Mennonite Central Committee Saskatchewan
Financial Statements
March 31, 2017

Mennonite Central Committee Saskatchewan
Contents
For the year ended March 31, 2017

Page

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 30, 2017

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, 2017, 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 statements.

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 undesignated, international designated and provincial designated revenue other than interest, grants and other income 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, and excess of revenue over expenses for the years ended March 31, 2017 and March 31, 2016, and assets and net assets as at March 31, 2017 and March 31, 2016.

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, 2017 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 30, 2017

MNP LLP

Chartered Professional Accountants

Mennonite Central Committee Saskatchewan
Statement of Financial Position
As at March 31, 2017

	2017	*2016*
Assets		
Current		
Cash	**660,825**	890,066
Accounts receivable	**95,919**	233,165
Marketable securities	**17,345**	17,564
Prepaid expenses and deposits	**8,893**	4,819
Current portion of loans to thrift shops *(Note 3)*	**10,458**	16,109
	793,440	1,161,723
Capital assets *(Note 4)*	**2,104,427**	1,887,161
Investments *(Note 5)*	**768,502**	760,476
Loans to thrift shops *(Note 3)*	**339,004**	418,585
	4,005,373	4,227,945
Liabilities		
Current		
Accounts payable and accruals	**311,539**	804,645
Current portion of deferred contributions related to capital assets *(Note 8)*	**50,978**	38,425
Current portion of mortgage payable *(Note 6)*	**10,458**	16,009
	372,975	859,079
Mortgage payable due on demand *(Note 6)*	**240,540**	308,585
	613,515	1,167,664
Deferred contributions *(Note 7)*	**322,197**	241,341
Deferred contributions related to capital assets *(Note 8)*	**968,587**	730,083
	1,904,299	2,139,088
Contingencies *(Note 9)*		
Net Assets		
Externally restricted for endowment purposes *(Note 5), (Note 10)*	**117,321**	117,321
Internally restricted *(Note 5), (Note 10)*	**473,967**	468,240
Internally restricted - invested in capital assets *(Note 10)*	**1,084,862**	1,118,653
Unrestricted	**424,924**	384,643
	2,101,074	2,088,857
	4,005,373	4,227,945

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, 2017

	2017	*2016*
Revenue		
Undesignated		
General contributions	**1,376,394**	912,318
Thrift shops	**1,087,407**	943,243
Interest	**17,431**	23,595
Relief sales	**172,413**	155,738
Relief sale expenses	**(46,998)**	(47,564)
	2,606,647	1,987,330
International Designated		
Canadian Foodgrains Bank (CFGB)	**300,100**	542,361
Overseas programming	**238,116**	289,099
Material aid	**195,188**	220,735
Major disasters (unbudgeted)	**94,217**	354,188
Relief sales	**4,749**	3,948
Grants - Government	**1,057**	21,996
Constituent initiated projects (unbudgeted)	**125**	121,835
	833,552	1,554,162
Provincial Designated		
Other income	**307,271**	304,738
Designated donations	**297,620**	157,736
	604,891	462,474
Total revenue	**4,045,090**	4,003,966

Continued on next page

Mennonite Central Committee Saskatchewan
Statement of Operations
For the year ended March 31, 2017

	2017	*2016*
Total revenue *(Continued from previous page)*	**4,045,090**	4,003,966
Expenses		
Justice and Peace Building		
Peacebuilding and conflict transformation	**298,794**	268,838
Restorative justice	**178,794**	169,947
	477,588	438,785
Disaster Relief	**143,248**	106,548
Sustainable Community Development		
Migration and settlement	**260,639**	124,128
Education	**69,146**	61,065
Food security and sustainable livelihood	**552**	-
	330,337	185,193
Administration		
Building management	**152,854**	127,358
Financial services	**97,711**	104,851
Office management	**92,093**	101,290
Human resources	**64,289**	53,910
Executive office and board	**58,082**	74,025
Information services	**25,256**	22,800
Constituency relations	**21,558**	23,733
Annual meeting	**4,517**	4,439
	516,360	512,406
Fundraising		
CDR	**212,717**	158,483
Thrift shops	**86,530**	83,573
	299,247	242,056
Total provincial expenditures	**1,766,780**	1,484,988
Forwardings		
MCC Canada	**1,770,805**	1,742,353
Canadian Foodgrains Bank (CFGB)	**300,100**	542,361
Material aid	**195,188**	220,735
Project grants	**-**	21,996
	2,266,093	2,527,445
Total expenses	**4,032,873**	4,012,433
Excess (deficiency) of revenue over expenses for the year	**12,217**	(8,467)

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, 2017

	Externally restricted for endowment purposes	*Internally restricted*	*Internally restricted - Invested in capital assets*	*Unrestricted*	***2017***	*2016*
Net assets, beginning of the year	**117,321**	**468,240**	**1,118,653**	**384,643**	**2,088,857**	2,097,324
Excess (deficiency) of revenue over expenses for the year	**-**	**-**	**(50,517)**	**62,734**	**12,217**	(8,467)
Investment in capital assets	**-**	**-**	**16,726**	**(16,726)**	**-**	-
Internally imposed restrictions, net	**-**	**5,727**	**-**	**(5,727)**	**-**	-
Net assets, end of year	**117,321**	**473,967**	**1,084,862**	**424,924**	**2,101,074**	2,088,857

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, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses for the year	**12,217**	(8,467)
Loss on disposal of capital assets	**-**	489
Amortization	**104,178**	86,010
Amortization of deferred contributions related to capital assets	**(53,661)**	(40,448)
	62,734	37,584
Changes in working capital accounts		
Accounts receivable	**137,246**	(29,971)
Marketable securities / portfolio investments	**219**	48
Prepaid expenses and deposits	**(4,074)**	498
Accounts payable and accruals	**(493,106)**	480,096
Deferred contributions	**80,856**	131,201
	(216,125)	619,456
Financing		
Repayment of mortgage payable	**(73,596)**	(119,215)
Investing		
Purchase of capital assets	**(16,726)**	(255,259)
Proceeds on disposal of capital assets	**-**	250
Purchase of long term investments, net	**(8,534)**	(10,866)
Advances of loans to thrift shops	**-**	(10,000)
Repayment of loans to thrift shops	**85,232**	51,690
Decrease in restricted cash included in investments	**508**	261,468
	60,480	37,283
Increase (decrease) in cash resources	**(229,241)**	537,524
Cash resources, beginning of year	**890,066**	352,542
Cash resources, end of year	**660,825**	890,066

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Mennonite Central Committee Saskatchewan (the "Organization") was 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.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at 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.

Cash

Cash include balances with banks and petty cash held on premises. Cash subject to restrictions that prevent its use for current purposes is included in investments as restricted cash (note 5).

Marketable securities

Marketable securities with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

The marketable securities are interest-bearing redeemable deposits held with Mennonite Foundation of Canada bearing interest at 1.70%.

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

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 %

Investments

Long-term investments are investments recorded at cost less impairment as their prices are not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Investments in entities that are not owned, controlled, or influenced by the Organization are measured at cost, less any provision for other than temporary impairment.

Long-lived assets

Long-lived assets consist of capital assets, investments, and loans to thrift shops. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

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.

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

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

	2017	*2016*
Herbert Thrift Shop	**-**	10,000
Lanigan Thrift Shop - The loan is secured by a promissory note and consists of a $450,000 mortgage agreement and a $100,000 interest free portion. Current terms of the mortgage are monthly payments of $1,536 including interest at 3.10% per annum.	**349,462**	424,694
	349,462	434,694
Less: current portion	**10,458**	16,109
	339,004	418,585

4. Capital assets

	Cost	***Accumulated amortization***	***2017 Net book value***	*2016 Net book value*
Land	**301,354**	**-**	**301,354**	301,354
Buildings	**2,931,867**	**1,181,312**	**1,750,555**	1,537,694
Automotive	**36,579**	**31,897**	**4,682**	6,688
Computer equipment	**36,319**	**15,404**	**20,915**	9,901
Furniture and fixtures	**88,304**	**72,983**	**15,321**	17,024
Office equipment	**28,353**	**16,753**	**11,600**	14,500
	3,422,776	**1,318,349**	**2,104,427**	1,887,161

Amortization expense included in the statement of operations was $104,178 (2016 - $86,010).

During the year, the Organization received title to the Herbert thrift store building located in Herbert, Saskatchewan by way of contribution. The contributed capital asset has been recorded at its fair value of $304,718 and has been added to capital assets. The cost of the building was added to deferred contributions related to capital assets and will be amortized over the same term as the expected useful life of the building.

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 which 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 bearing interest at 1.70%. 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 internally restricted investments rather than cash.

	2017	*2016*
Externally restricted for endowment purposes		
Overseas programme	**117,321**	117,964
Internally restricted		
Capital reserve	**371,685**	365,516
Special projects fund	**4,000**	3,934
Restricted cash	**98,282**	98,790
	473,967	468,240
Unrestricted		
Operating fund	**177,214**	174,272
	768,502	760,476

6. Mortgage payable

	2017	*2016*
Due to Mennonite Foundation of Canada and secured by a mortgage on buildings in Lanigan, Saskatchewan with a net book value of $673,563. Current repayment terms are $1,536 per month including interest at 3.10% per annum	**250,998**	324,594
Less: Current portion	**10,458**	16,009
Less: Mortgage due on demand	**240,540**	308,585
	-	-

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

	Principal
2018	10,458
2019	10,787
2020	11,126
2021	11,476
2022	11,837
	55,684

The interest rate on the mortgage payable is renewable annually. Principal repayments are assuming the rate is renewed on similar terms.

7. Deferred contributions

	2017	*2016*
Balance, beginning of year	**241,341**	110,140
Amount received during the year	**227,776**	183,953
Less: Amount recognized as revenue during the year	**(146,920)**	(52,752)
	322,197	241,341

8. Deferred contributions related to capital assets

	2017	*2016*
Balance, beginning of year	**768,508**	808,956
Contributed capital asset - Herbert thrift store building	**304,718**	-
Recognized as revenue during the year	**(53,661)**	(40,448)
	1,019,565	768,508
Less: current portion	**50,978**	38,425
Balance, end of year	**968,587**	730,083

9. Contingencies

MCC Canada ("MCCC") has signed a Private Sponsorship of Refugees ("PSR") Agreement with Immigration Refugee and Citizenship Canada ("IRCC"), formerly the Department of Citizenship and Immigration Canada ("CIC"), to provide financial, human resources and moral support to a certain number of refugees sponsored under the PSR program. MCCC's responsibilities under this agreement were assigned to the various Canadian MCCs.

The Organization has partnered with various church and community groups to assist with the sponsorship and resettlement of certain refugee families in Saskatchewan. These groups have committed to providing the required funding to sponsor and support these refugee families for the required period of time. However, should any of these groups default on their financial obligations the Organization will be responsible for providing the funding shortfall. As at March 31, 2017, the Organization has 130 active sponsorship cases with an estimated contingent liability of $849,160.

10. Restrictions on net assets

The net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Net assets externally restricted for endowment purposes are $117,321 (2016 - $117,321). The earnings on these amounts can only be spent on overseas needs.

The Organization's board of directors has internally restricted net assets equal to the Organization's equity in its capital assets. Internally restricted net assets invested in capital assets are $1,084,862 (2016 - $1,118,653).

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

	2017	2016
Capital reserve	**235,644**	235,644
Global Education Fund	**47,028**	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	**76,372**	50,000
Refugee Program Fund	**1,430**	20,000
Total internally restricted net assets	**$473,967**	$468,240

11. 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, 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. Five organizations comprise 80% (2016 - four for 83%) 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 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, loans to thrift shops 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. Loans to thrift shops and the mortgage due on demand have limited exposure to interest rate risk due to the current fixed rate being similar to current market rates.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization’s exposure to liquidity risk is dependent on the purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

12. Thrift Shops

The Organization has an association with eight (2016 - 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.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.