

Financial Statements of

**MENNONITE CHURCH CANADA**

Year ended January 31, 2019

# MENNONITE CHURCH CANADA

Audited Financial Statements  
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Year ended January 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Members of Mennonite Church Canada

### ***Opinion***

We have audited the financial statements of Mennonite Church Canada (the Entity), which comprise the statement of financial position as at January 31, 2019 and the statements of operations, changes in fund balances and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at January 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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



## ***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.



- 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.

*KPMG LLP*

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Chartered Professional Accountants

Winnipeg, Canada

June 10, 2019

# MENNONITE CHURCH CANADA

## Statement of Financial Position

January 31, 2019, with comparative information for 2018


			2019	2018
	General Fund	Capital Fund	Total	Total
<b>Assets</b>				
Current assets:				
Cash	\$ 708,946	\$ -	\$ 708,946	\$ 712,069
Accounts receivable (note 3)	220,409	-	220,409	219,186
Prepaid expenses	57,075	-	57,075	61,284
	986,430	-	986,430	992,539
Inter-fund balance receivable (payable)	223,543	(223,543)	-	-
Investments (note 4)	2,371,796	-	2,371,796	2,373,690
Investment in joint venture	47,435	-	47,435	34,281
Capital assets (note 5)	-	253,970	253,970	282,234
	\$ 3,629,204	\$ 30,427	\$ 3,659,631	\$ 3,682,744

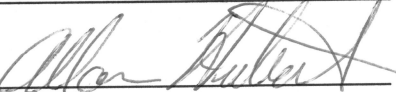
## Liabilities, Deferred Contributions and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 160,672	\$ -	\$ 160,672	\$ 350,746
Other loans payable	13,799	-	13,799	14,786
Deferred contributions (note 6)	1,587,462	-	1,587,462	1,463,026
Total liabilities and deferred contributions	1,761,933	-	1,761,933	1,828,558
Fund balances:				
Invested in capital assets	-	4,968	4,968	33,232
Externally restricted (note 7)	427,766	-	427,766	426,856
Internally restricted (note 8)	1,439,505	25,459	1,464,964	1,394,098
	1,867,271	30,427	1,897,698	1,854,186
	\$ 3,629,204	\$ 30,427	\$ 3,659,631	\$ 3,682,744

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# MENNONITE CHURCH CANADA

## Statement of Operations

Year ended January 31, 2019, with comparative information for 2018

	General Fund	Capital Fund	2019 Total	2018 Total
Revenues for MC Canada programs:				
Donations and bequests	\$ 1,776,915	\$ —	\$ 1,776,915	\$ 2,393,607
Investment income	25,765	—	25,765	105,598
Sales, services and fees	244,163	—	244,163	290,934
Grants from partner agencies	3,542	—	3,542	11,397
Amortization of deferred contributions (note 6)	92,292	—	92,292	170,841
	2,142,677	—	2,142,677	2,972,377
Revenues for partner programs:				
Donations and bequests	72,813	—	72,813	252,381
Grants	—	—	—	4,167
Investment income	11,000	—	11,000	6,770
Sales, services and fees	806	—	806	12,947
Amortization of deferred contributions (note 6)	445	—	445	34,764
	85,064	—	85,064	311,029
Revenues for related organizations:				
Donation and bequests	342,354	—	342,354	260,052
Sales, services and fees	6,716	—	6,716	102,481
Grants from partner agencies	—	—	—	11,226
Investment income	1,889	—	1,889	872
Amortization of deferred contributions (note 6)	105,580	—	105,580	148,403
	456,539	—	456,539	523,034
<b>Total revenues</b>	<b>2,684,280</b>	<b>—</b>	<b>2,684,280</b>	<b>3,806,440</b>
Expenses for MC Canada programs:				
Christian Witness (schedule A)	948,584	—	948,584	1,524,874
Christian Formation (schedule B)	223,561	—	223,561	365,803
Church Engagement (schedule C)	197,284	—	197,284	632,404
Joint Council (schedule D)	661,837	—	661,837	1,092,707
	2,031,266	—	2,031,266	3,615,788
Expenses for Partner Programs (schedule E)				
Contributions to related organizations (schedule F)	123,458	—	123,458	509,136
Amortization of capital assets	—	27,281	27,281	30,848
Loss (gain) on disposal of capital assets	—	(4,267)	(4,267)	13,211
<b>Total expenses and contributions</b>	<b>2,618,664</b>	<b>23,014</b>	<b>2,641,678</b>	<b>4,691,129</b>
Excess (deficiency) of revenues over expenses before the undernoted	65,616	(23,014)	42,602	(884,689)
Mennonite Church Eastern Canada (MCEC)	—	—	—	126,951
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 65,616</b>	<b>\$ (23,014)</b>	<b>\$ 42,602</b>	<b>\$ (757,738)</b>

See accompanying notes to financial statements.

# MENNONITE CHURCH CANADA

## Statement of Changes in Fund Balances

Year ended January 31, 2019, with comparative information for 2018

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	2019 Total	2018 Total
<b>General Fund:</b>						
Balance, beginning of year	\$ -	\$ 426,856	\$ 1,368,639	\$ -	\$ 1,795,495	\$ 2,506,316
Excess (deficiency) of revenues over expenses	-	-	-	65,616	65,616	(713,679)
Transfer from internally restricted funds (note 8)	-	-	(49,772)	49,772	-	-
Transfer to internally restricted funds (note 8)	-	-	120,638	(120,638)	-	-
Transfer from Capital Fund	-	-	-	5,250	5,250	-
Endowment contributions	-	910	-	-	910	2,858
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 427,766</b>	<b>\$ 1,439,505</b>	<b>\$ -</b>	<b>\$ 1,867,271</b>	<b>\$ 1,795,495</b>
<b>Capital Fund:</b>						
Balance, beginning of year	\$ 33,232	\$ -	\$ 25,459	\$ -	\$ 58,691	\$ 102,750
Deficiency of revenues over expenses	(23,014)	-	-	-	(23,014)	(44,059)
Transfer to General Fund	(5,250)	-	-	-	(5,250)	-
<b>Balance, end of year</b>	<b>\$ 4,968</b>	<b>\$ -</b>	<b>\$ 25,459</b>	<b>\$ -</b>	<b>\$ 30,427</b>	<b>\$ 58,691</b>

See accompanying notes to financial statements.



# MENNONITE CHURCH CANADA

## Statement of Cash Flows

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 42,602	\$ (757,738)
Items not involving cash:		
Amortization of capital assets	27,281	30,848
Loss (gain) on disposal of capital assets	(4,267)	13,211
Change in non-cash operating working capital:		
Accounts receivable	(1,223)	16,160
Prepaid expenses	4,209	(13,078)
Accounts payable and accrued liabilities	(190,074)	80,374
Accrued income on investments	-	6,590
Change in deferred contributions relating to General Fund	124,436	(254,769)
	2,964	(878,402)
Financing:		
Endowment contributions received	910	2,858
Decrease in other loans payable	(987)	(1,913)
	(77)	945
Investing:		
Proceeds from disposal of capital assets	5,250	-
Decrease in investments, net	1,894	94,504
Investment in joint venture	(13,154)	3,966
	(6,010)	98,470
Decrease in cash	(3,123)	(778,987)
Cash, beginning of year	712,069	1,491,056
Cash, end of year	\$ 708,946	\$ 712,069

See accompanying notes to financial statements.

# MENNONITE CHURCH CANADA

Notes to Financial Statements

Year ended January 31, 2019

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## 1. General:

Mennonite Church Canada (MC Canada) is a Canada-wide Christian denomination within the Anabaptist-Mennonite tradition. Its mission includes the promotion of biblical faithfulness in worship, evangelism, service, peacemaking and stewardship of God's creation.

On October 14, 2017, at a Special Delegate Assembly, MC Canada voted to change its bylaws, to take effect immediately. MC Canada is now a covenanted partnership of provincial/regional Mennonite Church conferences that works in the mission and ministry of the church of Jesus Christ. It provides, facilitates and coordinates national and other programs that support the ministry of its partner regional church conferences. MC Canada works closely with other national Mennonite conferences, particularly Mennonite Church USA, cooperates with various inter-Mennonite and other Christian agencies, and represents national and international programs and concerns to its constituency.

MC Canada is a corporation without share capital incorporated under the laws of Canada and is registered with Canada Revenue Agency as a charitable organization with registration number 10696-7086-RR0001. MC Canada is exempt from income tax under Section 149 of the *Income Tax Act*.

## 2. Significant accounting policies:

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

### (a) Fund accounting:

Assets, liabilities, revenues and expenses related to MC Canada's capital assets, capital campaigns, and internally restricted funds for future asset purchases are recorded in the Capital Fund. All other assets, liabilities, revenues and expenses are reported in the General Fund.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition:

MC Canada follows the deferral method of accounting for contributions, which include donations and government grants.

Externally restricted contributions, other than endowment contributions, are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

MC Canada has established an internal policy to generally recognize revenue on externally restricted bequests at the lesser of the related expense incurred during the year and 10 percent of the particular deferred balance.

Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recorded as a direct increase to the externally restricted fund balance of the General Fund. Investment income earned on endowment contributions is recognized as revenue of the General Fund.

Sales, services and fees are recognized as revenue when earned.

Investment income on unrestricted assets is recognized as revenue when earned. Investment income earned on deferred contributions is recognized as revenue in the same period as the related expenses of the deferred contribution are recognized.

Investment income earned on bequest funds and on the Church Building Fund are recognized directly into revenue of the General Fund.

Government grants relating to program delivery and administration are recognized as revenue of the General Fund in the year in which they apply.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

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## 2. Significant accounting policies (continued):

### (c) Joint venture:

The investment in CommonWord which is jointly owned and controlled is accounted for using the equity method. In accordance with the equity method, the carrying value of MC Canada's investment in CommonWord is adjusted by MC Canada's share of the excess of revenue over expenses of CommonWord.

### (d) Capital assets:

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over the asset's estimated useful life, which for buildings and leasehold improvements is 20 years and for vehicles, equipment and furnishings is 5 years. Amortization expense is reported in the Capital Fund.

### (e) Employee future benefits:

MC Canada has a defined contribution plan providing pension and post-employment benefits for its salaried employees. The cost of the defined contribution plan is recognized based on contributions required to be made during each period. During the year ended January 31, 2019, MC Canada made employer contributions for its employees to the plan in the amount of \$39,766 (2018 - \$70,006).

MC Canada is also a member of a health cost sharing plan incorporated in the United States, covering certain employees working overseas. Contributions to the plan are expensed as incurred.

### (f) Foreign currency:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

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## 2. Significant accounting policies (continued):

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. MC Canada has not elected to carry any such financial instruments at fair value.

Investments in pooled funds are carried at fair value. The change in fair value of investments for the year is recognized in investment income in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, MC Canada determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount MC Canada expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and the fair value of investments. Actual results could differ from those estimates.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

### 3. Accounts receivable:

	2019	2018
Donations receivable	\$ 155,724	\$ 105,677
Other	64,685	113,509
	<b>\$ 220,409</b>	<b>\$ 219,186</b>

### 4. Investments:

	2019	2018
Abundance Canada:		
Annuities	\$ 11,981	\$ 12,968
Church Building Fund Trust	443,215	443,244
Endowments, bequests and other	1,838,133	1,805,705
Canada Life Insurance Company	–	109,147
Industrial Alliance Financial Group	76,286	–
Crosstown Civic Credit Union surplus shares	2,181	2,626
	<b>\$ 2,371,796</b>	<b>\$ 2,373,690</b>

The investments held at Abundance Canada (formerly Mennonite Foundation of Canada) may be withdrawn at any time, with due notice. Investment earnings are paid by Abundance Canada based on its pooled rate, less a fixed percentage for administration fees.

The majority of the investments with Canada Life Insurance Company were held in a money market fund and a guaranteed fund.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

## 5. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ -	\$ -	\$ -	\$ 983
Buildings:				
Conference administration	829,070	805,473	23,597	37,691
Leasehold improvements	240,000	36,000	204,000	204,000
	1,069,070	841,473	227,597	241,691
Vehicles, equipment and furnishings	660,124	633,751	26,373	39,560
	\$ 1,729,194	\$ 1,475,224	\$ 253,970	\$ 282,234

MC Canada has a commercial line of credit to a maximum of \$500,000, which is secured by a first mortgage on the property at 600 Shaftesbury, now owned by Canadian Mennonite University (note 9[a]) and a general security agreement. As at January 31, 2019 and January 31, 2018, no amounts are drawn on the facility.

## 6. Deferred contributions:

General Fund:

Deferred contributions reported in the General Fund relate to externally restricted operating contributions which have not yet been disbursed for their intended purpose. Investment income if any, relating to these amounts are included as deferred contributions. Investment income is allocated from the General Fund based on internal policy, and in the years ended January 31, 2019 and 2018, no such income was earned based on the policy.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

## 6. Deferred contributions (continued):

General Fund (continued):

Changes in the deferred contributions balance reported in the General Fund are as follows:

	January 31, 2019	Received and not disbursed	Recognized as revenue	January 31, 2018
<b>MC Canada programs:</b>				
Christian Witness:				
Witness Bequest Fund	\$ 802,846	\$ 72,503	\$ 81,149	\$ 811,492
Myanmar	23,817	-	-	23,817
Church Building Fund	442,191	-	-	442,191
	1,268,854	72,503	81,149	1,277,500
Christian Formation:				
Formation Bequest Fund	31,036	-	3,449	34,485
	31,036	-	3,449	34,485
Transition Funding	-	-	7,694	7,694
	1,299,890	72,503	92,292	1,319,679
<b>Partner programs and related organizations:</b>				
Partner Projects	29,465	18,330	-	11,135
North American Vietnamese Mennonite	18,330	14,285	-	4,045
IM short-term assignments	17,569	16,642	-	927
MC USA - Join Hands	15,513	-	445	15,958
Meseretes Kristos College	206,695	200,993	105,580	111,282
	287,572	250,250	106,025	143,347
	\$ 1,587,462	\$ 322,753	\$ 198,317	\$ 1,463,026



# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

## 7. External restrictions on General Fund balances:

External restrictions on General Fund balances are as follows:

	2019	2018
Joint Council Endowments:		
Conference administration building	\$ 100,000	\$ 100,000
MC Canada general endowment	8,445	8,445
	<u>108,445</u>	<u>108,445</u>
Christian Witness Endowments:		
Native Ministries:		
Education endowment	16,753	16,753
General	2,000	2,000
Summer service	1,945	1,945
	<u>20,698</u>	<u>20,698</u>
Christian Formation Endowments:		
Company of 1000	273,511	272,601
History archives endowment	25,112	25,112
	<u>298,623</u>	<u>297,713</u>
	<u>\$ 427,766</u>	<u>\$ 426,856</u>

Endowment funds are contributions designated by donors to remain in perpetuity. The investment income earned by these funds is either restricted by the donor for specific use, or for the general use of the entity. Investment income earned on the endowment funds is recognized as revenue of the General Fund. A portion of the investment income is redirected to rebuild the principal balance where an investment loss had occurred in the previous year.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

## 8. Internally restricted fund balances:

### (a) General Fund:

	2019	2018
Christian Witness:		
Discretionary witness support	\$ 323,989	\$ -
Witness start-up	-	18,816
Missional resources	-	3,878
International Ministries	-	220,000
Native Ministries	59,353	64,353
Witness medical	-	15,371
Asia Worker Housing	-	65,924
	<u>383,342</u>	<u>388,342</u>
Christian Formation:		
Youth Assembly	18,094	18,094
Resource Creation	4,000	4,000
	<u>22,094</u>	<u>22,094</u>
Operations:		
Major repair reserve	22,442	22,442
Joint council:		
General bequests received to be used for program expenditures over a 10 year period	214,863	151,737
General	198,165	145,462
New projects	100,000	100,000
MCEC first fruits	375,184	375,184
	<u>888,212</u>	<u>772,383</u>
Partner programs:		
Learning Tour	20,005	20,005
MVSA Partnership reserve	-	34,598
Company of 1000	4,886	1,080
Mennonite Women Canada	98,524	107,695
	<u>123,415</u>	<u>163,378</u>
	<u>\$ 1,439,505</u>	<u>\$ 1,368,639</u>

These internally restricted amounts are not available for any other purpose without the approval of the respective Council or General Board. Subsequent to October 14, 2017 (see note 1), approval must be obtained from the Joint Council.

On January 26, 2019, the Joint Council approved a motion to combine the following fund accounts into a new internally restricted fund named Discretionary Witness Support Fund: Witness start-up, Missional resources, International Ministries, Witness medical and Asia Worker Housing.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

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## 8. Internally restricted fund balances (continued):

During the year, the Joint Council authorized the following transfers:

- (i) \$49,772 (2018 - \$849,696) from the General Fund's internally restricted funds to the General Fund's unrestricted funds to cover program expenses for the year.
- (ii) \$120,638 (2018 - \$136,017) to the General Fund's internally restricted funds from the General Fund's unrestricted funds to cover future program expenses.
- (iii) \$5,250 (2018 - nil) from the Capital Fund to the General Fund.

### (b) Capital Fund:

	2019	2018
General capital	\$ 25,459	\$ 25,459

These internally restricted amounts are not available for any other purpose without the approval of the Joint Council.

## 9. Related party transactions:

### (a) Canadian Mennonite University:

The Canadian Mennonite Bible College (CMBC), which was previously owned and operated by MC Canada, entered into a formal arrangement in 1998 with two other Mennonite Colleges to form the Canadian Mennonite University (CMU). CMU was formed in order to increase the effectiveness, both in serving the Mennonite constituency and in witnessing to the larger society, by providing university level training consistent with a Christian perspective rooted in the Anabaptist-Mennonite tradition. The members of CMU are CMBC, Concord College and Menno Simons College.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

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## 9. Related party transactions (continued):

MC Canada leases its offices (and the Heritage Centre until June 1, 2017) from CMU under a 99 year capital lease. MC Canada does not pay rent on this lease but is responsible for all utility and maintenance costs associated with these properties. During the year ended January 31, 2018, MC Canada agreed to transfer the assets of the Heritage Centre and the responsibility for the operations of the archives and gallery projects to CMU for nil consideration. The disposition was recorded at book value. Under the agreed terms for the transfer, MC Canada has an ongoing commitment of approximately \$55,000 annually to the archive operating costs, for an initial three-year period. After this period, the funding commitments will be reviewed by the parties to the arrangement. MC Canada paid \$96,603 during the year to the Heritage Centre as operating grants.

MC Canada incurred \$130,000 (2018 - \$185,292) in operational and payroll costs during the year which has been contributed to CommonWord.

A nil balance is due from CommonWord (2018 - \$2,751). MC Canada's share of the joint venture excess of revenue over expenses was \$13,153 (2018 - \$3,965).

### (b) Menno Media:

Menno Media, previously known as Mennonite Publishing Network, is an organization incorporated in the state of Pennsylvania as a not-for-profit corporation. Its purpose is to serve the publishing ministry needs of MC Canada and Mennonite Church USA. MC Canada is able to appoint 3 of a maximum of 8 members on Menno Media's board of directors. During the year, MC Canada contributed \$163,192 to Menno Media (2018 - \$25,726).

### (c) MC Canada sponsors a defined contribution pension plan for its employees and its member churches and related organizations. The plan is registered under the *Pension Benefits Act* of Manitoba, registration number 0228650. The pension plan is administered by Industrial Alliance. During fiscal year 2019, MC Canada was paid \$54,926 (2018 - \$78,480) by Industrial Alliance for services provided by MC Canada in relation to administering the plan with nil balance (2018 - \$36,294) in accounts receivable at January 31, 2019.

# MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2019

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## 10. Financial risks and concentration of credit risk:

### (a) Currency risk:

MC Canada is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MC Canada incurs international expenditures denominated in various foreign currencies. MC Canada does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2018.

### (b) Liquidity risk:

Liquidity risk is the risk that MC Canada will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MC Canada manages its liquidity risk by monitoring its operating requirements. MC Canada prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2018.

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. MC Canada is exposed to credit risk with respect to the accounts receivable. MC Canada assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2018.

### (d) Interest rate risk:

MC Canada is exposed to interest rate risk on its fixed interest rate investments that are held in pooled funds (note 4).

# MENNONITE CHURCH CANADA

Expenses for Christian Witness Program

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
International ministries	\$ 708,944	\$ 1,173,763
Indigenous/settler relations	166,097	173,035
Executive office	73,543	167,229
National ministries administration	–	10,847
	<u>\$ 948,584</u>	<u>\$ 1,524,874</u>

# MENNONITE CHURCH CANADA

## Expenses for Christian Formation Program

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
Resource Centre	\$ 111,424	\$ 102,034
Executive office	96,602	174
Ministerial and congregational leadership	15,535	87,900
Canadian Mennonite University grants	–	175,695
	<u>\$ 223,561</u>	<u>\$ 365,803</u>

# MENNONITE CHURCH CANADA

Expenses for Church Engagement Program

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
Canadian Mennonite	\$ 129,628	\$ 118,940
Communications	42,959	320,867
Executive office	24,697	87,181
Development	-	105,416
	<u>\$ 197,284</u>	<u>\$ 632,404</u>



# MENNONITE CHURCH CANADA

Expenses for Joint Council

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
Administration	\$ 350,965	\$ 397,967
Finance	156,507	233,722
Operations	138,566	301,723
Mennonite World Conference grants	35,000	28,500
Assembly	10,560	133,765
Foreign exchange gain	(29,761)	(2,970)
	<u>\$ 661,837</u>	<u>\$ 1,092,707</u>

# MENNONITE CHURCH CANADA

## Expenses for Partner Programs

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
Mennonite Voluntary Service Adventure	\$ 34,598	\$ 4,413
Mennonite Women Canada	29,755	12,701
Company of 1000	20,730	40,150
North American Vietnamese Mennonite Fellowship	16,905	52,117
IM short-term assignments	10,870	10,304
Mennonite Heritage Centre Archives	10,600	115,187
Mennonite Heritage Centre Gallery	-	138,472
Myanmar	-	91,881
Partner Projects/New Initiatives	-	24,957
Philippine Partnership	-	12,819
Kherson	-	6,135
	<b>\$ 123,458</b>	<b>\$ 509,136</b>

# MENNONITE CHURCH CANADA

## Contributions to Related Organizations

Year ended January 31, 2019, with comparative information for 2018

	2019	2018
Meseretes Kristos College	\$ 270,512	\$ 299,201
Menno Media	158,044	25,726
Canadian Mennonite University	11,682	98,553
Associated Mennonite Bible Seminary	10,170	56,974
Mennonite Church USA	10,350	2,759
Mennonite Mission Network	3,182	31,433
Mennonite Church Eastern Canada	-	7,500
	<b>\$ 463,940</b>	<b>\$ 522,146</b>