

Financial Statements of

**MENNONITE CHURCH
CANADA**

Year ended January 31, 2020

MENNONITE CHURCH CANADA

Audited Financial Statements
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Year ended January 31, 2020

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KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

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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, 2020, the statements of operations and 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, 2020, 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 represent 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

Chartered Professional Accountants

Winnipeg, Canada

May 23, 2020

MENNONITE CHURCH CANADA

Statement of Financial Position

January 31, 2020, with comparative information for 2019

	General Fund				2020	2019
	Unrestricted	Internally restricted	Restricted Fund	Endowment Fund	Total	Total
						(Restated, note 3)
Assets						
Current assets:						
Cash	\$ 1,112,543	\$ -	\$ -	\$ -	\$ 1,112,543	\$ 708,946
Accounts receivable (note 4)	106,663	-	-	-	106,663	220,409
Prepaid expenses	40,721	-	-	-	40,721	57,075
Due from other funds	223,543	1,008,079	495,962	98	1,727,682	223,543
	1,483,470	1,008,079	495,962	98	2,987,609	1,209,973
Investments (note 5)	359,304	232,817	1,578,079	120,679	2,290,879	2,371,796
Investment in joint venture	47,435	-	-	-	47,435	47,435
Capital assets (note 6)	-	-	226,689	-	226,689	253,970
	\$ 1,890,209	\$ 1,240,896	\$ 2,300,730	\$ 120,777	\$ 5,552,612	\$ 3,883,174
Liabilities and Fund Balances						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 172,530	\$ -	\$ -	\$ 79	\$ 172,609	\$ 160,672
Deferred contributions (note 7)	202,578	-	-	-	202,578	429,919
Due to other funds	1,504,139	-	223,543	-	1,727,682	223,543
	1,879,247	-	223,543	79	2,102,869	814,134
Other loans payable	10,962	-	-	-	10,962	13,799
Fund balances:						
Internally restricted	-	1,240,896	-	-	1,240,896	1,320,534
Externally restricted	-	-	2,077,187	-	2,077,187	1,588,897
Endowment (note 9)	-	-	-	120,698	120,698	145,810
	-	1,240,896	2,077,187	120,698	3,438,781	3,055,241
Subsequent event (note 13)						
	\$ 1,890,209	\$ 1,240,896	\$ 2,300,730	\$ 120,777	\$ 5,552,612	\$ 3,883,174

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

MENNONITE CHURCH CANADA

Statement of Operations and Changes in Fund Balances

Year ended January 31, 2020, with comparative information for 2019

	General Fund	Restricted Fund	Endowment Fund	2020 Total	2019 Total
					(Restated, note 3)
Revenue:					
Donations, bequests and other revenue	\$ 2,739,944	\$ 280,761	\$ –	\$ 3,020,705	\$ 2,635,916
Investment income	34,679	75,568	–	110,247	38,654
	2,774,623	356,329	–	3,130,952	2,674,570
Expenses:					
MC Canada operations (schedule)	2,243,550	–	–	2,243,550	2,158,188
Partner ministries (note 12)	358,768	–	–	358,768	357,571
Designated funds:					
Disbursements	–	–	25,112	25,112	–
Grants	80,270	12,431	–	92,701	102,905
Amortization	–	27,281	–	27,281	27,281
Gain on disposal of capital assets	–	–	–	–	(4,267)
	2,682,588	39,712	25,112	2,747,412	2,641,678
Excess (deficiency) of revenues over expenses	\$ 92,035	\$ 316,617	\$ (25,112)	\$ 383,540	\$ 32,892
Fund balance, beginning of year:					
As previously reported	1,464,964	4,968	427,766	1,897,698	1,854,186
Adjustments on change in accounting policy (note 3)	(144,430)	1,583,929	(281,956)	1,157,543	1,168,163
	1,320,534	1,588,897	145,810	3,055,241	3,022,349
Inter-fund transfers (note 8)	(171,673)	171,673	–	–	–
Balance, end of year	\$ 1,240,896	\$ 2,077,187	\$ 120,698	\$ 3,438,781	\$ 3,055,241

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

General Fund - Statement of Operations and Changes in Fund Balance

Year ended January 31, 2020, with comparative information for 2019

	Internally restricted								2020	2019
	Unrestricted	Witness Discretionary Fund	ISR Internally Restricted Fund	General Bequest Fund	General Reserve Fund	Missional Initiatives Fund	Capital Reserve Fund	Other Internally Restricted Funds	Total	Total (Restated, note 3)
Revenue										
Donations, bequests and other revenue	\$ 2,605,047	\$ -	\$ 10,139	\$ 124,758	\$ -	\$ -	\$ -	\$ -	\$ 2,739,944	\$ 2,553,334
Investment income	22,787	-	-	11,559	333	-	-	-	34,679	38,654
	2,627,834	-	10,139	136,317	333	-	-	-	2,774,623	2,591,988
Expenses:										
MC Canada operations (schedule)	2,243,550	-	-	-	-	-	-	-	2,243,550	2,158,188
Partner ministries (note 12)	358,768	-	-	-	-	-	-	-	358,768	357,571
Designated funds:										
Disbursements	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	577	74,693	-	5,000	80,270	-
	2,602,318	-	-	-	577	74,693	-	5,000	2,682,588	2,515,759
Net earnings	25,516	-	10,139	136,317	(244)	(74,693)	-	(5,000)	92,035	76,229
Fund balance, beginning of year:										
As previously reported	-	323,989	59,353	214,863	206,610	475,183	22,442	162,524	1,464,964	1,394,098
Adjustments on change in account policy (note 3)	-	-	-	-	-	-	-	(144,430)	(144,430)	(149,793)
	-	323,989	59,353	214,863	206,610	475,183	22,442	18,094	1,320,534	1,244,305
Inter-fund transfers (note 8)	206,414	(32,399)	(25,000)	(33,045)	-	-	3,947	-	119,917	-
Inter-fund transfers - unrestricted net assets (note 8)	(231,930)	(291,590)	-	-	154,620	-	77,310	-	(291,590)	-
Fund balance, end of year	\$ -	\$ -	\$ 44,492	\$ 318,135	\$ 360,986	\$ 400,490	\$ 103,699	\$ 13,094	\$ 1,240,896	\$ 1,320,534

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Restricted Funds - Statement of Operations and Changes in Fund Balance

Year ended January 31, 2020, with comparative information for 2019

							2020	2019
	Witness Bequest Fund	Formation Bequest Fund	Church Building Fund	Company of 1000 Fund	Capital Fund	Endowment Fund	Total	Total (Restated, note 3)
Revenue:								
Donations, bequest and other revenue	\$ 164,099	\$ 90,000	\$ -	\$ 26,662	\$ -	\$ -	\$ 280,761	\$ 82,582
Investment income	42,446	1,614	26,397	5,111	-	-	75,568	-
	206,545	91,614	26,397	31,773	-	-	356,329	82,582
Expenditures:								
MC Canada operations (schedule)	-	-	-	-	-	-	-	-
Partner ministries (note 12)	-	-	-	-	-	-	-	-
Designated funds:								
Disbursements	-	-	-	-	-	-	-	-
Grants	-	-	-	12,431	-	25,112	37,543	102,905
Amortization	-	-	-	-	27,281	-	27,281	27,281
Gain on sales of capital assets	-	-	-	-	-	-	-	(4,267)
	-	-	-	12,431	27,281	25,112	64,824	125,919
Net earnings	206,545	91,614	26,397	19,342	(27,281)	(25,112)	291,505	(43,337)
Fund balance, beginning of year:								
As previously reported	-	-	-	-	4,968	427,766	432,734	460,088
Adjustment on change in accounting policy (note 3)	802,846	35,036	442,191	278,397	25,459	(281,956)	1,301,973	1,317,956
	802,846	35,036	442,191	278,397	30,427	145,810	1,734,707	1,778,044
Inter-fund transfers (note 8)	(90,332)	(5,117)	(24,468)	-	-	-	(119,917)	-
Inter-fund transfers (note 8)	291,590	-	-	-	-	-	291,590	-
Fund balance, end of year	\$ 1,210,649	\$ 121,533	\$ 444,120	\$ 297,739	\$ 3,146	\$ 120,698	\$ 2,197,885	\$ 1,734,707

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Statement of Cash Flows

Year ended January 31, 2020, with comparative information for 2019

	2020	2019
		(Restated, note 3)
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 383,540	\$ 32,892
Items not involving cash:		
Amortization of capital assets	27,281	27,281
Gain on disposal of capital assets	–	(4,267)
Change in non-cash operating working capital:		
Accounts receivable	113,746	(1,223)
Prepaid expenses	16,354	4,209
Accounts payable and accrued liabilities	11,937	(190,074)
Change in deferred contributions relating to General Fund	(227,341)	135,056
	325,517	3,874
Financing:		
Decrease in other loans payable	(2,837)	(987)
Investing:		
Proceeds from disposal of capital assets	–	5,250
Decrease in investments, net	80,917	1,894
Investment in joint venture	–	(13,154)
	80,917	(6,010)
Increase (decrease) in cash	403,597	(3,123)
Cash, beginning of year	708,946	712,069
Cash, end of year	\$ 1,112,543	\$ 708,946

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Notes to Financial Statements

Year ended January 31, 2020

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:

MC Canada follows restricted fund method of accounting for contributions.

The General Fund consists of assets, liabilities, revenue and expenditures related to MC Canada's program delivery and administrative activities. The General Fund also consists of funds internally restricted by the Joint Council. These internally restricted amounts are not available for any other purposes without the approval of the respective Joint Council.

The Restricted Funds, excluding the Capital Fund and Endowment Fund, include those assets, liabilities, revenue and expenditures which have been restricted as to the use of either capital and/or interest therefrom by the donor to support a particular ministry of MC Canada. The Capital Fund includes assets, liabilities, revenue and expenditures related to MC Canada's capital assets. The Endowment Fund consists of assets, liabilities and revenue related to contributions designated to by donors to remain in perpetuity.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

2. Significant accounting policies (continued):

The investment income earned by these funds is either restricted by the donor for specific use, or for the general use of MC Canada.

(b) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the General Fund, depending on the nature of the contribution, in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount can be reasonably estimated and collected is reasonably assured.

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

Endowment contributions are rerecognized as revenue when received in the Endowment Fund. Investment income earned on endowment contributions is recognized as revenue of the General Fund.

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 unspent restricted contributions is recognized as revenue in the Restricted Funds.

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

(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.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

2. Significant accounting policies (continued):

(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, 2020, MC Canada made employer contributions for its employees to the plan in the amount of \$34,275 (2019 - \$39,766).

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 year end 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.

(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.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

2. Significant accounting policies (continued):

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.

3. Change in accounting policy:

MC Canada has elected to change the accounting policy for revenue recognition from the deferral method to the restricted fund method. Under the restricted fund method, MC Canada has restricted funds for the Witness Bequest Fund, Formation Bequest Fund, Church Building Fund, Company of 1000 Fund, Capital Fund (together, Restricted Funds) and Endowment Fund. All contributions received by MC Canada and restricted for purposes of the Restricted Funds are reported in the Restricted Funds when the contribution is received or receivable. Contributions designated by the donor in perpetuity are recognized as revenue in the Endowment Fund when contribution is received or receivable. Under the deferral method, contributions restricted for purposes of the Restricted Funds were reported as revenue in the period in which the related expenditure was incurred. If the contributions were not expended at the end of the fiscal period, they were accumulated as deferred contributions on the statement of financial position. Contributions to the Endowment Fund were recognized as a direct increase to the externally restricted fund balance of the General Fund.

The change in accounting policy was adopted by MC Canada on February 1, 2019, with retrospective adjustments to the comparative period. The impact of the change in accounting policy resulted in a decrease to deferred contributions and increase to fund balances of \$1,157,543, from that previously reported, on the statement of financial position at January 31, 2019. On the statement of operations, revenue and excess of revenue over expenses decreased by \$9,710, from that previously reported, for the year ended January 31, 2019.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

4. Accounts receivable:

	2020	2019
Donations receivable	\$ 11,244	\$ 155,724
Other	95,419	64,685
	<u>\$ 106,663</u>	<u>\$ 220,409</u>

5. Investments:

	2020	2019
Abundance Canada	\$ 2,205,602	\$ 2,293,329
Industrial Alliance Financial Group - Mutual Funds	85,277	76,286
Crosstown Civic Credit Union surplus shares	-	2,181
	<u>\$ 2,290,879</u>	<u>\$ 2,371,796</u>

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.

6. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Buildings:				
Conference administration	\$ 829,070	\$ 795,567	\$ 33,503	\$ 35,597
Leasehold improvements	240,000	60,000	180,000	192,000
	<u>1,069,070</u>	<u>855,567</u>	<u>213,503</u>	<u>227,597</u>
Vehicles, equipment and furnishings	660,124	646,938	13,186	26,373
	<u>\$ 1,729,194</u>	<u>\$ 1,502,505</u>	<u>\$ 226,689</u>	<u>\$ 253,970</u>

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

7. 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, 2020 and 2019, no such income was earned based on the policy.

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

	January 31, 2020	Received and not disbursed	Recognized as revenue	January 31, 2019 (Restated, note 3)
MC Canada programs:				
Christian Witness:				
Myanmar	\$ 23,817	\$ -	\$ -	\$ 23,817
Partner programs & related organizations:				
Partner Projects	18,741	-	-	18,741
North American Vietnamese Mennonite	14,641	-	(3,689)	18,330
IM short-term assignments	22,537	9,522	(4,554)	17,569
MC USA - Join Hands	33,849	18,336	-	15,513
Meseretes Kristos College	58,842	55,945	(203,798)	206,695
Mennonite Women Canada	-	-	(98,524)	98,524
Learning tour	20,005	-	-	20,005
Mennonite Mission Network	4,030	-	(591)	4,621
Menno Media	5,080	-	(68)	5,148
Anabaptist Mennonite Biblical Seminary	1,036	80	-	956
	178,761	83,883	(311,224)	406,102
	\$ 202,578	\$ 83,883	\$ (311,224)	\$ 429,919

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

8. Inter-fund transfers:

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

- (i) \$86,497 (2019 - \$49,772) from the General Fund's internally restricted funds to the General Fund's unrestricted funds to cover program expenses for the year.
- (ii) \$119,917 (2019 - \$5,250) from the Restricted Funds' fund balances to the General Fund's unrestricted funds to cover restricted program expenses for the year.
- (iii) \$231,930 (2019 - \$120,638) to the General Fund's internally restricted funds from the General Fund's unrestricted funds to cover future program expenses.
- (iv) \$291,590 (2019 - \$120,638) from the Witness Discretionary Fund internally restricted funds to the Witness Bequest Fund externally restricted funds to cover future restricted program expenses.

9. Endowment Fund:

Contributions held for perpetuity within the Endowment Fund are as follows:

	2020	2019
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>
Joint Council Endowment:		
Conference administration building	100,000	100,000
Christian Formation Endowments:		
History archives endowment	-	25,112
	<u>\$ 120,698</u>	<u>\$ 145,810</u>

The investment income earned by these funds is either restricted by the donor for specific use, or for the general use of MC Canada. 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, 2020

10. 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.

MC Canada leases its offices 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 \$66,245 (2019 - \$96,603) during the year to the Heritage Centre as operating grants.

MC Canada incurred \$130,000 (2019 - \$130,000) in operational and payroll costs during the year which has been contributed to CommonWord.

MC Canada's share of the joint venture's excess of revenue over expenses was nil (2019 - \$13,154).

(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 \$14,998 to Menno Media (2019 - \$163,192).

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

10. Related party transactions (continued):

- (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 2020, MC Canada was paid \$91,791 (2019 - \$54,926) by Industrial Alliance for services provided by MC Canada in relation to administering the plan.

11. 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 2019.

- (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 2019.

- (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 2019.

- (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 5).

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2020

12. Partner ministries:

	2020	2019
Commonword	\$ 130,000	\$ 130,000
Canadian Mennonite Publishing Services	109,416	111,023
Mennonite Heritage Centre Archives	66,245	96,603
Mennonite World Conference Canadian Council of Churches	31,917	–
Evangelical Fellowship of Canada	9,190	19,945
	12,000	–
	\$ 358,768	\$ 357,571

13. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows and/or working capital levels, which may also have a direct impact on MC Canada's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on MC Canada is not known at this time.

MENNONITE CHURCH CANADA

Schedule - MC Canada Operations

Year ended January 31, 2020, with comparative information for 2019

	Executive	Christian Formation	Christian Witness Office	Christian Witness Program	Indigenous Settler Relations	Communications Operations and Occupancy	Partner Projects	2020 Total	2019 Total
Expenses:									
Staff Salary and Payroll Expenses	\$ 155,468	\$ -	\$ 100,392	\$ 342,307	\$ 78,051	\$ 191,740	\$ -	\$ 867,958	\$ 880,268
Staff Travel and Expenses	18,983	-	10,392	22,026	6,096	840	-	58,337	155,397
Staff Professional Development	939	-	-	-	800	-	-	1,739	4,376
Joint Council and Executive Staff Group	72,851	-	-	-	-	-	4,696	77,547	84,583
Resourcing Expenses	-	-	11,610	29,879	15,114	50,832	141,252	248,687	128,869
Program Expenses	195,031	11,401	188	180,277	43,254	21,774	439,434	891,359	829,044
Facility Expenses	-	-	-	-	-	62,170	-	62,170	46,194
Legal & Audit Expenses	-	-	-	-	-	35,753	-	35,753	29,457
	\$ 443,272	\$ 11,401	\$ 122,582	\$ 574,489	\$ 143,315	\$ 363,109	\$ 585,382	\$ 2,243,550	\$ 2,158,188