

Financial Statements of

**MENNONITE CENTRAL
COMMITTEE CANADA**

Year ended March 31, 2018



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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, 2018, 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.

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, 2018, 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 22, 2018

Winnipeg, Canada

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 8,002,938	\$ 7,249,146
Accounts receivable (note 3)	5,972,636	7,239,331
Prepaid expenses	482,731	1,042,529
Inventories (note 4)	6,163,883	6,816,564
Investments (note 5)	470,364	959,415
	<u>21,092,552</u>	<u>23,306,985</u>
Long-term grants receivable	564,472	3,440,569
Investment in Canadian Foodgrains Bank Association Inc.	3,336,314	3,719,851
Capital assets (note 6)	4,138,660	4,320,986
	<u>\$ 29,131,998</u>	<u>\$ 34,788,391</u>

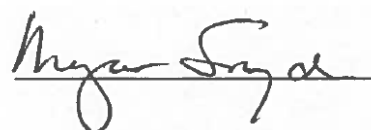
Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Bank indebtedness (note 7)	\$ -	\$ 106,078
Payable to MCC U.S., non-interest bearing	83,661	125,582
Accounts payable and accrued liabilities (note 8)	2,632,436	2,170,735
Loan payable (note 9)	3,389	7,287
Payable to service workers	813,148	871,361
Current portion of long-term debt (note 11)	113,422	109,029
	<u>3,646,056</u>	<u>3,390,072</u>
Deferred contributions related to expenses of future periods (note 10)	375,038	529,744
Long-term debt (note 11)	2,839,190	2,952,612
Fund balances (note 12):		
Unrestricted	8,453,481	9,045,445
Internally restricted:		
General operations (note 13)	3,065,303	2,175,689
Ten Thousand Villages Canada	733,913	2,048,895
Externally restricted - International (schedule B)	10,019,017	14,645,934
	<u>22,271,714</u>	<u>27,915,963</u>
Commitments and contingencies (note 17)		
	<u>\$ 29,131,998</u>	<u>\$ 34,788,391</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, 2018, with comparative information for 2017

	General Funds						Restricted Fund			
	Operating 2018	Operating 2017	Ten Thousand 2018	Villages Canada 2017	Total 2018	Total 2017	International 2018	International 2017	Total 2018	Total 2017
Revenue (note 15):										
Contributions:										
General	\$ 13,128,562	\$ 15,665,260	\$ -	\$ -	\$ 13,128,562	\$ 15,665,260	\$ -	\$ -	\$ 13,128,562	\$ 15,665,260
Designated:										
CFGB	10,000	-	-	-	10,000	-	3,860,327	3,449,824	3,870,327	3,449,824
Disaster restricted	105,933	64,646	-	-	105,933	64,646	1,206,771	1,369,282	1,312,704	1,433,928
Other	1,333,174	1,071,990	-	-	1,333,174	1,071,990	5,641,600	4,674,534	6,974,774	5,746,524
Material resources	-	-	-	-	-	-	2,104,891	1,758,303	2,104,891	1,758,303
Grants:										
GAC - CFGB	-	-	-	-	-	-	8,945,085	8,373,028	8,945,085	8,373,028
GAC - Other	-	-	-	-	-	-	-	8,702,402	-	8,702,402
CFGB	-	-	-	-	-	-	465,260	2,175,176	465,260	2,175,176
Other	11,257	578,722	-	-	11,257	578,722	347,373	332,131	358,630	910,853
Fair trade sales	-	-	12,082,135	12,760,727	12,082,135	12,760,727	-	-	12,082,135	12,760,727
Foreign exchange gain (loss)	9,446	-	11,070	27,364	20,516	27,364	(363,436)	187,789	(342,920)	215,153
Other (note 16)	326,005	447,723	238,063	238,477	564,068	686,200	577,335	571,475	1,141,403	1,257,675
	14,924,377	17,828,341	12,331,268	13,026,568	27,255,645	30,854,909	22,785,206	31,593,944	50,040,851	62,448,853
Expenses:										
Program (schedule A)	1,783,188	1,783,949	-	-	1,783,188	1,783,949	35,859,604	34,376,326	37,642,792	36,160,275
Fair trade:										
Cost of sales	-	-	5,416,757	5,496,975	5,416,757	5,496,975	-	-	5,416,757	5,496,975
Operations	-	-	6,418,965	6,564,526	6,418,965	6,564,526	-	-	6,418,965	6,564,526
Administration	-	-	1,656,378	1,354,319	1,656,378	1,354,319	-	-	1,656,378	1,354,319
Support services:										
Administration and communication	3,581,424	3,353,498	-	-	3,581,424	3,353,498	-	-	3,581,424	3,353,498
Resource generation	761,243	780,055	-	-	761,243	780,055	-	-	761,243	780,055
Other:										
Grants to Provincial MCCs (note 18)	207,541	778,808	-	-	207,541	778,808	-	-	207,541	778,808
	6,333,396	6,696,310	13,492,100	13,415,820	19,825,496	20,112,130	35,859,604	34,376,326	55,685,100	54,488,456
Excess (deficiency) of revenue over expenses	\$ 8,590,981	\$ 11,132,031	\$ (1,160,832)	\$ (389,252)	\$ 7,430,149	\$ 10,742,779	\$ (13,074,398)	\$ (2,782,382)	\$ (5,644,249)	\$ 7,960,397

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	General Funds			Restricted Fund		2018 Total	2017 Total
	Unrestricted	Internally restricted	Ten Thousand Villages Canada	International			
Balance, beginning of year	\$ 9,045,445	\$ 2,175,689	\$ 2,048,895	\$ 14,645,934	\$ 27,915,963	\$ 19,955,566	
Excess (deficiency) of revenue over expenses	8,590,981	–	(1,160,832)	(13,074,398)	(5,644,249)	7,960,397	
Inter-fund transfers (note 13)	(735,464)	889,614	(154,150)	–	–	–	
Inter-fund transfer for International programs (Schedule B)	(8,447,481)	–	–	8,447,481	–	–	
Balance, end of year	\$ 8,453,481	\$ 3,065,303	\$ 733,913	\$ 10,019,017	\$ 22,271,714	\$ 27,915,963	

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ (5,644,249)	\$ 7,960,397
Items not involving cash:		
Amortization of capital assets	809,285	807,315
Loss on disposal of capital assets	1,671	-
	<u>(4,833,293)</u>	<u>8,767,712</u>
Change in non-cash operating working capital:		
Accounts receivable	1,266,695	(2,017,763)
Prepaid expenses	559,798	(506,593)
Inventories	652,681	(1,064,456)
Long-term grants receivable	2,876,097	(3,440,569)
Accounts payable and accrued liabilities	461,701	(578,741)
Payable to MCC U.S.	(41,921)	260,673
Payable to service workers	(58,213)	126,169
Proceeds from (repayment of) loan payable	(3,898)	1,687
Change in deferred contributions related to expenses of future periods	<u>(154,706)</u>	<u>127,594</u>
	724,941	1,675,713
Investing activities:		
Decrease (increase) in investment in Canadian Foodgrains Bank Association Inc.	383,537	(336,512)
Proceeds on disposal of investments	489,051	483,835
Purchase of capital assets	<u>(628,630)</u>	<u>(628,082)</u>
	243,958	(480,759)
Financing activities:		
Repayment of long-term debt	(109,029)	(39,884)
Decrease in bank indebtedness	(106,078)	(321,341)
Proceeds from long-term debt	-	1,500,000
	<u>(215,107)</u>	<u>1,138,775</u>
Increase in cash	753,792	2,333,729
Cash, beginning of year	7,249,146	4,915,417
Cash, end of year	<u>\$ 8,002,938</u>	<u>\$ 7,249,146</u>

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements

Year ended March 31, 2018

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, 2018

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, 2018

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. Contributions received from the Government which are restricted for international programs are subject to review by the Government for utilization of the contribution in accordance with the Government agreement. Adjustments, if any, are recorded in the period they are communicated by the Government to MCCC.

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 \$1,439,107 (2017 - \$1,136,636) for the year ended March 31, 2018, 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, 2018 is \$342,920 (2017 - foreign exchange gain of \$215,153).

(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, 2018

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, 2018

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, 2018

3. Accounts receivable:

	2018	2017
Receivable from Provincial MCC's	\$ 2,330,234	\$ 2,962,962
Customers of Villages Canada	97,892	121,619
Current portion of long-term grants receivable	3,025,874	3,153,237
CFGB	172,309	546,650
Other	346,327	454,863
	\$ 5,972,636	\$ 7,239,331

4. Inventories:

	2018	2017
Villages Canada - merchandise	\$ 5,111,078	\$ 5,629,928
General operations - books and reading materials	345,040	309,115
Material resources	707,765	877,521
	\$ 6,163,883	\$ 6,816,564

The amount of inventories recognized as an expense within costs of sales and international programs for the year ended March 31, 2018 is \$8,016,663 (2017 - \$7,237,915).

5. Investments:

	2018	2017
Abundance Canada:		
Fixed income portfolio fund	\$ 445,347	\$ 934,415
Other	25,017	25,000
	\$ 470,364	\$ 959,415

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, 2018

6. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 674,913	\$ –	\$ 674,913	\$ 678,949
Buildings	6,098,674	4,169,031	1,929,643	2,102,898
Equipment	4,896,412	4,084,529	811,883	888,025
Vehicles	1,219,190	678,011	541,179	537,626
Leasehold improvements	967,752	786,710	181,042	113,488
	\$ 13,856,941	\$ 9,718,281	\$ 4,138,660	\$ 4,320,986

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 4.70 percent (2017 - 3.95 percent) at March 31, 2018. The line of credit is secured as disclosed in note 11. At March 31, 2018, Villages Canada utilized nil (2017 - \$106,078) of this line of credit.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2018 are government remittances payable of \$31,942 (2017 - \$17,475) 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 (2017 - US\$250,000). The loan payable to Shared Interest Society Limited bears interest at 7.75 percent (2017 - 7.75 percent) and is repayable on demand. There have been no assets pledged as collateral for the loan payable. At March 31, 2018, \$3,389 (US\$2,632) (2017 - \$7,287 (US\$5,479)) of the facility has been utilized.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

	2018	2017
Balance, beginning of year	\$ 529,744	\$ 402,150
Add amounts received during the year	37,400	394,525
Less amounts recognized into revenue in the year	(192,106)	(266,931)
	<u>\$ 375,038</u>	<u>\$ 529,744</u>

11. Long-term debt:

	2018	2017
Mortgage payable to Kindred Credit Union, repayable in blended monthly payments of \$19,020, interest at 3.99%, due May 16, 2021	\$ 2,952,612	\$ 3,061,641
Current portion	113,422	109,029
	<u>\$ 2,839,190</u>	<u>\$ 2,952,612</u>

The mortgage payable is 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.

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

2019	\$ 113,422
2020	117,696
2021	122,735
2022	2,598,759
	<u>\$ 2,952,612</u>

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Investment in capital assets:

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

	General Funds				Restricted Funds		Total 2018	Total 2017
	Operating		Ten Thousand Villages Canada		International			
	2018	2017	2018	2017	2018	2017		
Capital assets	\$ 1,293,464	\$ 1,483,092	\$ 2,143,972	\$ 2,151,128	\$ 701,224	\$ 686,766	\$ 4,138,660	\$ 4,320,986
Amounts financed by:								
Long-term debt	-	-	(1,432,612)	(1,541,641)	-	-	(1,432,612)	(1,541,641)
	\$ 1,293,464	\$ 1,483,092	\$ 711,360	\$ 609,487	\$ 701,224	\$ 686,766	\$ 2,706,048	\$ 2,779,345

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:

	2018	2017
Investment in Donor Relations	\$ 35,123	\$ 36,000
Non-building capital asset reserve	50,000	50,000
Shared Program:		
Surplus/Deficit Fund	586,046	-
Bequest Fund	264,010	-
MCC's in Canada Bequest fund	884,690	825,689
MCC Centennial fund	381,434	400,000
Strategic Investment Fund:		
Affordable Housing	300,000	300,000
National Domestic Programs	379,000	379,000
General	185,000	185,000
	\$ 3,065,303	\$ 2,175,689

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

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

During the year, an amount of \$154,150 (2017 - \$130,645) relating to interest of \$77,351 (2017 - \$64,645) and rental payments of \$76,799 (2017 - \$66,000) 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, 2018, \$877 (2017 - \$403,000) was transferred to the General Operating Fund from the Internally Restricted Fund to cover the expenses incurred to fund certain costs associated with investments in Donor Relations.

During the year ended March 31, 2018, \$18,566 (2017 - nil) was transferred to the General Operating Fund from the Internally Restricted Fund to cover the expenses incurred to fund certain costs associated with the Centennial Campaign.

During the year ended March 31, 2018, \$909,057 was transferred from the General Operating Fund to the Internally Restricted Fund. Of this amount \$59,001 was added to the Bequest fund in accordance with the Bequest policy to be held on behalf of MCCs in Canada. In addition, the \$909,057 includes \$264,010 transferred to set up a Bequest fund in accordance with the Bequest policy to be held for Shared Program. As well the \$909,057 includes \$586,046 transferred to establish a Surplus/Deficit Fund according to the Distribution of the Annual Surplus (Deficit) in Shared Income Policy to be held on behalf of the MCCs in Canada for Shared Program.

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 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.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 \$5,655,449 (2017 - \$5,708,280) have been allocated as follows:

	2018	2017
Sustainable Community Development	\$ 3,032,111	\$ 3,251,843
Disaster Response	1,123,004	966,037
Justice and Peacebuilding	1,500,334	1,490,400
	\$ 5,655,449	\$ 5,708,280

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.

	2018	2017
Contribution revenue:		
General contributions	\$ 12,834,214	\$ 15,372,976
Designated contributions:		
CFGB	3,866,539	3,443,673
Disasters restricted	1,241,104	1,206,441
Other - International programs	6,698,561	5,592,694
Material resources	1,945,844	1,439,724
Grant revenue:		
Other	325,000	311,058
	\$ 26,911,262	\$ 27,366,566

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

16. Other revenue:

	2018	2017
Operating Fund:		
Administration fees from MCC U.S.	\$ –	\$ 16,532
Administration fees from CFGB	174,465	221,733
Administration fees from Global Affairs Canada (GAC)	117,713	98,748
House sale proceeds received from MCC U.S.	–	56,151
Interest	6,297	4,784
Other	27,530	49,775
Villages Canada:		
Other	238,063	238,477
International		
Other contributions and grants	577,335	571,475
	\$ 1,141,403	\$ 1,257,675

17. Commitments and contingencies:

MCCC has entered into agreements to lease premises for various periods until June 2023. 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:

2019	\$ 677,224
2020	569,932
2021	434,130
2022	224,952
2023	103,253
Thereafter	15,398

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, 2018 is approximately \$7,000,000 (2017 - \$7,600,000).

MCCC, together with MCC U.S., are committed to user fees in connection with the Human Resource Information System for \$127,000 (\$99,000 USD) per annum to December 28, 2022.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

18. Grants to Provincial MCCs:

During the years ended March 31, 2018 and 2017, the following grant payments were made to provincial MCCs for the purposes indicated:

	2018	2017
Resource generation initiatives with major donors	\$ –	\$ 350,000
Administrative recoveries on Disaster restricted contributions	97,652	73,172
Bequest policy payments	66,002	165,138
Annual surplus policy payments	43,887	190,498
	\$ 207,541	\$ 778,808

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 \$338,836 (2017 - \$327,872) have been expensed during the year ended March 31, 2018 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 MCC 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, 2018. As at March 31, 2018, MCCC had no foreign exchange contracts outstanding (2017 - US\$2,884,885 at exchange rates from 1.314 to 1.360 which matured between April 17, 2017 to June 30, 2017).

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

20. Financial risks (continued):

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, 2018. As at March 31, 2018, Villages Canada had foreign exchange contracts outstanding of US\$250,450 at exchange rates (CDN/USD) from 1.2465 to 1.2580 which mature between April 30, 2018 and May 31, 2018 (2017 - US\$319,000 at exchange rates from 1.3170 to 1.3230 which matured between May 31, 2017 and August 23, 2017). MCCC has recognized an unrealized gain on these foreign exchange contracts at March 31, 2018 of \$7,243 (2017 - \$4,500) 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.

(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 2017.

(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, 2018 is nil (2017 - \$50,000). There has been no change to the risk exposure from 2017.

(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 2017.

MENNONITE CENTRAL COMMITTEE CANADA

Program Expenses

Schedule A

Year ended March 31, 2018, with comparative information for 2017

	Domestic Program	International Program	2018 Total	2017 Total
Sustainable Community Development:				
Education	\$ 130,935	\$ 4,052,772	\$ 4,183,707	\$ 2,646,361
Global Family	–	–	–	1,954,202
Food security and sustainable livelihoods:	150,603	8,757,226	8,907,829	9,191,550
HIV AIDS	–	120,295	120,295	127,628
Water	–	577,336	577,336	587,822
Health:	32,965	1,242,750	1,275,715	953,698
HIV AIDS	–	659,998	659,998	949,713
Water	–	3,946,985	3,946,985	2,918,395
Migration and resettlement	302,281	144,362	446,643	332,592
	616,784	19,501,724	20,118,508	19,661,961
Disaster Response:				
Humanitarian relief and disaster response (HRDR)	130,833	3,579,156	3,709,989	3,131,145
HRDR - Food	–	9,088,882	9,088,882	8,227,288
	130,833	12,668,038	12,798,871	11,358,433
Justice and Peacebuilding:				
Peacebuilding and conflict transformation	689,186	2,959,444	3,648,630	4,037,215
Conflict prevention	84,328	673,174	757,502	675,367
Restorative justice	262,057	57,224	319,281	427,299
	1,035,571	3,689,842	4,725,413	5,139,881
Total expenses	\$ 1,783,188	\$ 35,859,604	\$ 37,642,792	\$ 36,160,275

MENNONITE CENTRAL COMMITTEE CANADA

Restricted Funds Summary

Schedule B

Year ended March 31, 2018, with comparative information for 2017

	Fund balance March 31, 2017	Revenue	Program expenses	Inter-fund transfers	Fund balance March 31, 2018
CFGB	\$ 3,719,851	\$ 13,270,672	\$ (13,874,209)	\$ 220,000	\$ 3,336,314
Shared Program	1,171,418	–	–	–	1,171,418
Designated government grants:					
GAC	6,267,204	347,373	(3,339,047)	–	3,275,530
Designated contributions:					
The Meeting House	458,188	301,330	(403,006)	–	356,512
Nepal Earthquake	1,375,845	–	(721,836)	–	654,009
Africa Famine	–	681,738	(469,218)	(120,000)	92,520
East Africa Drought	151,136	–	(154,244)	–	(3,108)
Haiti Hurricane	202,198	2,048	(204,246)	–	–
Kasai Crisis	–	91,862	(27,372)	–	64,490
Rohingya Crisis	–	162,656	(2,832)	(100,000)	59,824
Syria/Iraq Crisis	271,457	268,467	(305,491)	–	234,433
Water general	120,559	470,083	(527,837)	–	62,805
Other international programs	–	4,904,856	(13,352,337)	8,447,481	–
Material Resources	877,521	2,104,891	(2,274,647)	–	707,765
Constituency Initiated Projects	30,557	179,230	(203,282)	–	6,505
Total International Fund	\$ 14,645,934	\$ 22,785,206	\$ (35,859,604)	\$ 8,447,481	\$ 10,019,017

Note

During the year ended March 31, 2018, payments of \$220,000 (2017 - \$350,000) were made by MCCC to CFGB to replenish the MCCC account for the significant payments made by CFGB in connection with the Africa Famine and Rohingya Crisis projects. These funds were drawn from the Africa Famine and Rohingya Crisis net restricted assets.

In accordance with the Covenant referred to in Note 1, during the year ended March 31, 2018, \$8,447,481 (2017 - \$9,134,906) was allocated from other international programs to the Restricted Fund to cover related international program expenses from undesignated revenue in the General Fund.