,588 of salaries and benefits was paid to nine employees.

**MENNONITE CENTRAL COMMITTEE BC**  
**Notes to Non-consolidated Financial Statements**  
**For the year ended March 31, 2019**

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**26. RESTATEMENT**

The restatement of the financial statements of the Society is a result of the accrual of amounts payable that were not accrued in the prior year. The effects of this restatement are as follows:

	<b>Original</b>	<b>Restated</b>	<b>Change</b>
<b>Statement of Changes in Net Assets</b>			
Net assets - Open	\$ 58,421,268	\$ 58,380,268	\$ 41,000
Net assets - Close	\$ 58,962,544	\$ 58,921,544	\$ 41,000
<b>Statement of Financial Position</b>			
Accounts payable and accruals	\$ 224,131	\$ 265,131	\$ 41,000
Net assets	\$ 58,962,544	\$ 58,921,544	\$ 41,000

**27. EMPHASIS OF MATTER**

Subsequent to the issuance of the financial statements we became aware of an overstatement of both income and expenses due to a misclassification of amounts received and paid. The effected lines in the Statement of Operations include; in the revenue, Relief Festivals and Banquets and Canadian Foodgrains Bank; in the expenses, Finance and Administration and Remittance to MCC Canada. There is no effect on the (Deficiency) Excess of Revenue of the Society.