

Financial Statements of

**MENNONITE CENTRAL
COMMITTEE CANADA**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of Mennonite Central Committee Canada

Opinion

We have audited the financial statements of Mennonite Central Committee Canada (the "Entity"), which comprise the statement of financial position as at March 31, 2020, 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 March 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 3 to the financial statements ("Note 3"), which explains that certain comparative information presented for the year ended March 31, 2019 has been restated.

Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

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

September 19, 2020

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019 (Restated, note 3)
Assets		
Current assets:		
Cash	\$ 11,119,730	\$ 6,939,570
Accounts receivable (note 4)	5,885,610	5,029,939
Prepaid expenses	828,217	578,667
Inventories (note 5)	2,050,980	5,079,103
Investments (note 6)	45,382	743,388
Assets held for sale (note 7)	1,328,156	-
	<u>21,258,075</u>	<u>18,370,667</u>
Long-term grants receivable	-	55,986
Investment in Canadian Foodgrains Bank Association Inc.	3,974,323	3,953,043
Capital assets (note 7)	1,502,066	3,536,552
	<u>\$ 26,734,464</u>	<u>\$ 25,916,248</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Payable to MCC U.S., non-interest bearing	\$ 448,125	\$ 134,177
Accounts payable and accrued liabilities (note 9)	8,399,704	3,157,063
Payable to service workers	838,341	787,634
Current portion of long-term debt (note 11)	-	117,696
Liabilities relating to assets held for sale (note 11)	2,721,494	-
	<u>12,407,664</u>	<u>4,196,570</u>
Deferred contributions related to expenses of future periods (note 10)	-	183,510
Long-term debt (note 11)	-	2,721,494
Fund balances (note 12):		
Unrestricted	3,561,736	8,594,178
Internally restricted:		
General operations (note 13)	3,097,451	1,512,884
Ten Thousand Villages Canada	-	402,077
Externally restricted - International (schedule B)	7,667,613	8,305,535
	<u>14,326,800</u>	<u>18,814,674</u>
Commitments and contingencies (note 17)		
Subsequent events (notes 7,8,11 and 22)		
	<u>\$ 26,734,464</u>	<u>\$ 25,916,248</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Operations

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

	General Funds						Restricted Fund		Total 2020	Total 2019 (Restated, note 3)
	Operating		Ten Thousand Villages Canada		Total		International			
	2020	2019 (Restated, note 3)	2020	2019	2020	2019	2020	2019 (Restated, note 3)		
Revenue (note 15):										
Contributions:										
General	\$ 17,070,942	\$ 11,275,018	\$ -	\$ -	\$ 17,070,942	\$ 11,275,018	\$ -	\$ -	\$ 17,070,942	\$ 11,275,018
Designated:										
CFGB	282,825	307,901	-	-	282,825	307,901	3,253,308	3,540,859	3,536,133	3,848,760
Disaster restricted	28,456	10,814	-	-	28,456	10,814	116,371	359,204	144,827	370,018
Other	1,137,916	1,571,432	-	-	1,137,916	1,571,432	4,656,412	8,114,276	5,794,328	9,685,708
Centennial projects	44,123	-	-	-	44,123	-	138,954	-	183,077	-
Centennial other	874,327	-	-	-	874,327	-	1,242,836	-	2,117,163	-
Material resources	-	-	-	-	-	-	1,900,528	1,749,333	1,900,528	1,749,333
Grants:										
GAC - CFGB	-	-	-	-	-	-	8,454,375	8,444,850	8,454,375	8,444,850
CFGB	-	-	-	-	-	-	1,910,500	2,452,882	1,910,500	2,452,882
Other	22,283	1,138,538	-	-	22,283	1,138,538	(347,539)	174,346	(325,256)	1,312,884
Fair trade sales	-	-	9,169,177	9,027,387	9,169,177	9,027,387	-	-	9,169,177	9,027,387
Foreign exchange gain (loss)	10,357	(8,490)	(2,114)	20,769	8,243	12,279	238,193	183,568	246,436	195,847
Other (note 16)	233,869	348,671	410,131	1,259,010	644,000	1,607,681	503,932	572,630	1,147,932	2,180,311
	19,705,098	14,643,884	9,577,194	10,307,166	29,282,292	24,951,050	22,067,870	25,591,948	51,350,162	50,542,998
Expenses:										
Program (schedule A)	1,458,819	1,902,774	-	-	1,458,819	1,902,774	34,928,138	38,431,651	36,386,957	40,334,425
Fair trade (note 19):										
Cost of sales	-	-	6,185,318	4,102,417	6,185,318	4,102,417	-	-	6,185,318	4,102,417
Operations	-	-	4,664,351	4,741,643	4,664,351	4,741,643	-	-	4,664,351	4,741,643
Administration	-	-	3,409,382	1,628,729	3,409,382	1,628,729	-	-	3,409,382	1,628,729
Support services:										
Administration and communication	1,991,640	2,141,027	-	-	1,991,640	2,141,027	-	-	1,991,640	2,141,027
Resource generation	813,565	353,307	-	-	813,565	353,307	-	-	813,565	353,307
Other:										
Grants to Provincial MCCs (note 18)	2,386,823	698,490	-	-	2,386,823	698,490	-	-	2,386,823	698,490
	6,650,847	5,095,598	14,259,051	10,472,789	20,909,898	15,568,387	34,928,138	38,431,651	55,838,036	54,000,038
Excess (deficiency) of revenue over expenses	\$ 13,054,251	\$ 9,548,286	\$ (4,681,857)	\$ (165,623)	\$ 8,372,394	\$ 9,382,663	\$ (12,860,268)	\$ (12,839,703)	\$ (4,487,874)	\$ (3,457,040)

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Changes in Fund Balances

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

	General Funds			Restricted Fund		2020 Total	2019 Total
	Unrestricted	Internally restricted	Ten Thousand Villages Canada	International			
Balance, beginning of year:							(Restated, note 3)
As previously reported	\$ 10,010,178	\$ 1,512,884	\$ 402,077	\$ 6,309,368	\$ 18,234,507	\$ 22,271,714	
Prior period adjustments (note 3)	(1,416,000)	–	–	1,996,167	580,167	–	
As restated	8,594,178	1,512,884	402,077	8,305,535	18,814,674	22,271,714	
Excess (deficiency) of revenue over expenses	13,054,251	–	(4,681,857)	(12,860,268)	(4,487,874)	(3,457,040)	
Inter-fund transfers (note 13)	(4,621,511)	341,731	4,279,780	–	–	–	
Inter-fund transfer for International programs (schedule B)	(13,465,182)	1,242,836	–	12,222,346	–	–	
Balance, end of year	\$ 3,561,736	\$ 3,097,451	\$ –	\$ 7,667,613	\$ 14,326,800	\$ 18,814,674	

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Statement of Cash Flows

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

	2020	2019
		(Restated, note 3)
Cash provided by (used in):		
Operating:		
Deficiency of revenue over expenses	\$ (4,487,874)	\$ (4,037,207)
Items not involving cash:		
Amortization of capital assets	734,545	723,011
Loss on disposal of capital assets	172,883	41,315
	<u>(3,580,446)</u>	<u>(3,272,881)</u>
Change in non-cash operating working capital:		
Accounts receivable	(855,671)	942,697
Prepaid expenses	(249,550)	(95,936)
Inventories	3,028,123	1,084,780
Long-term grants receivable	55,986	508,486
Accounts payable and accrued liabilities	5,242,641	524,627
Payable to MCC U.S.	313,948	50,516
Payable to service workers	50,707	(25,514)
Repayment of loan payable	-	(3,389)
Change in deferred contributions related to expenses of future periods	<u>(183,510)</u>	<u>(191,528)</u>
	3,822,228	(478,142)
Investing activities:		
Increase in investment in Canadian Foodgrains Bank Association Inc.	(21,280)	(36,562)
Change in investments, net	698,006	(273,024)
Purchase of capital assets	<u>(201,098)</u>	<u>(162,218)</u>
	475,628	(471,804)
Financing activities:		
Repayment of long-term debt	(117,696)	(113,422)
Increase (decrease) in cash	4,180,160	(1,063,368)
Cash, beginning of year	6,939,570	8,002,938
Cash, end of year	<u>\$ 11,119,730</u>	<u>\$ 6,939,570</u>

See accompanying notes to financial statements.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements

Year ended March 31, 2020

1. Nature of the operations and basis of presentation:

Mennonite Central Committee (MCC), a worldwide ministry of Anabaptist churches, shares God's love and compassion for all in the name of Christ by responding to basic human needs and working for peace and justice. MCC envisions communities worldwide in right relationship with God, one another and creation.

Mennonite Central Committee Canada (MCCC) and Mennonite Central Committee U.S. (MCC U.S.) have entered into a covenant to share the ownership of each of the MCC international programs in each country that MCC operates in and all related assets including property, relationships, reputation, knowledge, experience, and supporting systems located in those countries. It is intended that the share that each national entity owns under this arrangement in each country program will be an undivided share.

Both MCCC and MCC U.S. have agreed to collaborate and work together in the operation of the shared program so that it will be seen as one integrated MCC shared program. This commitment does not preclude either entity from agreeing occasionally to fund and manage on its own an entire project or an entire country program. In addition to the international program MCCC and MCC U.S. agreed to resource and manage other programs on a shared basis.

MCCC receives the majority of its contribution revenue from Canadian Provincial MCC's and collaborates with the Canadian Provincial MCC's in Canadian domestic program activity.

MCCC is incorporated under a *Special Act of the Parliament of Canada* as a non-profit organization without share capital. MCCC is a registered charity within the meaning of the *Income Tax Act (Canada)* and is exempt from income taxes.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies incorporated into these financial statements are as follows:

(a) Fund accounting:

MCCC follows the restricted fund method of accounting for contributions.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(i) General Funds:

(a) Unrestricted:

Operating activities include the administration of Domestic programming in the areas of Sustainable Community Development and Justice and Peacebuilding. Included in the unrestricted fund are amounts invested in capital assets and the non-building capital asset reserve.

(b) Internally restricted:

Funds have been internally restricted for various purposes as disclosed in note 13.

(c) Ten Thousand Villages Canada:

The operations of Ten Thousand Villages Canada (Villages Canada), a program of MCCC, create opportunities with artisans in developing countries to earn income by bringing their products and stories to Canadian markets through long-term fair trading relationships.

During the year ended March 31, 2020, the Board of MCCC approved the decision to cease operations of Villages Canada by June 30, 2020. The financial statements of MCCC at March 31, 2020 include all anticipated costs associated with the Board's decision to cease operations including severance costs, costs associated with breaking of operating leases and write-down of inventory to its net realizable value (note 19). In addition, Villages Canada disposed of its land and buildings by June 30, 2020 (note 7) and the proceeds from the disposal will be utilized to repay the mortgage payable (note 11) and any remaining liabilities to external entities.

(ii) Restricted Fund - International:

Operating activities include the administration of international programming in the areas of Sustainable Community Development, Disaster Response and Justice and Peacebuilding. Included in this Fund are the contributions designated for international programs.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

Included in this fund are also the contributions received for MCCC's member account with Canadian Foodgrains Bank Association Inc. (CFGB). CFGB is a partnership of 15 Canadian churches and church-based agencies working to end global hunger. On behalf of its member agencies and their partners, CFGB collects grain and cash donations, provides funds and expert advice for projects submitted by member agencies and their partners, manages procurement and supply of food commodities, and engages in public policy and educational activities related to hunger.

(b) Change in accounting policies:

Effective April 1, 2019, MCCC adopted the new Handbook section, Section 4433, *Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, *Property, Plant and Equipment*, in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

There was no impact to the financial statements of MCCC from adoption of this accounting standard.

(c) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the appropriate General Fund, depending on the nature of the contribution, in the year in which the related expenses are incurred. Contributions restricted for international programs are recognized as revenue in the Restricted International Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions received from the Government which are restricted for international programs are subject to review by the Government for utilization of the contribution in accordance with the Government agreement. Adjustments, if any, are recorded in the period they are communicated by the Government to MCCC.

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

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

In accordance with the covenant referred to in note 1, MCCC has allocated to the General Operating Fund a portion of the designated contributions received for the Restricted International Fund. This allocation, which aggregated \$2,367,647 (2019 - \$1,890,147) for the year ended March 31, 2020, is to offset administrative and resource generation expenses incurred by the General Operating Fund.

Sales revenue is recognized when the related merchandise is sold to the customer. Interest and other revenue are recognized as earned.

(d) Foreign exchange:

Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars using the year end exchange rate. Revenue and expense items are converted using the average exchange rate in the month of the transaction. The foreign exchange gain included in the statement of operations for the year ended March 31, 2020 is \$246,436 (2019 - \$195,847).

(e) Contributed services:

Volunteers are an integral part of carrying out the activities of MCCC. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

(f) Inventories:

Inventories of Villages Canada are valued at the lower of cost, determined on a weighted average basis and net realizable value, the estimated selling price in the normal course of operations less the estimated costs necessary to make the sale. Cost includes the purchase cost and transportation expenses incurred to bring inventory to its present location.

Material resource donations intended for overseas shipments are recorded as inventory and revenue in the Restricted Fund at fair value when received. Inventory is expensed when goods are shipped.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(g) Investment:

The investment in CFGB is recorded utilizing the equity method of accounting. In accordance with the equity method of accounting, the carrying value of MCCC's investment in CFGB is adjusted by MCCC's share of the excess of revenue over expenses of CFGB. MCCC's share of the revenue includes donations received by MCCC for its member account at CFGB or received by CFGB for MCCC's member account. Revenues also include grants received by CFGB for MCCC's member account. MCCC's share of the expenses include project grants made by CFGB at the direction of MCCC. The accumulated net assets related to MCCC's investment in CFGB, are included in the externally restricted fund balance on the statement of financial position.

(h) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Term
Buildings	20 - 30 years
Equipment	3 - 10 years
Vehicles	3 - 5 years
Leasehold improvements	Term of the lease

Amortization of leasehold improvements is calculated on a straight-line basis over the term of the related lease.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When circumstances indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-down of the asset is charged to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

During fiscal 2020, the land, buildings and equipment of Villages Canada have been listed for sale and reclassified as "Assets held for sale". These assets were sold by June 30, 2020. Assets to be disposed are classified as held for sale and are no longer amortized. Assets held for sale are recognized at the lower of book value and fair value less cost of disposal. Long-term debt to be repaid as part of the sale transaction is also classified as "Liabilities relating to assets held for sales".

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Freestanding derivatives 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. MCCC has not elected to carry any such financial instruments at fair value.

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.

(j) Allocation of expenses:

MCCC records a number of its expenses by program. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

MCCC incurs a number of general program support expenditures that are common to the operation of the international and domestic programs. MCCC allocates its general program support expenditures by identifying the appropriate basis of allocating the component expenditures and applying that basis consistently each year.

General Program support expenditures relate primarily to the country program supervision costs, the Program Directors department and certain of the expenditures for the Program Learning and Disaster Response department. These expenditures have been allocated proportionately to the program priorities based on the direct expenditures attributable to those program priorities. The basis of allocation is reviewed periodically and may be revised according to circumstances prevailing from time to time.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 inventories and capital assets. Actual results could differ from those estimates.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Prior period adjustments:

In preparing its financial statements for the year ended March 31, 2020, MCCC made adjustments on a retroactive basis and accordingly the comparative figures have been restated to reflect:

- (i) additional GAC - CFGB revenue of \$580,167 for the year ended March 31, 2019 and an increase to MCCC's investment in CFGB in the same amount; and
- (ii) a restricted bequest of \$1,416,000 designated by the donor for international programs which should have been reflected as revenue of the Restricted Fund for the year ended March 31, 2019 but was previously reported as revenue of the General Fund.

4. Accounts receivable:

	2020	2019
Receivable from Provincial MCC's	\$ 2,699,741	\$ 2,937,769
Customers of Villages Canada	119,737	171,278
Current portion of long-term grants receivable	58,688	1,115,806
CFGB	2,606,606	602,025
Other	400,838	203,061
	\$ 5,885,610	\$ 5,029,939

5. Inventories:

	2020	2019
Villages Canada - merchandise	\$ 800,000	\$ 3,787,751
General operations - books and reading materials	324,667	343,546
Material resources	926,313	947,806
	\$ 2,050,980	\$ 5,079,103

The amount of inventories recognized as an expense within costs of sales and international programs for the year ended March 31, 2020 is \$8,400,138 (2019 - \$5,949,603).

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Investments:

	2020	2019
Abundance Canada:		
Fixed income portfolio fund	\$ 20,368	\$ 718,371
Other	25,014	25,017
	<u>\$ 45,382</u>	<u>\$ 743,388</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.

7. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 348,135	\$ –	\$ 348,135	\$ 679,343
Buildings	1,687,394	1,059,903	627,491	1,774,501
Equipment	2,177,131	2,019,691	157,440	592,955
Vehicles	1,055,679	751,630	304,049	384,909
Leasehold improvements	138,651	73,700	64,951	104,844
	<u>\$ 5,406,990</u>	<u>\$ 3,904,924</u>	<u>\$ 1,502,066</u>	<u>\$ 3,536,552</u>

During fiscal 2020, the Board of MCCC approved ceasing operations of Villages Canada by June 30, 2020 (note 19). As a result, Villages Canada listed the property for disposal and the property is included in assets held for sale at March 31, 2020 on the statement of financial position. The sale of the property closed effective June 30, 2020 for proceeds of \$4,700,000.

8. Bank indebtedness:

Villages Canada has a line of credit with Kindred Credit Union up to a maximum of \$700,000 (2019 - \$900,000) payable on demand. Interest is payable at prime plus 1.25 percent for a total interest rate of 3.70 percent (2019 - 5.20 percent) at March 31, 2020. The line of credit is secured as disclosed in note 11. At March 31, 2020, Villages Canada utilized nil (2019 - nil) of this line of credit. Subsequent to March 31, 2020, the line of credit was cancelled on wind-up of the operations of Villages Canada.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2020 are government remittances payable of \$38,792 (2019 - \$2,462) relating to federal and provincial sales tax, payroll taxes, health taxes and workers safety insurance.

10. Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for expenses to be incurred in the future years.

	2020	2019
Balance, beginning of year	\$ 183,510	\$ 375,038
Add amounts received during the year	–	–
Less amounts recognized into revenue in the year	(183,510)	(191,528)
Balance, end of year	\$ –	\$ 183,510

11. Long-term debt:

	2020	2019
Mortgage payable to Kindred Credit Union, repayable in blended monthly payments of \$19,020, interest at 3.99%, due May 16, 2021	\$ 2,721,494	\$ 2,839,190
Current portion	–	(117,696)
Reclassified to liabilities relating to assets held for sale	(2,721,494)	–
	\$ –	\$ 2,721,494

The mortgage payable is secured by an all-purpose collateral mortgage registered over the property at 65 Heritage Drive in New Hamburg, Ontario and a general security agreement covering inventory, accounts receivable and equipment of Villages Canada.

The mortgage has been reclassified at March 31, 2020 to liabilities relating to assets held for sale as the mortgage was repaid with the proceeds from the disposal of the land and building subsequent to March 31, 2020. The mortgage was repaid by Villages Canada in conjunction with the disposition of the property on June 30, 2020 (note 7).

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Investment in capital assets:

MCCC has the following investment in capital assets included within the fund balances:

	General Funds				Restricted Funds		Total 2020	Total 2019
	Operating		Ten Thousand Villages Canada		International			
	2020	2019	2020	2019	2020	2019		
Capital assets	\$ 983,561	\$ 1,154,347	\$ -	\$ 1,826,451	\$ 518,505	\$ 555,754	\$ 1,502,066	\$ 3,536,552
Assets held for sale	-	-	1,328,156	-	-	-	1,328,156	-
Amounts financed by:								
Liabilities relating to assets held for sale	-	-	(1,219,494)	-	-	-	(1,219,494)	-
Long-term debt	-	-	-	(1,319,190)	-	-	-	(1,319,190)
	\$ 983,561	\$ 1,154,347	\$ 108,662	\$ 507,261	\$ 518,505	\$ 555,754	\$ 1,610,728	\$ 2,217,362

13. Internally restricted fund balance and inter-fund transfers:

The internally restricted fund balance consists of the following internally restricted funds for certain programs and expenses of future years:

	2020	2019
Investment in Donor Relations	\$ 282,485	\$ 31,023
Non-building capital asset reserve	50,000	50,000
MCC Canada Surplus Fund	348,574	-
MCC Canada Centennial Fund	279,550	272,350
Shared Program:		
Bequest Fund	235,883	-
Centennial Core Programming Fund	1,242,836	-
MCC's in Canada Bequest Fund	-	295,511
MCC's in Canada Centennial Projects	44,123	-
Strategic Investment Fund:		
Affordable housing	300,000	300,000
National domestic programs	129,000	379,000
General	185,000	185,000
	\$ 3,097,451	\$ 1,512,884

During the year, an amount of \$4,279,780 (2019 - \$166,213) was transferred from the General Operating Fund to Ten Thousand Villages Canada consisting of a \$4,446,170 equity transfer less \$166,390 of rental/human resource services and interest charges paid by Villages Canada to MCCC.

During the year ended March 31, 2020, \$251,462 (2019 - \$4,099) was transferred from the General Operating Fund to the Internally Restricted Fund held as an Investment in Donor Relations.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Internally restricted fund balance and inter-fund transfers (continued):

During the year ended March 31, 2020, \$348,574 (2019 - nil) was transferred from the General Operating Fund to the Internally Restricted Fund held as a Surplus Fund on behalf of MCC Canada.

During the year ended March 31, 2020, \$295,511 (2019 - \$109,084) was transferred from the Internally Restricted Fund to the General Operating Fund to cover the expenses incurred to fund certain costs associated with the Centennial Campaign.

During the year ended March 31, 2020, \$287,917 was transferred from the General Operating Fund to the Internally Restricted Fund. Of this amount \$235,883 was transferred to the Bequest Fund held on behalf of Shared Program, \$7,911 was transferred from the General Operating Fund to the Centennial Fund held for MCC Canada and \$44,123 was transferred from the General Operating Fund to the Centennial Projects Fund held on behalf of the MCC's in Canada.

During the year ended March 31, 2020, \$250,000 (2019 - \$430,000) was transferred to the General Operating Fund from the Internally Restricted Fund to cover the expenses to fund certain costs associated with the Centennial Grants to provinces.

The purpose of the Strategic Investment Fund is to provide funds to meet special targets of opportunity or needs that further the mission of MCC in Canada and throughout the world and which may or may not have specific expectation of incremental or long-term increased revenue. In addition, its purpose is to provide funds for organizational capacity such as staff development, research and development, or investment in infrastructure that will build long-term capacity of MCC in Canada. This fund is held by MCCC on behalf of all of the MCCs in Canada.

14. Allocation of international expenses:

General Program support expenditures relate primarily to the country program supervision costs, the Program Directors department and certain of the expenditures for the Program Learning and Disaster Response department. These expenditures totaling \$6,578,404 (2019 - \$6,379,098) have been allocated as follows:

	2020	2019
Sustainable Community Development	\$ 3,504,091	\$ 3,500,861
Disaster Response	1,201,517	1,114,685
Justice and Peacebuilding	1,872,796	1,763,552
	\$ 6,578,404	\$ 6,379,098

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

15. Revenue:

Included in MCCC's revenue are the following amounts that were recorded as revenue by the Canadian Provincial MCCs and forwarded to MCCC as grants in accordance with a predetermined revenue sharing agreement between the MCCs in Canada.

	2020	2019
Contribution revenue:		
General contributions	\$ 16,917,424	\$ 12,501,331
Designated contributions:		
CFGB	3,525,367	3,838,903
Disasters restricted	93,210	249,063
Other - international programs	5,729,399	7,944,642
Material resources	1,865,691	1,759,787
Grant revenue:		
Other	89,007	219,600
	\$ 28,220,098	\$ 26,513,326

16. Other revenue:

	2020	2019
Operating Fund:		
Administration fees from CFGB	\$ 173,640	\$ 173,047
Administration fees from Global Affairs Canada (GAC)	57,999	122,713
Interest	5,426	20,877
Other	(3,196)	32,034
Villages Canada:		
MCC U.S.	-	647,720
Canadian Provincial MCCs	-	300,000
Other	410,131	311,290
International:		
Other contributions and grants	503,932	572,630
	\$ 1,147,932	\$ 2,180,311

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

17. Commitments and contingencies:

MCCC has entered into agreements to lease premises for various periods until June 2024. The minimum lease payments, exclusive of realty taxes and other occupancy charges, for each of the next five years are as follows:

2021	\$	253,886
2022		201,846
2023		134,538
2024		34,665
2025		19,109

MCCC has signed a Private Sponsorship of Refugees (PSR) Agreement with Immigration Refugee and Citizenship Canada (IRCC) to provide financial, human resources and moral support to a certain number of refugees sponsored under the PSR program. MCCC's responsibilities under this agreement were assigned to the various Canadian MCCs but MCCC remains contingently liable for the financial obligations. The estimated amount of the contingent liability as at March 31, 2020 is approximately \$8,500,000 (2019 - \$5,500,000).

MCCC, together with MCC U.S., are committed to user fees in connection with the Human Resource Information System for \$140,000 (US\$99,000) per annum to December 28, 2022.

18. Grants to Provincial MCCs:

During the years ended March 31, 2020 and 2019, the following grant payments were made to provincial MCCs for the purposes indicated:

	2020	2019
Administrative recoveries Disaster/Centennial contributions	\$ 224,523	\$ 17,673
Bequest policy payments	890,513	435
Annual surplus policy payments	612,507	228,797
Strategic Investment Fund payments for Centennial Donor Relations	414,280	430,000
Other grants	245,000	21,585
	\$ 2,386,823	\$ 698,490

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

19. Discontinued operations - Villages Canada:

During the year ended March 31, 2020, the Board of MCCC approved the decision to cease operations of Villages Canada by June 30, 2020. Six company stores and two board stores were closed at the end of March 2020 and the remaining five company stores as well as the webstore were closed at the end of May 2020. The head office staff were employed to the end of June 2020. The costs accrued during the year ended March 31, 2020 related to the decision to cease operations aggregated \$2,129,746 and include severance costs and costs associated with operating leases. In addition, inventory at March 31, 2020 was written down to its net realizable value of \$800,000.

20. Pension plan:

MCCC sponsors a defined contribution group RRSP for eligible employees. MCCC's contributions are based on 5 percent of salary costs. Contributions of \$429,440 (2019 - \$440,329) have been expensed during the year ended March 31, 2020 and are included in administration expenses.

21. Financial risks:

MCCC manages risk and risk exposures by applying policies approved by the Board of Directors of MCCC.

(a) Currency risk:

MCCC is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MCCC and MCC U.S. incur international expenditures denominated in various foreign currencies and have agreed to share the currency risk related to these expenditures equally. On behalf of both national entities, MCCC entered into structured foreign exchange options to mitigate this risk during the year ended March 31, 2020. As at March 31, 2020, MCCC had no foreign exchange contracts outstanding.

Villages 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, Villages Canada purchases inventories denominated in US dollars. Villages Canada entered into forward contracts to mitigate this risk during the year ended March 31, 2020. As at March 31, 2020, Villages Canada had no foreign exchange contracts outstanding (2019 - US\$99,675 at an exchange rate of 1.3290 which matured on May 31, 2019). Villages Canada has recognized an unrealized gain on these foreign exchange contracts at March 31, 2020 of nil (2019 - \$390) which is included in accounts payable and accrued liabilities.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

21. Financial risks (continued):

These derivatives have not been designated as hedges for accounting purposes and are recorded at fair value.

(b) Liquidity risk:

Liquidity risk is the risk that MCCC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MCCC manages its liquidity risk by monitoring its operating requirements. MCCC 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 counter party may default on its contractual obligations resulting in a financial loss. MCCC is exposed to credit risk with respect to the accounts receivable. MCCC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The allowance for doubtful accounts at March 31, 2020 is nil (2019 - nil). There has been no change to the risk exposure from 2019.

(d) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on Villages Canada's cash flows, financial position and operations. MCCC is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Further details about the fixed rate financial instruments are included in note 8 and note 11. There has been no change to the risk exposure from 2019.

22. Subsequent events:

In the month of March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, MCCC has experienced a decline in contributions and mandatory working from home requirements for those able to do so as a result of the COVID-19 pandemic.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments.

MENNONITE CENTRAL COMMITTEE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

22. Subsequent events (continued):

The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effect of these items on MCCC is not practicable at this time.

MENNONITE CENTRAL COMMITTEE CANADA

Program Expenses

Schedule A

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

	Domestic Program	International Program	2020 Total	2019 Total
Sustainable Community Development:				
Education	\$ 80,501	\$ 4,647,645	\$ 4,728,146	\$ 5,067,440
Food security and sustainable livelihoods:	60,789	9,313,681	9,374,470	10,186,600
HIV AIDS	–	21,467	21,467	104,171
Water	–	592,880	592,880	745,358
Health:	7,482	1,300,994	1,308,476	1,171,863
HIV AIDS	–	609,789	609,789	637,372
Water	–	1,357,740	1,357,740	4,055,450
Migration and resettlement	298,006	196,910	494,916	441,413
	446,778	18,041,106	18,487,884	22,409,667
Disaster Response:				
Humanitarian relief and disaster response (HRDR)	145,264	2,643,166	2,788,430	2,868,076
HRDR - Food	–	9,453,956	9,453,956	9,221,935
	145,264	12,097,122	12,242,386	12,090,011
Justice and Peacebuilding:				
Peacebuilding and conflict transformation	679,993	3,784,208	4,464,201	4,464,381
Conflict prevention	17,066	971,535	988,601	1,026,252
Restorative justice	169,718	34,167	203,885	344,114
	866,777	4,789,910	5,656,687	5,834,747
Total expenses	\$ 1,458,819	\$ 34,928,138	\$ 36,386,957	\$ 40,334,425

MENNONITE CENTRAL COMMITTEE CANADA

Restricted Funds Summary

Schedule B

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

	Fund balance March 31, 2019	Revenue	Program expenses	Inter-fund transfers	Fund balance March 31, 2020
	(Restated, note 3)				
CFGB	\$ 3,953,043	\$ 13,618,183	\$ (13,596,901)	\$ -	\$ 3,974,325
Shared Program	1,171,418	-	-	-	1,171,418
Designated government grants:					
GAC	326,926	(347,539)	(428,234)	531,958	83,111
Designated contributions:					
The Meeting House	236,044	172,125	-	(408,169)	-
Nepal Earthquake	63,591	-	(63,591)	-	-
Africa Famine	-	-	-	-	-
East Africa Drought	-	-	-	-	-
Kasai Crisis	9,927	-	(9,927)	-	-
Rohingya Crisis	52,003	-	(52,734)	731	-
Syria/Iraq Crisis	5,256	116,371	(121,627)	-	-
Water restricted	24,507	867,110	(891,617)	-	-
Water general	-	-	-	-	-
Other international programs	-	4,117,805	(17,458,467)	13,340,662	-
Restricted bequest	1,416,000	-	(141,600)	-	1,274,400
Exchange & other income	-	-	-	-	-
Centennial Restricted	-	138,954	-	-	138,954
Core programming	-	1,242,836	-	(1,242,836)	-
Material resources	947,807	1,900,528	(1,922,022)	-	926,313
Constituency initiated projects	99,013	241,497	(241,418)	-	99,092
Total International Fund	\$ 8,305,535	\$ 22,067,870	\$ (34,928,138)	\$ 12,222,346	\$ 7,667,613

Note

In accordance with the Covenant referred to in Note 1, during the year ended March 31, 2020, \$13,465,182 (2019 - \$11,126,221) was allocated from other international programs to the Restricted Fund to cover related international program expenses from undesignated revenue in the General Fund.

During the year ended March 31, 2020, unspent externally restricted contributions included in the Restricted Fund of \$1,242,836 were transferred to the Internally Restricted Fund as the contributors removed the restriction and allowed the Board of MCCC to determine the use of the funds. The funds were designated by the Board for the Centennial Core Programming Fund held for Shared Program.