

Financial Statements of

**MENNONITE CENTRAL
COMMITTEE CANADA**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of Mennonite Central Committee Canada

We have audited the accompanying financial statements of Mennonite Central Committee Canada, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including Schedules.

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.

Auditors' 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 our 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, we consider 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mennonite Central Committee Canada as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

September 23, 2016

Winnipeg, Canada

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 4,915,417	\$ 5,654,551
Accounts receivable (note 3)	5,221,568	8,901,055
Receivable from MCC U.S., non-interest bearing	135,091	-
Prepaid expenses	535,936	512,576
Inventories (note 4)	5,752,108	5,556,346
Investments (note 5)	1,443,250	3,391,053
	<u>18,003,370</u>	<u>24,015,581</u>
Investment in Canadian Foodgrains Bank Association Inc.	3,383,339	3,390,753
Capital assets (note 6)	4,500,219	4,702,747
	<u>\$ 25,886,928</u>	<u>\$ 32,109,081</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Bank indebtedness (note 7)	\$ 427,419	\$ 380,431
Payable to MCC U.S., non-interest bearing	-	545,123
Accounts payable and accrued liabilities (note 8)	2,749,476	2,110,704
Loan payable (note 9)	5,600	28,146
Payable to service workers	745,192	614,197
Current portion of long-term debt (note 11)	99,505	93,807
	<u>4,027,192</u>	<u>3,772,408</u>
Deferred contributions related to expenses of future periods (note 10)	402,150	804,823
Long-term debt (note 11)	1,502,020	1,601,475
Fund balances (note 12):		
Unrestricted	7,740,364	8,714,629
Internally restricted:		
General operations (note 13)	1,353,000	679,723
Ten Thousand Villages Canada	2,568,792	2,251,305
Externally restricted - International (schedule B)	8,293,410	14,284,718
	<u>19,955,566</u>	<u>25,930,375</u>
Commitments and contingencies (note 17)		
Subsequent event (note 11)		
	<u>\$ 25,886,928</u>	<u>\$ 32,109,081</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	General Funds						Restricted Fund			
	Operating		Ten Thousand Villages Canada		Total		International		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue (note 15):										
Contributions:										
General	\$ 13,404,453	\$ 11,457,609	\$ -	\$ -	\$ 13,404,453	\$ 11,457,609	\$ -	\$ -	\$ 13,404,453	\$ 11,457,609
Designated:										
CFGB	-	-	-	-	-	-	3,756,233	3,449,540	3,756,233	3,449,540
Disaster restricted	140,152	31,716	-	-	140,152	31,716	4,972,875	770,563	5,113,027	802,279
Other	1,128,924	1,247,850	(11,794)	7,739	1,117,130	1,255,589	5,140,571	5,220,664	6,257,701	6,476,253
Material resources	-	-	-	-	-	-	1,761,160	1,508,268	1,761,160	1,508,268
Grants:										
GAC - CFGB	-	-	-	-	-	-	12,731,776	10,368,254	12,731,776	10,368,254
GAC - Other	-	-	-	-	-	-	3,338,031	6,569,786	3,338,031	6,569,786
CFGB	-	-	-	-	-	-	1,414,081	2,009,529	1,414,081	2,009,529
Other	-	-	-	-	-	-	297,274	279,043	297,274	279,043
Fair trade sales	-	-	12,343,375	11,583,456	12,343,375	11,583,456	-	-	12,343,375	11,583,456
Foreign exchange gain (loss)	-	(22,156)	(177,036)	78,226	(177,036)	56,070	(267,960)	485,284	(444,996)	541,354
Other (note 16)	1,042,540	390,867	630,159	152,351	1,672,699	543,218	777,768	545,618	2,450,467	1,088,836
	15,716,069	13,105,886	12,784,704	11,821,772	28,500,773	24,927,658	33,921,809	31,206,549	62,422,582	56,134,207
Expenses:										
Program (schedule A)	1,740,962	1,714,486	-	-	1,740,962	1,714,486	48,804,447	38,325,596	50,545,409	40,040,082
Fair trade:										
Cost of sales	-	-	5,320,424	4,769,831	5,320,424	4,769,831	-	-	5,320,424	4,769,831
Operations	-	-	5,925,372	5,332,911	5,925,372	5,332,911	-	-	5,925,372	5,332,911
Administration	-	-	1,395,089	1,313,582	1,395,089	1,313,582	-	-	1,395,089	1,313,582
Support services:										
Administration and communication	3,091,974	2,986,169	-	-	3,091,974	2,986,169	-	-	3,091,974	2,986,169
Resource generation	834,933	755,005	-	-	834,933	755,005	-	-	834,933	755,005
Material resources	51,573	58,450	-	-	51,573	58,450	-	-	51,573	58,450
Other:										
Grants to Provincial MCCs (note 19)	1,232,617	400,000	-	-	1,232,617	400,000	-	-	1,232,617	400,000
	6,952,059	5,914,110	12,640,885	11,416,324	19,592,944	17,330,434	48,804,447	38,325,596	68,397,391	55,656,030
Excess (deficiency) of revenue over expenses	\$ 8,764,010	\$ 7,191,776	\$ 143,819	\$ 405,448	\$ 8,907,829	\$ 7,597,224	\$ (14,882,638)	\$ (7,119,047)	\$ (5,974,809)	\$ 478,177

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	General Funds			Restricted Fund		2016 Total	2015 Total
	Unrestricted	Internally restricted	Ten Thousand Villages Canada	International			
Balance, beginning of year	\$ 8,714,629	\$ 679,723	\$ 2,251,305	\$ 14,284,718	\$ 25,930,375	\$ 25,452,198	
Excess (deficiency) of revenue over expenses	8,764,010	–	143,819	(14,882,638)	(5,974,809)	478,177	
Inter-fund transfers (note 13)	(846,945)	673,277	173,668	–	–	–	
Inter-fund transfer for International programs (Schedule B)	(8,891,330)	–	–	8,891,330	–	–	
Balance, end of year	\$ 7,740,364	\$ 1,353,000	\$ 2,568,792	\$ 8,293,410	\$ 19,955,566	\$ 25,930,375	

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ (5,974,809)	\$ 478,177
Items not involving cash:		
Amortization of capital assets	803,078	741,245
	(5,171,731)	1,219,422
Change in non-cash operating working capital:		
Accounts receivable	3,679,487	(4,526,150)
Prepaid expenses	(23,360)	(246,620)
Inventories	(195,762)	(705,752)
Receivable/payable to MCC U.S.	(680,214)	77,900
Accounts payable and accrued liabilities	638,772	292,568
Payable to service workers	130,995	(7,719)
Loan payable	(22,546)	28,146
Change in deferred contributions related to expenses of future periods	(402,673)	281,033
	(2,047,032)	(3,587,172)
Investing activities:		
Decrease in investment in Canadian Foodgrains Bank Association Inc.	7,414	351,999
Additions to investments	-	(195,317)
Proceeds on disposal of investments	1,947,803	5,400,000
Purchase of capital assets	(600,550)	(626,800)
	1,354,667	4,929,882
Financing activities:		
Repayment of long-term debt	(93,757)	(89,112)
Increase in bank indebtedness	46,988	190,465
	(46,769)	101,353
Increase (decrease) in cash	(739,134)	1,444,063
Cash, beginning of year	5,654,551	4,210,488
Cash, end of year	\$ 4,915,417	\$ 5,654,551

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements

Year ended March 31, 2016

1. Nature of the operations and basis of presentation:

Mennonite Central Committee (MCC), a worldwide ministry of Anabaptist churches, shares 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.

Mennonite Central Committee Canada (MCCC) and Mennonite Central Committee U.S. (MCC U.S.) have entered into a covenant to share the ownership of each of the MCC international programs in each country that MCC operates in and all related assets including property, relationships, reputation, knowledge, experience, and supporting systems located in those countries. It is intended that the share that each national entity owns under this arrangement in each country program will be an undivided share.

Both MCCC and MCC U.S. have agreed to collaborate and work together in the operation of the shared program so that it will be seen as one integrated MCC shared program. This commitment does not preclude either entity from agreeing occasionally to fund and manage on its own an entire project or an entire country program. In addition to the international program MCCC and MCC U.S. agreed to resource and manage other programs on a shared basis.

MCCC receives the majority of its contribution revenue from Canadian Provincial MCC's and collaborates with the Canadian Provincial MCC's in Canadian domestic program activity.

MCCC is incorporated under a *Special Act of the Parliament of Canada* as a non-profit organization without share capital. MCCC is a registered charity within the meaning of the *Income Tax Act (Canada)* and is exempt from income taxes.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies incorporated into these financial statements are as follows:

(a) Fund accounting:

MCCC follows the restricted fund method of accounting for contributions.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(i) General Funds:

(a) Unrestricted:

Operating activities include the administration of Domestic programming in the areas of Sustainable Community Development and Justice and Peacebuilding. Included in the unrestricted fund are amounts invested in capital assets and the non-building capital asset reserve.

(b) Internally restricted:

Funds have been internally restricted for various purposes as disclosed in note 13.

(c) Ten Thousand Villages Canada:

The operations of Ten Thousand Villages Canada (Villages Canada), a program of MCCC, create opportunities with artisans in developing countries to earn income by bringing their products and stories to Canadian markets through long-term fair trading relationships.

(ii) Restricted Fund - International:

Operating activities include the administration of international programming in the areas of Sustainable Community Development, Disaster Response and Justice and Peacebuilding. Included in this Fund are the contributions designated for international programs.

Included in this fund are also the contributions received for MCCC's member account with Canadian Foodgrains Bank Association Inc. (CFGB). CFGB is a partnership of 15 Canadian churches and church-based agencies working to end global hunger. On behalf of its member agencies and their partners, CFGB collects grain and cash donations, provides funds and expert advice for projects submitted by member agencies and their partners, manages procurement and supply of food commodities, and engages in public policy and educational activities related to hunger.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the appropriate General Fund, depending on the nature of the contribution, in the year in which the related expenses are incurred. Contributions restricted for international programs are recognized as revenue in the Restricted International Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured,

Unrestricted contributions are recognized as revenue of the appropriate General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

In accordance with the covenant referred to in note 1, MCCC has allocated to the General Operating Fund a portion of the designated contributions received for the Restricted International Fund. This allocation, which aggregated \$1,128,924 (2015 - \$1,246,532) for the year ended March 31, 2016, is to offset administrative and resource generation expenses incurred by the General Operating Fund.

Sales revenue is recognized when the related merchandise is sold to the customer. Interest and other revenue are recognized as earned.

(c) Foreign exchange:

Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars using the year end exchange rate. Revenue and expense items are converted using the average exchange rate in the month of the transaction. The foreign exchange loss included in the statement of operations for the year ended March 31, 2016 is \$444,996 (2015 - foreign exchange gain of \$541,354).

(d) Contributed services:

Volunteers are an integral part of carrying out the activities of MCCC. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(e) Inventories:

Inventories of Villages Canada are valued at the lower of cost, determined on a weighted average basis and net realizable value, the estimated selling price in the normal course of operations less the estimated costs necessary to make the sale. Cost includes the purchase cost and transportation expenses incurred to bring inventory to its present location.

Material resource donations intended for overseas shipments are recorded as inventory and revenue in the Restricted Fund at fair value when received. Inventory is expensed when goods are shipped.

(f) Investment:

The investment in CFGB is recorded utilizing the equity method of accounting. In accordance with the equity method of accounting, the carrying value of MCCC's investment in CFGB is adjusted by MCCC's share of the excess of revenue over expenses of CFGB. MCCC's share of the revenue includes donations received by MCCC for its member account at CFGB or received by CFGB for MCCC's member account. Revenues also include grants received by CFGB for MCCC's member account. MCCC's share of the expenses include project grants made by CFGB at the direction of MCCC. The accumulated net assets related to MCCC's investment in CFGB, are included in the externally restricted fund balance on the statement of financial position.

(g) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Term
Buildings	20 - 30 years
Equipment	3 - 10 years
Vehicles	3 - 5 years
Leasehold improvements	Term of the lease

Amortization of leasehold improvements is calculated on a straight-line basis over the term of the related lease.

When a capital asset no longer contributes to MCCC's ability to provide services, its carrying amount is written down to its residual value.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Freestanding derivatives that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. MCCC has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(i) Allocation of expenses:

MCCC records a number of its expenses by program. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

MCCC incurs a number of general program support expenditures that are common to the operation of the international programs. MCCC allocates its general program support expenditures by identifying the appropriate basis of allocating the component expenditures and applying that basis consistently each year.

General Program support expenditures relate primarily to the country program supervision costs, the Program Directors department and certain of the expenditures for the Program Learning and Disaster Response department. These expenditures have been allocated proportionately to the program priorities based on the direct expenditures attributable to those program priorities. The basis of allocation is reviewed periodically and may be revised according to circumstances prevailing from time to time.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of inventories and capital assets. Actual results could differ from those estimates.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Accounts receivable:

	2016	2015
Receivable from Provincial MCC's	\$ 4,753,802	\$ 2,680,295
Customers of Villages Canada	141,223	225,969
Grants receivable – Global Affairs Canada (GAC)	49,999	5,700,000
Other	276,544	294,791
	\$ 5,221,568	\$ 8,901,055

4. Inventories:

	2016	2015
Villages Canada - merchandise	\$ 4,873,093	\$ 4,837,247
General operations - books and reading materials	305,530	267,480
Material resources	573,485	451,619
	\$ 5,752,108	\$ 5,556,346

The amount of inventories recognized as an expense within costs of sales and international programs for the year ended March 31, 2016 is \$7,371,896 (2015 - \$6,621,890).

5. Investments:

	2016	2015
Mennonite Foundation of Canada:		
Fixed income portfolio fund	\$ 1,418,231	\$ 3,366,026
Other	25,019	25,027
	\$ 1,443,250	\$ 3,391,053

The investments held at Mennonite Foundation of Canada may be withdrawn at any time, with due notice. Investment earnings are paid by Mennonite Foundation of Canada based on its pooled rate, less a fixed percentage for administration fees.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 675,799	\$ –	\$ 675,799	\$ 672,795
Buildings	6,098,674	3,791,636	2,307,038	2,526,110
Equipment	4,380,694	3,467,837	912,857	669,841
Vehicles	1,047,614	559,631	487,983	553,480
Leasehold improvements	934,564	818,022	116,542	280,521
	\$ 13,137,345	\$ 8,637,126	\$ 4,500,219	\$ 4,702,747

7. Bank indebtedness:

Villages Canada has a line of credit with Mennonite Savings and Credit Union up to a maximum of \$900,000 payable on demand. Interest is payable at prime plus 1.25 percent for a total interest rate of 3.95 percent (2015 - 4.10 percent) at March 31, 2016. The line of credit is secured by a general security agreement covering inventory, accounts receivable and equipment. At March 31, 2016, Villages Canada utilized \$427,419 (2015 - \$380,431) of this line of credit.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2016 are government remittances payable of \$5,938 (2015 - \$208,602) relating to federal and provincial sales tax, payroll taxes, health taxes and workers safety insurance.

9. Loan payable:

Villages Canada has a loan facility with Shared Interest Society Limited in the amount of US\$250,000 (2015 - US\$250,000). The loan payable to Shared Interest Society Limited bears interest at 7.25 percent (2015 - 7 percent) and is repayable on demand. There have been no assets pledged as collateral for the loan payable. At March 31, 2016, \$5,600 (US\$4,312) (2015 - \$28,146 (US\$ 22,221)) of the facility has been utilized.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for expenses to be incurred in the future years.

	2016	2015
Balance, beginning of year	\$ 804,823	\$ 523,790
Add amounts received during the year	228,015	333,658
Less amounts recognized into revenue in the year	(630,688)	(52,625)
	<u>\$ 402,150</u>	<u>\$ 804,823</u>

11. Long-term debt:

	2016	2015
Mortgage payable to Mennonite Savings and Credit Union, repayable in blended monthly payments of \$2,979, interest at 4.15%, due June 1, 2020	\$ 274,662	\$ 297,909
Mortgage payable to Mennonite Savings and Credit Union, repayable in blended monthly payments of \$12,025, interest at 5.45% due April 21, 2019	1,326,863	1,397,373
	<u>1,601,525</u>	<u>1,695,282</u>
Current portion	99,505	93,807
	<u>\$ 1,502,020</u>	<u>\$ 1,601,475</u>

The mortgages payable were refinanced in May 2016 with an additional \$1,500,000 provided for working capital purposes, with blended monthly principal and interest payments of \$19,020, interest at 3.99 percent, and matures May 16, 2021.

The mortgages payable are secured by an all purpose collateral mortgage registered over the property at 65 Heritage Drive in New Hamburg, Ontario.

Future principal repayments required on the long-term debt, reflecting the renewal of the mortgage payable subsequent to year-end, are as follows:

2017	\$ 99,505
2018	104,670
2019	110,107
2020	1,118,617
2021	168,626
	<u>\$ 1,601,525</u>

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

12. Investment in capital assets:

MCCC has the following investment in capital assets included within the fund balances:

	General Funds				Restricted Funds		Total 2016	Total 2015
	Operating		Ten Thousand Villages Canada		International			
	2016	2015	2016	2015	2016	2015		
Capital assets	\$ 1,636,655	\$ 1,603,507	\$ 2,243,846	\$ 2,407,203	\$ 619,718	\$ 692,037	\$ 4,500,219	\$ 4,702,747
Amounts financed by:								
Long-term debt	-	-	(1,601,525)	(1,695,282)	-	-	(1,601,525)	(1,695,282)
	\$ 1,636,655	\$ 1,603,507	\$ 642,321	\$ 711,921	\$ 619,718	\$ 692,037	\$ 2,898,694	\$ 3,007,465

13. Internally restricted fund balance and inter-fund transfers:

The internally restricted fund balance consists of the following internally restricted funds for certain programs and expenses of future years:

	2016	2015
Investment in Donor Relations	39,000	389,000
International program, consultation on development	-	180,723
Human Resource Information System (HRIS)	-	60,000
Non-building capital asset reserve	50,000	50,000
Strategic Investment Fund		
Investment in Donor Relations	400,000	-
Affordable Housing	300,000	-
National Domestic Programs	379,000	-
General	185,000	-
	\$ 1,353,000	\$ 679,723

During the year, an amount of \$127,226 (2015 - \$117,512) relating to interest of \$64,226 (2015 - \$59,012) and rental payments of \$63,000 (2015 \$58,500) paid by Villages Canada to MCCC were transferred from the Ten Thousand Villages Canada Fund to the General Operating Fund. In addition, \$300,894 was transferred during fiscal 2016 from the General Operating Fund to the Ten Thousand Villages Canada Fund.

During the year ended March 31, 2016, \$590,723 was transferred to the General Operating Fund from the internally restricted funds to cover the expenses incurred to fund certain of the costs associated with the HRIS, investments in Donor Relations and a particular International program. In addition, \$1,264,000 was transferred from the General Operating Fund to the internally restricted funds to set up the Strategic Investment Fund.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Internally restricted fund balance and inter-fund transfers (continued):

The purpose of the Strategic Investment Fund is to provide funds to meet special targets of opportunity or needs that further the mission of MCC in Canada and throughout the world and which may or may not have specific expectation of incremental or long-term increased revenue. In addition, its purpose is to provide funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity of MCC in Canada. This fund is held by MCC Canada on behalf of all of the MCCs in Canada.

14. Allocation of International expenses:

General Program support expenditures relate primarily to the country program supervision costs, the Program Directors department and certain of the expenditures for the Program Learning and Disaster Response department. These expenditures totaling \$5,384,157 (2015 - \$5,020,128) have been allocated as follows:

	2016	2015
Sustainable Community Development	\$ 2,964,598	\$ 2,899,075
Disaster Response	1,187,808	1,027,492
Justice and Peacebuilding	1,231,751	1,093,561
	\$ 5,384,157	\$ 5,020,128

15. Revenue:

Included in MCCC's revenue are the following amounts that were recorded as revenue by the Canadian Provincial MCCs and forwarded to MCCC as grants in accordance with a predetermined revenue sharing agreement between the MCCs in Canada.

	2016	2015
Contribution revenue:		
General contributions	\$ 13,324,293	\$ 11,351,026
Designated contributions:		
CFGB	3,746,201	3,441,607
Disasters restricted	5,008,816	774,884
Other - International programs	5,963,292	6,200,146
Material resources	1,533,167	1,192,429
Grant revenue:		
Other	277,996	159,998
	\$ 29,853,765	\$ 23,120,090

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

16. Other revenue:

	2016	2015
Operating Fund:		
Administration fees from MCC U.S.	\$ 16,710	\$ 12,013
Administration fees from CFGF	176,176	159,632
Administration fees from GAC	455,734	-
House sale proceeds received from MCC U.S.	101,017	-
Grant revenue received from MCC U.S.	194,696	-
Interest	25,183	171,003
Other	244,073	48,219
Villages Canada:		
Interest	6,190	5,044
Sales tax refund	382,357	64,445
Other	241,613	82,862
Shared Program		
Other contributions and grants	606,718	545,618
	\$ 2,450,467	\$ 1,088,836

17. Commitments and contingencies:

MCCC has entered into agreements to lease premises for various periods until 2021. The minimum lease payments, exclusive of realty taxes and other occupancy charges, in the aggregate and for each of the next five years are as follows:

2017	\$ 1,026,280
2018	776,362
2019	455,578
2020	278,634
2021	194,711

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 but MCCC remains contingently liable for the financial obligations. The estimated amount of the contingent liability as at March 31, 2016 is approximately \$10,000,000 (2015 - \$1,500,000).

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

17. Commitments and contingencies (continued):

MCCC, together with MCC U.S., has signed a contract for user fees in connection with the HRIS for \$117,000 (\$90,000 USD) per annum to December 31, 2017.

19. Grants to Provincial MCCs:

During the year ended March 31, 2016, the following grant payments were made to provincial MCCs for the purposes indicated:

Resource generation initiatives with major donors	\$ 350,000
General equity equalization payments, net	750,705
Administrative recoveries on Disaster restricted contributions	131,912
	<hr/>
	\$ 1,232,617

During fiscal 2015, the only grant payments made to provincial MCCs went to MCC BC in the amount of \$400,000 to provide financial support for their building program.

20. Pension plan:

MCCC sponsors a defined contribution group RRSP for eligible employees. MCCC's contributions are based on 5 percent of salary costs. Contributions of \$320,142 (2015 - \$296,680) have been expensed during the year ended March 31, 2016 and are included in administration expenses.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

21. Financial risks:

MCCC manages risk and risk exposures by applying policies approved by the Board of Directors of MCCC.

(a) Currency risk:

MCCC is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MCCC and MCC U.S. incur international expenditures denominated in various foreign currencies and have agreed to share the currency risk related to these expenditures equally. MCCC entered into structured foreign exchange options to mitigate this risk during the year ended March 31, 2016. As at March 31, 2016, MCCC had foreign exchange contracts outstanding of US\$4,704,822 (2015 - nil) at exchange rates (CDN/USD) from 1.28 to 1.42 which mature between April 15, 2016 to July 29, 2016. MCCC has recognized an unrealized loss on these foreign exchange contracts at March 31, 2016 of \$342,100 (2015 - nil) which is included in accounts payable and accrued liabilities. MCC U.S. has agreed to provide a grant to MCCC for half of the unrealized and realized foreign exchange loss on contracts entered during fiscal 2016 which aggregates \$194,696.

Villages Canada is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Villages Canada purchases inventories denominated in US dollars. Villages Canada entered into forward contracts to mitigate this risk during the year ended March 31, 2016. As at March 31, 2016, Villages Canada had foreign exchange contracts outstanding of \$1,149,246 at exchange rates (CND/USD) from 1.31 to 1.39 which mature between May 13, 2016 and September 16, 2016 (2015 - US\$700,000 at an exchange rate of 1.26 which matured between April 30, 2015 and July 31, 2015). MCCC has recognized an unrealized loss on these foreign exchange contracts at March 31, 2016 of \$75,794 (2015 - nil) which is included in accounts payable and accrued liabilities.

These derivatives have not been designated as hedges for accounting purposes and are recorded at fair value.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

21. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that MCCC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MCCC manages its liquidity risk by monitoring its operating requirements. MCCC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2015.

(c) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. MCCC is exposed to credit risk with respect to the accounts receivable. MCCC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The allowance for doubtful accounts at March 31, 2016 is \$75,000 (2015 - \$100,000). There has been no change to the risk exposure from 2015.

(d) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on Villages Canada's cash flows, financial position and operations. MCCC is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Further details about the fixed rate financial instruments are included in note 7, 9 and note 11. There has been no change to the risk exposure from 2015.

MENNONITE CENTRAL COMMITTEE CANADA

Program Expenses

Schedule A

Year ended March 31, 2016, with comparative information for 2015

	Domestic Program	International Program	2016 Total	2015 Total
Sustainable Community Development:				
Education	\$ 116,048	\$ 3,167,669	\$ 3,283,717	\$ 3,092,474
Global Family	–	1,830,812	1,830,812	1,908,658
Food security and sustainable livelihoods:	160,972	14,672,778	14,833,750	11,305,330
HIV AIDS	–	122,809	122,809	118,568
Water	–	1,121,750	1,121,750	1,641,178
Health:	39,167	816,222	855,389	792,780
HIV AIDS	–	987,282	987,282	1,325,055
Water	–	311,086	311,086	214,943
Migration and resettlement	224,228	79,918	304,146	291,983
	540,415	23,110,326	23,650,741	20,690,969
Disaster Response:				
Humanitarian relief and disaster response (HRDR)	60,640	13,151,895	13,212,535	5,635,888
HRDR - Food	–	8,168,053	8,168,053	9,075,150
	60,640	21,319,948	21,380,588	14,711,038
Justice and Peacebuilding:				
Peacebuilding and conflict transformation	681,196	3,855,860	4,537,056	3,644,035
Conflict prevention	71,578	471,466	543,044	611,537
Restorative justice	387,133	46,847	433,980	382,503
	1,139,907	4,374,173	5,514,080	4,638,075
Total expenses	\$ 1,740,962	\$ 48,804,447	\$ 50,545,409	\$ 40,040,082

MENNONITE CENTRAL COMMITTEE CANADA

Restricted Funds Summary

Schedule B

Year ended March 31, 2016, with comparative information for 2015

	Fund balance March 31, 2015	Revenue	Program expenses	Inter-fund transfers	Fund balance March 31, 2016
CFGB	\$ 3,390,753	\$ 17,902,090	\$ (18,674,504)	\$ 765,000	\$ 3,383,339
Shared Program	1,511,189	–	–	(339,771)	1,171,418
Designated government grants:					
GAC	5,366,342	3,635,305	(8,951,648)	–	49,999
Designated contributions:					
The Meeting House	282,269	357,765	(390,131)	–	249,903
East Africa drought	681,375	–	(297,406)	–	383,969
Haiti earthquake	1,612,471	–	(1,612,471)	–	–
Nepal earthquake	–	2,014,289	(376,149)	–	1,638,140
Philippines Typhoon	141,360	–	(181,336)	–	(39,976)
Syrian/Iraq Crisis	–	2,868,784	(1,420,741)	(765,000)	683,043
Ukraine	176,292	67,806	(264,626)	–	(20,528)
Water general	549,310	412,052	(828,944)	–	132,418
Other international programs	–	4,348,358	(13,579,459)	9,231,101	–
Material Resources	451,619	1,761,160	(1,639,294)	–	573,485
Constituency Initiated Projects	121,738	554,200	(587,738)	–	88,200
Total International Fund	\$ 14,284,718	\$ 33,921,809	\$ (48,804,447)	\$ 8,891,330	\$ 8,293,410

Note

During the year ended March 31, 2016, payments of \$765,000 (2015 - nil) were made by MCCC to CFGB to replenish the MCCC account for the significant payments made by CFGB in connection with the Syrian/Iraq projects. These funds were drawn from the Syria/Iraq net restricted assets.