

**MENNONITE COMMUNITY SERVICES OF
SOUTHERN ONTARIO**

Financial Statements

March 31, 2018

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Financial Statements

For the Year Ended March 31, 2018

Table of Contents	PAGE
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11
Unaudited Schedules to the Statement of Operations - Schedule 1	12
Unaudited Schedules to the Statement of Operations - Schedules 2 and 3	13



INDEPENDENT AUDITORS' REPORT

To the Members of **Mennonite Community Services of Southern Ontario**:

We have audited the accompanying financial statements of **Mennonite Community Services of Southern Ontario**, which comprise the statement of financial position as at March 31, 2018, the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenditures and cash flows for the period ending March 31, 2018 and year ending March 31, 2017, current assets as at March 31, 2018 and March 31, 2017, and net assets as at April 1, 2017 and March 31, 2018 for the 2018 year ended as well as April 1, 2016 and March 31, 2017 for the 2017 year ended. Our audit on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the statement of financial position of **Mennonite Community Services of Southern Ontario** as at March 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Aylmer, Ontario

June 15, 2018

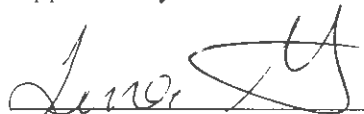
Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

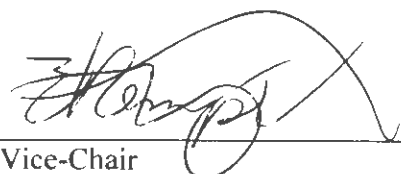
MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Financial Position As at March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - unrestricted	30,776	-
Cash - restricted (Note 3)	29,591	26,017
Accounts receivable	6,768	40,421
Prepaid expenses	<u>5,398</u>	<u>3,515</u>
	72,533	69,953
TANGIBLE CAPITAL ASSETS (NOTE 4)	<u>173,680</u>	<u>183,127</u>
TOTAL ASSETS	<u>246,213</u>	<u>253,080</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Operating line of credit (Note 5)	-	68,745
Accounts payable and accrued liabilities	35,201	33,161
Government remittances payable	17,780	1,146
Demand mortgage payable (Note 6)	<u>28,650</u>	<u>31,654</u>
	81,631	134,706
RESERVE FUND (NOTE 3)	<u>29,591</u>	<u>26,017</u>
	<u>111,222</u>	<u>160,723</u>
<u>NET ASSETS</u>		
NET ASSETS	<u>134,991</u>	<u>92,357</u>
TOTAL LIABILITIES AND NET ASSETS	<u>246,213</u>	<u>253,080</u>

Approved by Board of Directors:


Chair


Vice-Chair

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Change in Net Assets For the Year Ended March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
BALANCE, BEGINNING OF YEAR	92,357	39,949
Surplus for the year	<u>42,634</u>	<u>52,408</u>
BALANCE, END OF YEAR	<u><u>134,991</u></u>	<u><u>92,357</u></u>

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Operations For the Year Ended March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
REVENUES		
Grant Revenue		
Ministry of Advanced Education and Skills Development - ES and YJL	167,120	162,924
Immigration, Refugees and Citizenship Canada	89,537	87,426
Public Health Agency of Canada - CAPC	87,090	87,090
Public Health Agency of Canada - CPNP	61,160	61,160
Ministry of Citizenship, Immigration and International Trade - NSP	45,871	45,871
Ministry of Children and Youth Services - C & F I Non-resident	36,771	36,771
United Way	18,000	18,000
Human Resources and Skills Development Canada	3,800	1,460
New Horizons	-	19,893
Total Grant Revenue	<u>509,349</u>	520,595
Thrift store revenue	279,475	242,631
Donation revenue	75,414	103,013
Radio revenue	72,555	80,970
Other revenue (Schedule 2)	59,060	39,375
Aylmer relief sale revenue	33,519	28,477
Post revenue	21,774	23,857
Settlement revenue	9,063	8,710
Volunteer program revenue	<u>5,733</u>	<u>4,335</u>
	<u>1,065,942</u>	<u>1,051,963</u>
EXPENSES		
Wages and benefits	736,655	756,980
Other (Schedule 3)	153,908	107,262
Travel	28,832	29,899
Rent	24,084	24,530
Post	21,817	23,874
Office	21,463	20,231
Property taxes	10,970	11,770
Amortization	10,949	11,411
Professional fees	8,078	6,773
Insurance	<u>6,552</u>	<u>6,825</u>
	<u>1,023,308</u>	999,555
SURPLUS FOR THE YEAR	<u><u>42,634</u></u>	<u><u>52,408</u></u>

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Cash Flows For the Year Ended March 31, 2018

	2018	2017
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from fundraising, customers, donations and grants	1,132,450	1,050,377
Cash paid to employees and suppliers	<u>(1,024,850)</u>	<u>(1,053,371)</u>
	<u>107,600</u>	<u>(2,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible capital assets	<u>(1,501)</u>	<u>(7,851)</u>
	<u>(1,501)</u>	<u>(7,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(3,004)</u>	<u>(2,875)</u>
	<u>(3,004)</u>	<u>(2,875)</u>
NET CHANGE IN CASH (ADVANCES) DURING THE YEAR	103,095	(13,720)
CASH (ADVANCES), BEGINNING OF YEAR	<u>(42,728)</u>	<u>(29,008)</u>
CASH (ADVANCES), END OF YEAR	<u><u>60,367</u></u>	<u><u>(42,728)</u></u>
CASH (ADVANCES) ARE COMPRISED OF:		
Cash (operating line of credit) - unrestricted	30,776	(68,745)
Cash - restricted	<u>29,591</u>	<u>26,017</u>
	<u><u>60,367</u></u>	<u><u>(42,728)</u></u>

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2018

NATURE OF THE ORGANIZATION

Mennonite Community Services of Southern Ontario was incorporated without share capital under the laws of the Province of Ontario. It was formed by local Mennonite community members for the purpose of providing leadership to empower our communities, by advocating and promoting integration and inclusion of our Low German ethnicity, and serving the community; partnering with other agencies, businesses and churches responding to the needs of all. Activities include settlement services, radio broadcasting, advocacy, education and other services. The organization is a registered charity and as such is exempt from tax under paragraph 149(1)(f) of the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount 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 current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

In particular, the organization uses estimates when accounting for certain items:

- Allowance for doubtful accounts
- Useful lives of tangible assets
- Revenue recognition

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Receipts which are designated for a specific purpose (such as government grants and donations designated for programs) are reflected as deferred revenue on the statement of financial position until expended as designated, whereupon the funds are reflected as revenue.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Thrift store revenues are recognized at the time of sale.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible Capital Assets

Tangible capital assets are recorded at cost and amortization is calculated using the diminishing balance method at the following annual rates:

Buildings	4-5%
Computer equipment	30%
Radio equipment	20%
Office equipment	20%

Contributed Inventories and Services

Inventories of donated clothing and other items that are eventually resold by the organization are not considered to have any value and are therefore, not recorded in the financial statements.

Volunteers contribute an indeterminable number of hours per year. Due to the difficulty in determining their fair value, contributed services and donations in kind are not recognized in the financial statements.

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash, which is measured at fair value. Changes in fair value are recognized in surplus for the year.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include operating line of credit, accounts payable and accrued liabilities and demand mortgage payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in surplus for the year.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2018

2. DESCRIPTION OF OPERATIONS AND PROGRAMS

General Operations

General Operations reflects the assets, liabilities, revenues and expenses related to all ongoing programs of Mennonite Community Services of Southern Ontario. Activities include the thrift store, radio station and the Aylmer relief sale (auction), settlement resources, as well as outreach and volunteer programs. The following programs also operate under the General Operations:

Aylmer Resource Centre (ARC)

The Aylmer Resource Centre Program reports the resources that are used to provide support to newcomers to Canada.

Employment Program

The Employment Program reports the resources that are used to provide employment services for the citizens of East Elgin to assist them in finding employment.

Family Education & Support Project of Aylmer (Family Education)

The Family Education & Support Project of Aylmer reports the resources that are used to assist women and their preschool children new to Canada in learning English and basic life skills with a focus on health.

3. RESTRICTED CASH AND RESERVE FUND

	2018	2017
	<u>\$</u>	<u>\$</u>
MCS Reserve	14,149	14,141
Family Education	9,623	7,382
Menno Play	3,606	3,601
Leamington Outreach	1,313	-
Festival Sale	<u>900</u>	<u>893</u>
	<u><u>29,591</u></u>	<u><u>26,017</u></u>

The balances in these accounts are reserved for specific purposes as prescribed by each account. The MCS reserve was set aside initially in 2007 to cover future shortfalls.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2018

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2018	2017
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Land	28,925	-	28,925	28,925
Buildings	291,805	167,467	124,338	130,095
Computer equipment	37,572	36,033	1,539	2,199
Radio equipment	55,254	49,162	6,092	7,615
Office equipment	<u>91,919</u>	<u>79,133</u>	<u>12,786</u>	<u>14,293</u>
	<u>505,475</u>	<u>331,795</u>	<u>173,680</u>	<u>183,127</u>

5. OPERATING LINE OF CREDIT

The organization is authorized to draw up to \$50,000 on an operating line of credit. Borrowings bear interest at 4.45%, and are guaranteed by a general security agreement. The actual amount outstanding on the line of credit at year end was \$Nil.

6. DEMAND MORTGAGE PAYABLE

	2018	2017
	<u>\$</u>	<u>\$</u>
Demand mortgage payable, 4.4%, repayable in blended monthly instalments of \$360 (secured by buildings)	<u>28,650</u>	<u>31,654</u>

If no demand for repayment is made, the aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	<u>\$</u>
2019	3,137
2020	3,274
2021	3,422
2022	3,574
2023 and beyond	<u>15,243</u>
	<u>28,650</u>

The organization has access to a demand mortgage of \$340,000, of which \$28,650 was outstanding at year-end.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2018

7. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

Liquidity Risk

Liquidity risk is the risk that a organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its operating line of credit, accounts payable and accrued liabilities and demand mortgage payable. Management has chosen to absorb this risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed rate operating line of credit and demand mortgage payable. It is management's opinion this this exposure is not significant.

It is management's opinion that the entity is not exposed to any significant foreign currency, credit or other price risk.

No financial liabilities of the organization were in default during the period.

The organization is not exposed to any covenants.

8. COMPARATIVE FIGURES

Certain comparative figures presented in the financial statements have been reclassified to conform to the presentation adopted in the current year.

9. COMMITMENTS

The organization has entered into a one year rental contract which expires in March 2019. The organization pays \$8,000 per year as part of the contract.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Unaudited Schedules to the Statement of Operations For the Year Ended March 31, 2018

	<u>Schedule 1</u>						March 31 2018	March 31 2017
	General Operations	ARC	Thrift Store	Radio	Employment Program	Family Education	\$	\$
REVENUE								
Thrift store revenue	-	-	279,475	-	-	-	279,475	242,631
MAESD grant	-	-	-	-	167,120	-	167,120	162,924
IRCC grant	16,804	72,733	-	-	-	-	89,537	87,426
CAPC grant	-	-	-	-	-	87,090	87,090	87,090
Donation revenue	45,351	9,966	700	15,266	-	4,131	75,414	103,013
Radio revenue	-	-	-	72,555	-	-	72,555	80,970
CPNP grant	-	-	-	-	-	61,160	61,160	61,160
Other revenue (Schedule 2)	58,329	-	-	-	280	451	59,060	39,375
NSP grant	1,395	44,476	-	-	-	-	45,871	45,871
MCYS grant	-	-	-	-	-	36,771	36,771	36,771
Aylmer relief sale revenue	33,519	-	-	-	-	-	33,519	28,477
Post revenue	-	21,774	-	-	-	-	21,774	23,857
United Way grant	-	10,000	-	-	-	8,000	18,000	18,000
Settlement revenue	-	9,063	-	-	-	-	9,063	8,710
Volunteer program revenue	-	5,733	-	-	-	-	5,733	4,335
HRSDC grant	-	-	-	-	3,800	-	3,800	1,460
New Horizons grant	-	-	-	-	-	-	-	19,893
	<u>155,398</u>	<u>173,745</u>	<u>280,175</u>	<u>87,821</u>	<u>171,200</u>	<u>197,603</u>	<u>1,065,942</u>	<u>1,051,963</u>
EXPENSES								
Wages and benefits	87,175	142,606	100,872	133,947	130,947	141,108	736,655	756,980
Other (Schedule 3)	65,720	8,581	25,131	6,139	21,829	26,509	153,909	107,261
Travel	2,290	10,114	478	-	-	15,950	28,832	29,899
Rent	(27,200)	6,531	22,500	-	13,753	8,500	24,084	24,530
Post	-	21,817	-	-	-	-	21,817	23,874
Office	4,034	5,439	6,664	1,248	2,467	1,610	21,462	20,231
Property taxes	10,970	-	-	-	-	-	10,970	11,770
Amortization	10,949	-	-	-	-	-	10,949	11,411
Professional fees	6,000	-	-	-	-	2,078	8,078	6,773
Insurance	2,212	868	868	868	868	868	6,552	6,826
Infrastructure cost	(12,573)	-	-	-	12,573	-	-	-
	<u>149,577</u>	<u>195,956</u>	<u>156,513</u>	<u>142,202</u>	<u>182,437</u>	<u>196,623</u>	<u>1,023,308</u>	<u>999,555</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>5,821</u>	<u>(22,211)</u>	<u>123,662</u>	<u>(54,381)</u>	<u>(11,237)</u>	<u>980</u>	<u>42,634</u>	<u>52,408</u>

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Unaudited Schedules to the Statement of Operations For the Year Ended March 31, 2018

Schedule 2

	2018	2017
	<u>\$</u>	<u>\$</u>
Other Revenue		
PC cards	30,302	-
Administration fees	10,885	11,781
Apartment rental	9,200	8,800
Promotional dinner	3,503	5,730
Booth sales	3,273	3,803
Other	1,066	1,443
Mileage reimbursement	451	525
Registration and fees	265	900
Interest	115	38
Personnel reimbursement	-	6,355
	<u>59,060</u>	<u>39,375</u>

Schedule 3

	2018	2017
	<u>\$</u>	<u>\$</u>
Other Expenses		
Supplies	29,735	16,468
PC cards	29,600	-
Donations and forwardings	16,184	9,574
Purchases - minor equipment and furniture	13,174	19,263
Repairs and maintenance	12,102	8,110
Utilities	11,307	13,924
Meals and hospitality	7,682	6,053
Advertising	6,611	2,694
Unusable item disposal	5,739	4,194
Fees and licences	5,208	4,613
Professional development	4,711	2,641
Janitorial services and supplies	4,121	3,773
Interest and bank charges	2,929	3,235
Evaluation	2,512	7,162
Miscellaneous	2,293	4,055
Bad debts	-	1,503
	<u>153,908</u>	<u>107,262</u>

See accompanying notes to the financial statements