

Mennonite Central Committee Saskatchewan
Financial Statements
March 31, 2016

Mennonite Central Committee Saskatchewan Contents

For the year ended March 31, 2016

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Management's Responsibility

To the Members of Mennonite Central Committee Saskatchewan:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.


In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 31, 2016


Management


Management

Independent Auditors' Report

To the Members of Mennonite Central Committee Saskatchewan:

We have audited the accompanying financial statements of Mennonite Central Committee Saskatchewan, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from contributions and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of Shared Revenue and Non-Shared Revenue other than Interest was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of Mennonite Central Committee Saskatchewan as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Saskatoon, Saskatchewan

May 31, 2016

MNP LLP


Chartered Professional Accountants

Mennonite Central Committee Saskatchewan Statement of Financial Position

As at March 31, 2016

	2016	2015
Assets		
Current		
Cash	890,066	352,542
Accounts receivable	233,165	203,194
Marketable securities/portfolio investments	17,564	17,612
Prepaid expenses and deposits	4,819	5,317
Current portion of loans to thrift shops (Note 3)	16,109	44,811
	1,161,723	623,476
Capital assets (Note 4)	1,887,161	1,718,651
Investments (Note 5)	760,476	1,011,078
Loans to thrift shops (Note 3)	418,585	431,573
	4,227,945	3,784,778
Liabilities		
Current		
Accounts payable and accruals	804,645	324,549
Current portion of deferred contributions related to capital assets (Note 8)	38,425	40,448
Current portion of mortgage payable (Note 6)	16,009	12,237
	859,079	377,234
Mortgage due on demand (Note 6)	308,585	431,572
	1,167,664	808,806
Deferred contributions (Note 7)	241,341	110,140
Deferred contributions related to capital assets (Note 8)	730,083	768,508
	2,139,088	1,687,454
Net Assets		
Restricted for endowment purposes (Note 9)	117,321	117,321
Internally restricted - Invested in capital assets (Note 9)	1,118,653	909,695
Internally restricted (Note 9)	468,240	892,934
Unrestricted	384,643	177,374
	2,088,857	2,097,324
	4,227,945	3,784,778

Approved on behalf of the Board


Director


Director

The accompanying notes are an integral part of these financial statements

Mennonite Central Committee Saskatchewan Statement of Operations

For the year ended March 31, 2016

	2016	2015
Revenue		
Shared Revenue		
General contributions	912,318	938,230
Designated contributions	403,885	408,666
Relief sales	108,174	103,210
Thrift shops	943,243	780,191
Interest	23,595	23,883
Material aid	220,735	130,261
Canadian Foodgrains Bank (CFGB)	542,361	777,159
	3,154,311	3,161,600
Non-Shared Revenue		
Designated contributions - provincial	168,732	128,149
Designated contributions - disasters	354,188	44,282
	522,920	172,431
Other Revenue		
Grants	92,239	57,451
Fee for service	81,409	68,402
Sales	125,622	127,632
Other income	27,465	26,389
	326,735	279,874
Total revenue	4,003,966	3,613,905

Continued on next page

Mennonite Central Committee Saskatchewan Statement of Operations

For the year ended March 31, 2016

	2016	2015
Total revenue <i>(Continued from previous page)</i>	4,003,966	3,613,905
Expenses		
Justice and Peace Building		
Peacebuilding and conflict transformation	253,200	261,929
Restorative justice	169,947	162,218
	423,147	424,147
Disaster Relief		
Humanitarian relief & disaster recovery	106,548	116,241
Sustainable Community Development		
Education	61,065	46,269
Migration and settlement	124,128	92,093
	185,193	138,362
Support Services		
Communications	67,045	42,596
Human resources	53,910	38,214
Executive office and board	74,025	62,963
Constituency relations	23,733	29,959
Annual meeting	4,439	5,467
Resource development	107,076	148,735
Thrift shops	83,573	80,248
Office management	101,290	95,336
Financial services	104,851	128,776
Information services	22,800	8,852
Building management	127,358	101,372
	770,100	742,518
Total provincial expenditures	1,484,988	1,421,268
Forwardings		
MCC Canada	1,742,353	1,223,853
Canadian Food Grains Bank	542,361	777,159
Project grants	21,996	21,998
Material aid	220,735	130,261
	2,527,445	2,153,271
Total expenses	4,012,433	3,574,539
Excess (deficiency) of revenue over expenses for the year	(8,467)	39,366

The accompanying notes are an integral part of these financial statements

Mennonite Central Committee Saskatchewan Statement of Changes in Net Assets

For the year ended March 31, 2016

	<i>Restricted for endowment purposes</i>	<i>Invested in capital assets</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	2016	2015
Net assets, beginning of the year	117,321	909,695	892,934	177,374	2,097,324	2,037,958
Excess (deficiency) of revenue over expenses for the year	-	(45,832)	-	37,365	(8,467)	39,366
Investment in capital assets	-	254,790	-	(254,790)	-	-
Contributed land	-	-	-	-	-	20,000
Internally imposed restrictions, net	-	-	(424,694)	424,694	-	-
Net assets, end of year	117,321	1,118,653	468,240	384,643	2,088,857	2,097,324

The accompanying notes are an integral part of these financial statements

Mennonite Central Committee Saskatchewan Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses for the year	(8,467)	39,366
Loss on disposal of capital assets	489	6,362
Amortization	86,010	60,632
Amortization of deferred contributions related to capital assets	(40,448)	(42,577)
	37,584	63,783
Changes in working capital accounts		
Accounts receivable	(29,971)	(31,113)
Marketable securities / portfolio investments	48	13
Prepaid expenses and deposits	498	(1,260)
Accounts payable and accruals	480,096	(153,338)
Deferred contributions	131,201	(13,090)
	619,456	(135,005)
Financing		
Advances of mortgage payable	-	450,000
Repayment of mortgage payable	(119,215)	(8,963)
	(119,215)	441,037
Investing		
Purchase of capital assets	(255,259)	(7,880)
Proceeds on disposal of capital assets	250	2,600
Purchase of long term investments, net	(10,866)	(12,852)
Advances of loans to thrift shops	(10,000)	(550,000)
Repayment of loans to thrift shops	51,690	76,388
Decrease (increase) in restricted cash included in investments	261,468	(39,584)
	37,283	(531,328)
Increase (decrease) in cash resources	537,524	(225,296)
Cash resources, beginning of year	352,542	577,838
Cash resources, end of year	890,066	352,542

Mennonite Central Committee Saskatchewan

Notes to the Financial Statements

For the year ended March 31, 2016

1. Incorporation and nature of the organization

Mennonite Central Committee Saskatchewan (MCCS) is incorporated by the Legislative Assembly of the Province of Saskatchewan under The Mennonite Central Committee Saskatchewan Act. Bill 301 of 1999-2000 was given Royal Assent May 26, 2000. The Organization exists to provide support to third-world countries and disaster areas around the world by sending money, food, supplies and materials collected from its members. Due to the nature of its activities as a registered charity, MCCS is not subject to income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the following significant accounting policies:

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada 3840 Related Party Transactions.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. No such election was made during the year.

All financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	5 and 10 %
Automotive	30 %
Computer equipment	30 %
Furniture and fixtures	10 %
Office equipment	20 %

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions for the purchase of capital assets are recognized as revenue on the same basis as the purchased capital assets are amortized. Other restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Sales revenue is recognized, net of trade discounts and allowances, when a price is agreed, goods are shipped to customers, all significant contractual obligations have been satisfied, and collectability is reasonably assured. Revenue from rental agreements is recognized over the rental term.

Contributed materials and services

Volunteers contribute numerous hours per year to assist the Organization in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Blankets, soaps and material for aid kits are donated during the year. The donations and corresponding expense are recorded when the items are shipped from the Organization.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Deferred contributions related to capital assets is based on the estimated useful lives of the capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

3. Loans to thrift shops

	2016	2015
Herbert Thrift Shop - No repayment terms	10,000	-
Lanigan Thrift Shop - The loan is secured by an agreement payable and consists of a \$450,000 mortgage agreement and a \$100,000 interest free portion. Current terms of the mortgage payable are monthly payments of \$2,141 including interest at 3.00% per annum.	424,694	476,384
Less: current portion	16,109	44,811
	418,585	431,573

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2016

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>	<i>2015 Net book value</i>
Land	301,354	-	301,354	301,354
Buildings	2,627,149	1,089,455	1,537,694	1,381,094
Automotive	36,579	29,891	6,688	9,555
Computer equipment	19,592	9,691	9,901	5,989
Furniture and fixtures	88,304	71,280	17,024	14,143
Office equipment	28,353	13,853	14,500	6,516
	3,101,331	1,214,170	1,887,161	1,718,651

Amortization expense included in the statement of operations was \$86,010 (2015 - \$60,632).

5. Investments

The terms of certain donations require that the principal funds remain untouched with only the interest earned in the year being appropriated to the specific purpose. These externally-restricted endowment donations comprise the Overseas Programme and are currently invested with the Mennonite Foundation of Canada.

The investments, excluding restricted cash, are interest-bearing redeemable deposits held with Mennonite Foundation of Canada. Restricted cash is a bank deposit included with other cash deposit balances that the board has placed internal restrictions thereon and has therefore been included in investments rather than cash.

	<i>2016</i>	<i>2015</i>
Operating reserve	174,272	170,731
Overseas programme	117,964	118,144
Capital reserve	365,517	358,091
Restricted cash	98,790	360,258
Special projects fund	3,934	3,854
	760,477	1,011,078

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2016

6. Long-term debt

	<i>2016</i>	<i>2015</i>
Due to Mennonite Foundation of Canada and secured by a mortgage on buildings in Lanigan, Saskatchewan with a net book value of \$707,613. Current repayment terms are \$2,141 per month including interest at 3.00% per annum	324,594	443,809
Less: Current portion	16,009	12,237
Less: Mortgage due on demand	308,585	431,572
	-	-

Principal repayments on mortgage payable in each of the next five years are estimated as follows:

	<i>Principal</i>
2017	16,009
2018	16,496
2019	16,998
2020	17,515
2021	18,048
	85,066

The interest rate on the mortgage payable is renewable annually. The above-noted principal repayments are assuming the rate is renewed on similar terms.

7. Deferred contributions

	<i>2016</i>	<i>2015</i>
Balance, beginning of year	110,140	123,230
Amount received during the year	183,953	14,710
Less: Amount recognized as revenue during the year	(52,752)	(27,800)
	241,341	110,140

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2016

8. Deferred contributions related to capital assets

	2016	2015
Balance, beginning of year	808,956	86,066
Contributed capital assets	-	765,467
Recognized as revenue during the year	(40,448)	(42,577)
	768,508	808,956
Less: current portion	38,425	40,448
Balance, end of year	730,083	768,508

9. Restrictions on net assets

1. The net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Net assets restricted for endowment purposes are \$117,321 (2015 - \$117,321). The earnings on these amounts can only be spent on overseas needs.

2. The Organization's board of directors has internally restricted net assets equal to the Organization's equity in its capital assets.

3. The Organization's board of directors has removed the internal restriction on the operating reserve in the current year.

4. The Organization's board of directors has internally restricted net assets as follows:

	2015	2015
Operating reserve	-	239,904
Capital reserve	235,644	490,434
Global Education Fund	49,103	49,103
Care for Creation Fund	12,180	12,180
Special Projects Funds	30,000	30,000
Timber Bay Children's Home	71,313	71,313
CDR Initiative Fund	50,000	-
Refugee Program Fund	20,000	-
Total internally restricted net assets	\$468,240	\$892,934

10. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of accounts receivable and the loans to thrift shops. Four organizations comprise 83% (2015 - four for 82%) of outstanding accounts receivable at year end. Management believes credit exposure is limited as they closely monitor the financial status of all debtor organizations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk with respect to its marketable securities, investments and mortgage due on demand. Interest rates on all marketable securities and investments are variable and subject to changing market rates. However, this would only affect accrued interest and interest revenue earned. The mortgage due on demand has limited exposure to interest rate risk due to the current fixed rate being similar to current market rates.

11. Economic interest

The Organization has an economic interest in eight (2015 - eight) thrift shops throughout Saskatchewan. The shops are directed by boards separate from that of the Organization and therefore operate as their own independent entities. Of the eight buildings occupied by the thrift shops one is owned by a thrift shop and seven are owned by the Organization. Seven of the thrift shops forward all net earnings to the Organization and the eighth shop forwards a portion of its net earnings. The funds are then used at the Organization's discretion for its work in relief and development efforts.