

Mennonite Central Committee Saskatchewan
Financial Statements
March 31, 2019

Mennonite Central Committee Saskatchewan Contents

For the year ended March 31, 2019

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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.

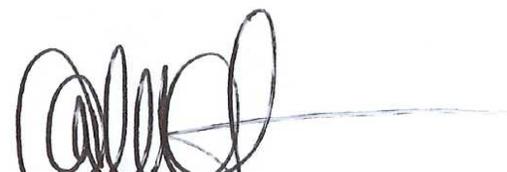
The Board of Directors is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual 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 27, 2019



Executive Director



Finance Controller

Independent Auditor's Report

To the Members of Mennonite Central Committee Saskatchewan:

Qualified Opinion

We have audited the financial statements of Mennonite Central Committee Saskatchewan (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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.

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, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended March 31, 2019 and March 31, 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1, 2018 and March 31, 2019 and April 1, 2017 and March 31, 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Saskatchewan

June 27, 2019

MNP LLP
Chartered Professional Accountants

MNP

Mennonite Central Committee Saskatchewan Statement of Financial Position

As at March 31, 2019

	2019	2018
Assets		
Current		
Cash	733,337	997,178
Accounts receivable	279,311	105,666
Investments and restricted cash (Note 3)	626,299	627,601
Prepaid expenses and deposits	16,958	10,742
Current portion of loan to thrift shop (Note 4)	7,973	8,346
	1,663,878	1,749,533
Capital assets (Note 5)	1,929,603	2,019,035
Investments (Note 3)	117,321	117,321
Loan to thrift shop (Note 4)	276,553	314,504
	3,987,355	4,200,393
Liabilities		
Current		
Accounts payable and accruals	314,303	620,939
Deferred contributions (Note 6)	406,974	291,123
Current portion of deferred contributions related to capital assets (Note 7)	46,008	48,429
Current portion of mortgage due on demand (Note 8)	7,973	8,346
	775,258	968,837
Mortgage due on demand (Note 8)	179,053	217,004
	954,311	1,185,841
Deferred contributions related to capital assets (Note 7)	874,150	920,158
	1,828,461	2,105,999
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	430,642
Invested in capital assets (Note 11)	1,009,445	1,050,448
Unrestricted	601,486	495,983
	2,158,894	2,094,394
	3,987,355	4,200,393

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, 2019

	2019	2018
Revenue		
Undesignated		
General contributions	1,231,620	1,044,506
Thrift shops	1,064,998	924,659
Interest	18,601	17,584
Relief sales	136,121	152,308
Relief sale expenses	(49,693)	(53,788)
	2,401,647	2,085,269
International Designated		
Canadian Foodgrains Bank	436,392	399,901
Overseas programming	265,871	417,470
Material resources	264,318	218,132
Major disasters (unbudgeted)	13,987	66,792
Relief sales	3,624	11,627
Constituent initiated projects (unbudgeted)	200	-
	984,392	1,113,922
Provincial Designated		
Other income	242,409	262,996
Designated donations	405,231	377,350
	647,640	640,346
Total revenue	4,033,679	3,839,537

Continued on next page

Mennonite Central Committee Saskatchewan Statement of Operations

For the year ended March 31, 2019

	2019	2018
Total revenue <i>(Continued from previous page)</i>	4,033,679	3,839,537
Expenses		
Justice and Peace Building		
Peacebuilding and conflict transformation	217,845	251,106
Restorative justice	193,225	176,645
	411,070	427,751
Disaster Relief	143,664	116,294
Sustainable Community Development		
Migration and settlement	287,623	304,131
Education	113,346	61,503
	400,969	365,634
Administration		
Building management	85,067	109,579
Financial services	129,154	133,644
Office management	43,473	57,859
Human resources	51,287	57,381
Executive office and board	75,988	82,057
Information services	22,014	18,159
Constituency relations	31,815	26,666
Annual meeting	226	1,942
	439,024	487,287
Fundraising		
Communications and donor relations	368,603	334,875
Thrift shops	180,942	136,525
	549,545	471,400
Total provincial expenditures	1,944,272	1,868,366
Forwardings		
Mennonite Central Committee Canada	1,324,197	1,350,986
Canadian Foodgrains Bank	436,392	408,733
Material resources	264,318	218,132
	2,024,907	1,977,851
Total expenses	3,969,179	3,846,217
Excess (deficiency) of revenue over expenses for the year	64,500	(6,680)

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, 2019

	<i>Externally restricted for endowment purposes</i>	<i>Internally restricted</i>	<i>Invested in capital assets</i>	<i>Unrestricted</i>	2019	<i>2018</i>
Net assets, beginning of the year	117,321	430,642	1,050,448	495,983	2,094,394	2,101,074
Excess (deficiency) of revenue over expenses for the year	-	-	(48,525)	113,025	64,500	(6,680)
Investment in capital assets	-	-	7,522	(7,522)	-	-
Net assets, end of year	117,321	430,642	1,009,445	601,486	2,158,894	2,094,394

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses for the year	64,500	(6,680)
Loss on disposal of capital assets	1,022	-
Amortization	95,932	101,888
Amortization of deferred contributions related to capital assets	(48,429)	(50,978)
Non-cash increase in investments	(8,591)	(7,491)
	104,434	36,739
Changes in working capital accounts		
Accounts receivable	(173,645)	(9,747)
Prepaid expenses and deposits	(6,216)	(1,849)
Accounts payable and accruals	(306,636)	309,400
Deferred contributions	115,853	(31,075)
	(266,210)	303,468
Financing		
Repayment of mortgage payable	(38,323)	(25,648)
Investing		
Purchase of capital assets	(7,747)	(16,496)
Proceeds on disposal of capital assets	225	-
Repayment of loan to thrift shop	38,324	26,612
Decrease in restricted cash included in investments	9,890	48,417
	40,692	58,533
Increase (decrease) in cash resources	(263,841)	336,353
Cash resources, beginning of year	997,178	660,825
Cash resources, end of year	733,337	997,178

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, 2019

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 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, 2019

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 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, 2019

3. Investments

The investments, excluding restricted cash, are interest-bearing redeemable deposits held with Abundance Canada bearing interest at 1.53% (2018- 1.41%). 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 Abundance Canada.

	2019	2018
Internally restricted		
Capital reserve	382,495	376,722
Special projects fund	4,117	4,055
Restricted cash	39,975	49,865
Unrestricted		
Operating fund	182,367	179,614
Bursary	17,345	17,345
	626,299	627,601
Externally restricted for endowment purposes		
Overseas programme	117,321	117,321
	743,620	744,922

4. Loan to thrift shop

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 \$1,268 including interest at 3.95% per annum.

	2019	2018
	284,526	322,850
Less: current portion	7,973	8,346
	276,553	314,504

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2019

5. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	301,354	-	301,354	301,354
Buildings	2,936,997	1,354,157	1,582,840	1,667,057
Automotive	32,306	30,884	1,422	3,277
Computer equipment	50,848	30,059	20,789	20,291
Furniture and fixtures	90,250	76,264	13,986	15,541
Office equipment	30,991	21,779	9,212	11,515
	3,442,746	1,513,143	1,929,603	2,019,035

Amortization expense included in the statement of operations was \$95,932 (2018 - \$101,888).

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.

	2019	2018
Balance, beginning of year	291,123	322,197
Amount received during the year	326,985	174,072
Less: Amount recognized as revenue during the year	(211,134)	(205,146)
	406,974	291,123

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.

	2019	2018
Balance, beginning of year	968,587	1,019,565
Recognized as revenue during the year	(48,429)	(50,978)
	920,158	968,587
Less: current portion	46,008	48,429
Balance, end of year	874,150	920,158

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2019

8. Mortgage payable

	2019	2018
Due to Abundance Canada and secured by a mortgage on building in Lanigan, Saskatchewan with a net book value of \$614,890 (2018 - \$646,885). Current repayment terms are \$1,268 per month including interest at 3.95% per annum, with a renewal date of September 2, 2021.	187,026	225,350
Less: Current portion	7,973	8,346
Less: Mortgage due on demand	179,053	217,004
	-	-

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

2020	7,973
2021	8,294
2022	8,627
2023	8,974
2024	9,335

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, 2019, the Organization has 72 active sponsorship cases with an estimated contingent liability of \$534,888 (2018 - 81 cases with an estimated contingent liability of \$568,626).

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2019

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 (2018 - \$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 \$1,009,445 (2018 - \$1,050,448).

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

	2019	2018
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	33,306
Timber Bay Children's Home	71,313	71,313
CDR Initiative Fund	31,171	31,171
Total internally restricted net assets	430,642	430,642

12. Thrift Shops

The Organization has an association with eight (2018 - 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, 2019, three organizations (2018 - four organizations) accounted for 71% (2018 - 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.

Mennonite Central Committee Saskatchewan
Notes to the Financial Statements
For the year ended March 31, 2019

13. Financial instruments *(Continued from previous page)*

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.