

Financial Statements of

**MENNONITE CENTRAL
COMMITTEE CANADA**

Year ended March 31, 2017



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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, 2017, 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, 2017, 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, 2017

Winnipeg, Canada

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 7,249,146	\$ 4,915,417
Accounts receivable (note 3)	7,239,331	5,221,568
Receivable from MCC U.S., non-interest bearing	-	135,091
Prepaid expenses	1,042,529	535,936
Inventories (note 4)	6,816,564	5,752,108
Investments (note 5)	959,415	1,443,250
	<u>23,306,985</u>	<u>18,003,370</u>
Long-term grants receivable	3,440,569	-
Investment in Canadian Foodgrains Bank Association Inc.	3,719,851	3,383,339
Capital assets (note 6)	4,320,986	4,500,219
	<u>\$ 34,788,391</u>	<u>\$ 25,886,928</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Bank indebtedness (note 7)	\$ 106,078	\$ 427,419
Payable to MCC U.S., non-interest bearing	125,582	-
Accounts payable and accrued liabilities (note 8)	2,170,735	2,749,476
Loan payable (note 9)	7,287	5,600
Payable to service workers	871,361	745,192
Current portion of long-term debt (note 11)	109,029	99,505
	<u>3,390,072</u>	<u>4,027,192</u>
Deferred contributions related to expenses of future periods (note 10)	529,744	402,150
Long-term debt (note 11)	2,952,612	1,502,020
Fund balances (note 12):		
Unrestricted	9,045,445	7,740,364
Internally restricted:		
General operations (note 13)	2,175,689	1,353,000
Ten Thousand Villages Canada	2,048,895	2,568,792
Externally restricted - International (schedule B)	14,645,934	8,293,410
	<u>27,915,963</u>	<u>19,955,566</u>
Commitments and contingencies (note 17)		
	<u>\$ 34,788,391</u>	<u>\$ 25,886,928</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, 2017, with comparative information for 2016

	General Funds						Restricted Fund			
	Operating 2017	Operating 2016	Ten Thousand 2017	Villages Canada 2016	Total 2017	Total 2016	International 2017	International 2016	Total 2017	Total 2016
Revenue (note 15):										
Contributions:										
General	\$ 15,665,260	\$ 13,404,453	\$ -	\$ -	\$ 15,665,260	\$ 13,404,453	\$ -	\$ -	\$ 15,665,260	\$ 13,404,453
Designated:										
CFGB	-	-	-	-	-	-	3,449,824	3,756,233	3,449,824	3,756,233
Disaster restricted	64,646	140,152	-	-	64,646	140,152	1,369,282	4,972,875	1,433,928	5,113,027
Other	1,071,990	1,128,924	-	(11,794)	1,071,990	1,117,130	4,674,534	5,140,571	5,746,524	6,257,701
Material resources	-	-	-	-	-	-	1,758,303	1,761,160	1,758,303	1,761,160
Grants:										
GAC - CFGB	-	-	-	-	-	-	8,373,028	12,731,776	8,373,028	12,731,776
GAC - Other	-	-	-	-	-	-	8,702,402	3,338,031	8,702,402	3,338,031
CFGB	-	-	-	-	-	-	2,175,176	1,414,081	2,175,176	1,414,081
Other	578,722	-	-	-	578,722	-	332,131	297,274	910,853	297,274
Fair trade sales	-	-	12,760,727	12,343,375	12,760,727	12,343,375	-	-	12,760,727	12,343,375
Foreign exchange gain (loss)	-	-	27,364	(177,036)	27,364	(177,036)	187,789	(96,910)	215,153	(273,946)
Other (note 16)	447,723	1,042,540	238,477	630,159	686,200	1,672,699	571,475	606,718	1,257,675	2,279,417
	17,828,341	15,716,069	13,026,568	12,784,704	30,854,909	28,500,773	31,593,944	33,921,809	62,448,853	62,422,582
Expenses:										
Program (schedule A)	1,783,949	1,740,962	-	-	1,783,949	1,740,962	34,376,326	48,804,447	36,160,275	50,545,409
Fair trade:										
Cost of sales	-	-	5,496,975	5,320,424	5,496,975	5,320,424	-	-	5,496,975	5,320,424
Operations	-	-	6,564,526	5,925,372	6,564,526	5,925,372	-	-	6,564,526	5,925,372
Administration	-	-	1,354,319	1,395,089	1,354,319	1,395,089	-	-	1,354,319	1,395,089
Support services:										
Administration and communication	3,353,498	3,143,547	-	-	3,353,498	3,143,547	-	-	3,353,498	3,143,547
Resource generation	780,055	834,933	-	-	780,055	834,933	-	-	780,055	834,933
Other:										
Grants to Provincial MCCs (note 18)	778,808	1,232,617	-	-	778,808	1,232,617	-	-	778,808	1,232,617
	6,696,310	6,952,059	13,415,820	12,640,885	20,112,130	19,592,944	34,376,326	48,804,447	54,488,456	68,397,391
Excess (deficiency) of revenue over expenses	\$ 11,132,031	\$ 8,764,010	\$ (389,252)	\$ 143,819	\$ 10,742,779	\$ 8,907,829	\$ (2,782,382)	\$ (14,882,638)	\$ 7,960,397	\$ (5,974,809)

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	General Funds			Restricted Fund		2017 Total	2016 Total
	Unrestricted	Internally restricted	Ten Thousand Villages Canada	International			
Balance, beginning of year	\$ 7,740,364	\$ 1,353,000	\$ 2,568,792	\$ 8,293,410	\$ 19,955,566	\$ 25,930,375	
Excess (deficiency) of revenue over expenses	11,132,031	–	(389,252)	(2,782,382)	7,960,397	(5,974,809)	
Inter-fund transfers (note 13)	(692,044)	822,689	(130,645)	–	–	–	
Inter-fund transfer for International programs (Schedule B)	(9,134,906)	–	–	9,134,906	–	–	
Balance, end of year	\$ 9,045,445	\$ 2,175,689	\$ 2,048,895	\$ 14,645,934	\$ 27,915,963	\$ 19,955,566	

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ 7,960,397	\$ (5,974,809)
Items not involving cash:		
Amortization of capital assets	807,315	803,078
	8,767,712	(5,171,731)
Change in non-cash operating working capital:		
Accounts receivable	(2,017,763)	3,679,487
Prepaid expenses	(506,593)	(23,360)
Inventories	(1,064,456)	(195,762)
Receivable/payable to MCC U.S.	260,673	(680,214)
Long-term grants receivable	(3,440,569)	-
Accounts payable and accrued liabilities	(578,741)	638,772
Payable to service workers	126,169	130,995
Proceeds from (repayment of) loan payable	1,687	(22,546)
Change in deferred contributions related to expenses of future periods	127,594	(402,673)
	1,675,713	(2,047,032)
Investing activities:		
Decrease (increase) in investment in Canadian Foodgrains Bank Association Inc.	(336,512)	7,414
Proceeds on disposal of investments	483,835	1,947,803
Purchase of capital assets	(628,082)	(600,550)
	(480,759)	1,354,667
Financing activities:		
Repayment of long-term debt	(39,884)	(93,757)
Increase (decrease) in bank indebtedness	(321,341)	46,988
Proceeds from long-term debt	1,500,000	-
	1,138,775	(46,769)
Increase (decrease) in cash	2,333,729	(739,134)
Cash, beginning of year	4,915,417	5,654,551
Cash, end of year	\$ 7,249,146	\$ 4,915,417

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements

Year ended March 31, 2017

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, 2017

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, 2017

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 \$1,136,636 (2016 - \$1,269,076) for the year ended March 31, 2017, 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 gain included in the statement of operations for the year ended March 31, 2017 is \$215,153 (2016 - foreign exchange loss \$273,946).

(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, 2017

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, 2017

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, 2017

3. Accounts receivable:

	2017	2016
Receivable from Provincial MCC's	\$ 2,962,962	\$ 4,753,802
Customers of Villages Canada	121,619	141,223
Current portion of long term grants receivable	3,153,237	49,999
CFGB	546,650	-
Other	454,863	276,544
	\$ 7,239,331	\$ 5,221,568

4. Inventories:

	2017	2016
Villages Canada - merchandise	\$ 5,629,928	\$ 4,873,093
General operations - books and reading materials	309,115	305,530
Material resources	877,521	573,485
	\$ 6,816,564	\$ 5,752,108

The amount of inventories recognized as an expense within costs of sales and international programs for the year ended March 31, 2017 is \$7,237,915 (2016 - \$7,371,896).

5. Investments:

	2017	2016
Abundance Canada:		
Fixed income portfolio fund	\$ 934,415	\$ 1,418,231
Other	25,000	25,019
	\$ 959,415	\$ 1,443,250

The investments held at Abundance Canada (formerly Mennonite Foundation of Canada) may be withdrawn at any time, with due notice. Investment earnings are paid by Abundance 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, 2017

6. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 678,949	\$ –	\$ 678,949	\$ 675,799
Buildings	6,098,674	3,995,776	2,102,898	2,307,038
Equipment	4,706,592	3,818,567	888,025	912,857
Vehicles	1,188,140	650,514	537,626	487,983
Leasehold improvements	984,880	871,392	113,488	116,542
	\$ 13,657,235	\$ 9,336,249	\$ 4,320,986	\$ 4,500,219

7. Bank indebtedness:

Villages Canada has a line of credit with Kindred 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 (2016 - 3.95 percent) at March 31, 2017. The line of credit is secured as disclosed in note 11. At March 31, 2017, Villages Canada utilized \$106,078 (2016 - \$427,419) of this line of credit.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2017 are government remittances payable of \$17,475 (2016 - \$5,938) 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 (2016 - US\$250,000). The loan payable to Shared Interest Society Limited bears interest at 7.75 percent (2016 - 7.25 percent) and is repayable on demand. There have been no assets pledged as collateral for the loan payable. At March 31, 2017, \$7,287 (US\$5,479) (2016 - \$5,600 (US\$4,312)) of the facility has been utilized.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

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.

	2017	2016
Balance, beginning of year	\$ 402,150	\$ 804,823
Add amounts received during the year	394,525	228,015
Less amounts recognized into revenue in the year	(266,931)	(630,688)
	<u>\$ 529,744</u>	<u>\$ 402,150</u>

11. Long-term debt:

	2017	2016
Mortgage payable to Kindred Credit Union, repayable in blended monthly payments of \$19,020, interest at 3.99%, due May 16, 2021	\$ 3,061,641	\$ –
Mortgage payable to Kindred Credit Union, interest at 5.45%	–	1,326,863
Mortgage payable to Kindred Credit Union, interest at 4.15	–	274,662
	<u>3,061,641</u>	<u>1,601,525</u>
Current portion	109,029	99,505
	<u>\$ 2,952,612</u>	<u>\$ 1,502,020</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 and a general security agreement covering inventory, accounts receivable and equipment of Villages Canada.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

11. Long-term debt (continued):

Future principal repayments required on the long-term debt are as follows:

2018	\$ 109,029
2019	113,422
2020	117,696
2021	122,735
2022	2,598,759
	\$ 3,061,641

12. Investment in capital assets:

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

	General Funds				Restricted Funds		Total 2017	Total 2016
	Operating		Ten Thousand Villages Canada		International			
	2017	2016	2017	2016	2017	2016		
Capital assets	\$ 1,483,092	\$ 1,636,655	\$ 2,151,128	\$ 2,243,846	\$ 686,766	\$ 619,718	\$ 4,320,986	\$ 4,500,219
Amounts financed by:								
Long-term debt	-	-	(1,541,641)	(1,601,525)	-	-	(1,541,641)	(1,601,525)
	\$ 1,483,092	\$ 1,636,655	\$ 609,487	\$ 642,321	\$ 686,766	\$ 619,718	\$ 2,779,345	\$ 2,898,694

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:

	2017	2016
Investment in Donor Relations	\$ 36,000	\$ 39,000
Non-building capital asset reserve	50,000	50,000
Bequest fund	825,689	-
MCC Centennial fund	400,000	-
Strategic Investment Fund:		
Investment in Donor Relations	-	400,000
Affordable Housing	300,000	300,000
National Domestic Programs	379,000	379,000
General	185,000	185,000
	\$ 2,175,689	\$ 1,353,000

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

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

During the year, an amount of \$130,645 (2016 - \$127,226) relating to interest of \$64,645 (2016 - \$64,226) and rental payments of \$66,000 (2016 - \$63,000) paid by Villages Canada to MCCC was transferred from the Ten Thousand Villages Canada Fund to the General Operating Fund.

During the year ended March 31, 2017, \$403,000 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 investments in Donor Relations.

During the year, \$1,225,689 was transferred from the General Operating Fund to the internally restricted funds. Of this amount, \$825,689 was to set up a Bequest fund in accordance with the Bequest policy to be held on behalf of the MCCs in Canada. In addition, \$400,000 was set aside for costs to be incurred in connection with MCCs Centennial in 2020.

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 MCCC 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 \$5,708,280 (2016 - \$5,384,157) have been allocated as follows:

	2017	2016
Sustainable Community Development	\$ 3,251,843	\$ 2,964,598
Disaster Response	966,037	1,187,808
Justice and Peacebuilding	1,490,400	1,231,751
	\$ 5,708,280	\$ 5,384,157

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

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.

	2017	2016
Contribution revenue:		
General contributions	\$ 15,372,976	\$ 13,324,293
Designated contributions:		
CFGB	3,443,673	3,746,201
Disasters restricted	1,206,441	5,008,816
Other - International programs	5,592,694	5,963,292
Material resources	1,439,724	1,533,167
Grant revenue:		
Other	311,058	277,996
	\$ 27,366,566	\$ 29,853,765

16. Other revenue:

	2017	2016
Operating Fund:		
Administration fees from MCC U.S.	\$ 16,532	\$ 16,710
Administration fees from CFGB	221,733	176,176
Administration fees from Global Affairs Canada (GAC)	98,748	455,734
House sale proceeds received from MCC U.S.	56,151	101,017
Interest	4,784	25,183
Other	49,775	267,719
Villages Canada:		
Interest	-	6,190
Sales tax refund	-	382,357
Other	238,477	241,613
International		
Other contributions and grants	571,475	606,718
	\$ 1,257,675	\$ 2,279,417

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

17. Commitments and contingencies:

MCCC has entered into agreements to lease premises for various periods until fiscal 2022. 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:

2018	\$ 1,044,282
2019	779,144
2020	567,147
2021	365,926
2022	142,693

MCCC has signed a Private Sponsorship of Refugees (PSR) Agreement with Immigration Refugee and Citizenship Canada (IRCC) 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, 2017 is approximately \$7,600,000 (2016 - \$10,000,000).

MCCC, together with MCC U.S., are committed to user fees in connection with the Human Resource Information System for \$117,000 (\$90,000 USD) per annum to December 31, 2020. Final contract negotiations are currently underway.

18. Grants to Provincial MCCs:

During the years ended March 31, 2017 and 2016, the following grant payments were made to provincial MCCs for the purposes indicated:

	2017	2016
Resource generation initiatives with major donors	\$ 350,000	\$ 350,000
General equity equalization payments, net	–	750,705
Administrative recoveries on Disaster restricted contributions	73,172	131,912
Bequest policy payments	165,138	–
Annual surplus policy payments	190,498	–
	<u>\$ 778,808</u>	<u>\$ 1,232,617</u>

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

19. 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 \$327,872 (2016 - \$320,142) have been expensed during the year ended March 31, 2017 and are included in administration expenses.

20. 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 MCCC U.S. incur international expenditures denominated in various foreign currencies and have agreed to share the currency risk related to these expenditures equally. On behalf of both national entities, MCCC entered into structured foreign exchange options to mitigate this risk during the year ended March 31, 2017. As at March 31, 2017, MCCC had foreign exchange contracts outstanding of US\$2,884,885 at exchange rates (CDN/USD) from 1.314 to 1.360 which mature between April 17, 2017 to June 30, 2017 (2016 - US\$4,704,822 at exchange rates from 1.28 to 1.42 which matured between April 15, 2016 and July 29, 2016). The unrealized gain on these foreign exchange contracts as at March 31, 2017 was \$30,045 (2016 - \$342,100 unrealized loss) which is included in accounts payable and accrued liabilities. MCCC has recognized its share of the unrealized gain of \$15,023 (2016 - \$171,050 unrealized loss) in the statement of operations during the year ended March 31, 2017.

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, 2017. As at March 31, 2017, Villages Canada had foreign exchange contracts outstanding of US\$319,000 at exchange rates (CND/USD) from 1.3170 to 1.3230 which mature between May 31, 2017 and August 23, 2017 (2016 - US\$1,149,246 at exchange rates from 1.3085 to 1.3935 which matured between May 13, 2016 and September 16, 2016). MCCC has recognized an unrealized gain on these foreign exchange contracts at March 31, 2017 of \$4,500 (2016 - \$75,794) 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, 2017

20. 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 2016.

(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, 2017 is \$50,000 (2016 - \$75,000). There has been no change to the risk exposure from 2016.

(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 2016.

MENNONITE CENTRAL COMMITTEE CANADA

Program Expenses

Schedule A

Year ended March 31, 2017, with comparative information for 2016

	Domestic Program	International Program	2017 Total	2016 Total
Sustainable Community Development:				
Education	\$ 129,229	\$ 2,517,132	\$ 2,646,361	\$ 3,283,717
Global Family	–	1,954,202	1,954,202	1,830,812
Food security and sustainable livelihoods:	131,645	9,059,905	9,191,550	14,833,750
HIV AIDS	–	127,628	127,628	122,809
Water	–	587,822	587,822	1,121,750
Health:	33,249	920,449	953,698	855,389
HIV AIDS	–	949,713	949,713	987,282
Water	–	2,918,395	2,918,395	311,086
Migration and resettlement	261,287	71,305	332,592	304,146
	555,410	19,106,551	19,661,961	23,650,741
Disaster Response:				
Humanitarian relief and disaster response (HRDR)	82,025	3,049,120	3,131,145	13,212,535
HRDR - Food	–	8,227,288	8,227,288	8,168,053
	82,025	11,276,408	11,358,433	21,380,588
Justice and Peacebuilding:				
Peacebuilding and conflict transformation	686,762	3,350,453	4,037,215	4,537,056
Conflict prevention	89,353	586,014	675,367	543,044
Restorative justice	370,399	56,900	427,299	433,980
	1,146,514	3,993,367	5,139,881	5,514,080
Total expenses	\$ 1,783,949	\$ 34,376,326	\$ 36,160,275	\$ 50,545,409

MENNONITE CENTRAL COMMITTEE CANADA

Restricted Funds Summary

Schedule B

Year ended March 31, 2017, with comparative information for 2016

	Fund balance March 31, 2016	Revenue	Program expenses	Inter-fund transfers	Fund balance March 31, 2017
CFGB	\$ 3,383,339	\$ 13,998,029	\$ (14,011,517)	\$ 350,000	\$ 3,719,851
Shared Program	1,171,418	–	–	–	1,171,418
Designated government grants:					
GAC	51,896	9,034,534	(2,819,226)	–	6,267,204
Designated contributions:					
The Meeting House	249,903	546,534	(338,249)	–	458,188
East Africa drought	383,969	–	(232,833)	–	151,136
Nepal earthquake	1,638,140	2,994	(265,289)	–	1,375,845
Haiti hurricane	–	614,564	(312,366)	(100,000)	202,198
Philippines Typhoon	(39,976)	–	39,976	–	–
Syrian/Iraq Crisis	683,043	751,724	(913,310)	(250,000)	271,457
Ukraine	(20,528)	–	20,528	–	–
Water general	132,418	326,459	(338,318)	–	120,559
Other international programs	–	4,455,742	(13,590,648)	9,134,906	–
Material Resources	573,485	1,758,303	(1,454,267)	–	877,521
Constituency Initiated Projects	86,303	105,061	(160,807)	–	30,557
Total International Fund	\$ 8,293,410	\$ 31,593,944	\$ (34,376,326)	\$ 9,134,906	\$ 14,645,934

Note

During the year ended March 31, 2017, payments of \$350,000 (2016 - \$765,000) were made by MCCC to CFGB to replenish the MCCC account for the significant payments made by CFGB in connection with the Syrian/Iraq and Haiti hurricane projects. These funds were drawn from the Syria/Iraq and Haiti hurricane net restricted assets.

In accordance with the Covenant referred to in Note 1, during the year ended March 31, 2017, \$9,134,906 (2016 - \$9,231,101) was allocated from other international programs to the Restricted Fund to cover related international program expenses from undesignated revenue in the General Fund.