

Mennonite Central Committee Saskatchewan
Financial Statements
March 31, 2018

Mennonite Central Committee Saskatchewan Contents

For the year ended March 31, 2018

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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 financial 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.

June 21, 2018


Executive Director


Finance Controller



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, 2018, 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 and grants 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 (deficiency) of revenue over expenses for the years ended March 31, 2018 and March 31, 2017, and assets and net assets as at March 31, 2018 and March 31, 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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, 2018 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

June 21, 2018

MNP LLP

Chartered Professional Accountants

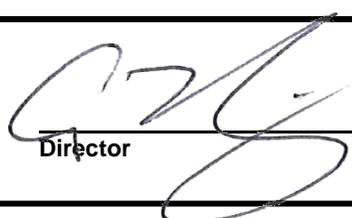
Mennonite Central Committee Saskatchewan Statement of Financial Position

As at March 31, 2018

	2018	2017
Assets		
Current		
Cash	997,178	660,825
Accounts receivable	105,666	95,919
Investments and restricted cash (Note 3)	627,601	668,526
Prepaid expenses and deposits	10,742	8,893
Current portion of loan to thrift shop (Note 4)	8,346	10,458
	1,749,533	1,444,621
Capital assets (Note 5)	2,019,035	2,104,427
Investments (Note 3)	117,321	117,321
Loan to thrift shop (Note 4)	314,504	339,004
	4,200,393	4,005,373
Liabilities		
Current		
Accounts payable and accruals	620,939	311,539
Deferred contributions (Note 6)	291,123	322,197
Current portion of deferred contributions related to capital assets (Note 7)	48,429	50,978
Current portion of mortgage due on demand (Note 8)	8,346	10,458
	968,837	695,172
Mortgage due on demand (Note 8)	217,004	240,540
	1,185,841	935,712
Deferred contributions related to capital assets (Note 7)	920,158	968,587
	2,105,999	1,904,299
Contingencies (Note 10)		
Net Assets		
Externally restricted for endowment purposes (Note 3), (Note 11)	117,321	117,321
Internally restricted (Note 3), (Note 11)	430,642	473,967
Invested in capital assets (Note 11)	1,050,448	1,084,862
Unrestricted	495,983	424,924
	2,094,394	2,101,074
	4,200,393	4,005,373

Approved on behalf of the Board of Directors


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, 2018

	2018	2017
Revenue		
Undesignated		
General contributions	1,044,506	1,376,394
Thrift shops	924,659	1,087,407
Interest	17,584	17,431
Relief sales	152,308	172,413
Relief sale expenses	(53,788)	(46,998)
	2,085,269	2,606,647
International Designated		
Canadian Foodgrains Bank	399,901	300,100
Overseas programming	417,470	238,116
Material aid	218,132	195,188
Major disasters (unbudgeted)	66,792	94,217
Relief sales	11,627	4,749
Grants - Government	-	1,057
Constituent initiated projects (unbudgeted)	-	125
	1,113,922	833,552
Provincial Designated		
Other income	262,996	307,271
Designated donations	377,350	297,620
	640,346	604,891
Total revenue	3,839,537	4,045,090

Continued on next page

The accompanying notes are an integral part of these financial statements

Mennonite Central Committee Saskatchewan
Statement of Operations
For the year ended March 31, 2018

	2018	2017
Total revenue <i>(Continued from previous page)</i>	3,839,537	4,045,090
Expenses		
Justice and Peace Building		
Peacebuilding and conflict transformation	251,106	310,024
Restorative justice	176,645	178,794
	427,751	488,818
Disaster Relief	116,294	143,248
Sustainable Community Development		
Migration and settlement	304,131	249,962
Education	61,503	69,146
	365,634	319,108
Administration		
Building management <i>(Note 5)</i>	109,579	117,403
Financial services	133,644	97,711
Office management	57,859	92,093
Human resources	57,381	64,289
Executive office and board	82,057	58,082
Information services	18,159	25,256
Constituency relations	26,666	21,558
Annual meeting	1,942	4,517
	487,287	480,909
Fundraising		
Communications and donor relations	334,875	212,717
Thrift shops	136,525	121,980
	471,400	334,697
Total provincial expenditures	1,868,366	1,766,780
Forwardings		
Mennonite Central Committee Canada	1,350,986	1,770,805
Canadian Foodgrains Bank	408,733	300,100
Material aid	218,132	195,188
	1,977,851	2,266,093
Total expenses	3,846,217	4,032,873
Excess (deficiency) of revenue over expenses for the year	(6,680)	12,217

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, 2018

	<i>Externally restricted for endowment purposes</i>	<i>Internally restricted</i>	<i>Invested in capital assets</i>	<i>Unrestricted</i>	2018	2017
Net assets, beginning of the year	117,321	473,967	1,084,862	424,924	2,101,074	2,088,857
Excess (deficiency) of revenue over expenses for the year	-	-	(50,910)	44,230	(6,680)	12,217
Investment in capital assets	-	-	16,496	(16,496)	-	-
Internally imposed restrictions, net	-	(43,325)	-	43,325	-	-
Net assets, end of year	117,321	430,642	1,050,448	495,983	2,094,394	2,101,074

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, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses for the year	(6,680)	12,217
Amortization	101,888	104,178
Amortization of deferred contributions related to capital assets	(50,978)	(53,661)
Non-cash increase in investments	(7,491)	(8,314)
	36,739	54,420
Changes in working capital accounts		
Accounts receivable	(9,747)	137,246
Prepaid expenses and deposits	(1,849)	(4,074)
Accounts payable and accruals	309,400	(493,107)
Deferred contributions	(31,075)	80,856
	303,468	(224,659)
Financing		
Repayment of mortgage payable	(25,648)	(73,596)
Investing		
Purchase of capital assets	(16,496)	(16,726)
Repayment of loan to thrift shop	26,612	85,232
Decrease in restricted cash included in investments	48,417	508
	58,533	69,014
Increase (decrease) in cash resources	336,353	(229,241)
Cash resources, beginning of year	660,825	890,066
Cash resources, end of year	997,178	660,825

The accompanying notes are an integral part of these financial statements

Mennonite Central Committee Saskatchewan

Notes to the Financial Statements

For the year ended March 31, 2018

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.

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 (deficiency) 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 (deficiency) 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 3).

Investments

Investments are interest-bearing redeemable deposits and are measured at cost less impairment.

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2018

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 %

Long-lived assets

Long-lived assets consist of capital assets. 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.

Relief 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.

Measurement uncertainty

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 years in which they become known.

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2018

3. Investments

The investments, excluding restricted cash, are interest-bearing redeemable deposits held with Abundance Canada bearing interest at 1.41% (2017 - 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.

The terms of certain donations established as endowment funds require that the principal funds remain untouched with only the interest earned in the year being appropriated to the specific purpose. The long-term portion of investments is restricted for endowment purposes. These externally restricted endowment donations comprise the Overseas Programme which are currently invested with the Abundance Canada.

	2018	2017
Internally restricted		
Capital reserve	376,722	371,685
Special projects fund	4,055	4,000
Restricted cash	49,865	98,282
Unrestricted		
Operating fund	179,614	177,214
Bursary	17,345	17,345
	627,601	668,526
Externally restricted for endowment purposes		
Overseas programme	117,321	117,321
	744,922	785,847

4. Loan to thrift shop

	2018	2017
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 \$1,283 including interest at 3.15% per annum.	322,850	349,462
Less: current portion	8,346	10,458
	314,504	339,004

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2018

5. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	301,354	-	301,354	301,354
Buildings	2,936,997	1,269,940	1,667,057	1,750,555
Automotive	36,579	33,302	3,277	4,682
Computer equipment	43,100	22,809	20,291	20,915
Furniture and fixtures	90,250	74,709	15,541	15,321
Office equipment	30,991	19,476	11,515	11,600
	3,439,271	1,420,236	2,019,035	2,104,427

Amortization expense included in the statement of operations was \$101,888 (2017 - \$104,178).

6. Deferred contributions

The Organization receives contributions which are restricted by the donor to be used for specific purposes. The amounts received are recorded as deferred contributions. They are recognized in contribution revenue when costs are incurred that meet the restrictions established by the donors.

	2018	2017
Balance, beginning of year	322,197	241,341
Amount received during the year	174,072	227,776
Less: Amount recognized as revenue during the year	(205,146)	(146,920)
	291,123	322,197

7. Deferred contributions related to capital assets

Deferred contributions related to capital assets consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

	2018	2017
Balance, beginning of year	1,019,565	768,508
Contributed capital asset - Herbert thrift store building	-	304,718
Recognized as revenue during the year	(50,978)	(53,661)
	968,587	1,019,565
Less: current portion	48,429	50,978
Balance, end of year	920,158	968,587

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2018

8. Mortgage payable

	2018	2017
Due to Abundance Canada and secured by a mortgage on building in Lanigan, Saskatchewan with a net book value of \$639,885 (2017 - \$673,563). Current repayment terms are \$1,283 per month including interest at 3.15% per annum	225,350	250,998
Less: Current portion	8,346	10,458
Less: Mortgage due on demand	217,004	240,540
	-	-

Principal repayments on the mortgage payable in each of the next five years are estimated as follows assuming the mortgage payable is renewed at similar terms:

2019	8,346
2020	8,613
2021	8,888
2022	9,172
2023	9,466

9. Income taxes

The Organization is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

10. 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 Mennonite Central Committees.

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, 2018, the Organization has 81 active sponsorship cases with an estimated contingent liability of \$568,626 (2017 - 130 cases with an estimated contingent liability of \$849,160).

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2018

11. 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 (2017 - \$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 \$1,050,448 (2017 - \$1,084,862).

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

	2018	2017
Capital reserve	235,644	235,644
Global Education Fund	47,028	47,028
Care for Creation Fund	12,180	12,180
Special Projects Funds	33,306	30,000
Timber Bay Children's Home	71,313	71,313
CDR Initiative Fund	31,171	76,372
Refugee Program Fund	-	1,430
Total internally restricted net assets	430,642	473,967

12. Thrift Shops

The Organization has an association with eight (2017 - 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 rented 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. 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 loan to thrift shop. As at March 31, 2018, four organizations (2017 - five organizations) accounted for 80% (2017 - 80%) of outstanding accounts receivable at year end. The Organization believes that there is no unusual exposure associated with the collection of these receivables 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 investments, loan to thrift shop and mortgage due on demand. Interest rates on all investments are variable and subject to changing market rates. However, this would only affect accrued interest and interest revenue earned. Loan to thrift shop 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 enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates. The Organization's exposure to liquidity risk is dependent on the collection of accounts receivable and the loan to thrift shop, purchasing commitments and obligations, and raising funds to meet commitments and sustain operations.

14. Comparative figures

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