

**MENNONITE COMMUNITY SERVICES OF
SOUTHERN ONTARIO**

Financial Statements

March 31, 2019

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Financial Statements

For the Year Ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of **Mennonite Community Services of Southern Ontario**, which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the organization's financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from 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 donation revenue, net surplus, and cash flows for the year ending March 31, 2019 and the year ending March 31, 2018, current assets as at March 31, 2019 and March 31, 2018 and net assets as at April 1, 2018 and March 31, 2019 for the 2019 year ended, as well as April 1, 2017 and March 31, 2018 for the 2018 year ended. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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

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

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

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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

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

Aylmer, Ontario

June 6, 2019

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Financial Position As at March 31, 2019

	2019	2018
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - unrestricted	65,880	30,776
Cash - restricted (Note 3)	31,145	29,591
Accounts receivable	18,496	6,768
Prepaid expenses	<u>6,396</u>	<u>5,398</u>
	121,917	72,533
TANGIBLE CAPITAL ASSETS (NOTE 4)	<u>192,547</u>	<u>173,680</u>
TOTAL ASSETS	<u>314,464</u>	<u>246,213</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	32,312	35,201
Government remittances payable	5,201	17,780
Deferred revenue (Note 5)	26,154	-
Demand mortgage payable (Note 7)	<u>25,513</u>	<u>28,650</u>
	89,180	81,631
RESERVE FUND (NOTE 3)	<u>31,145</u>	<u>29,591</u>
	<u>120,325</u>	<u>111,222</u>
<u>NET ASSETS</u>		
NET ASSETS	<u>194,139</u>	<u>134,991</u>
TOTAL LIABILITIES AND NET ASSETS	<u>314,464</u>	<u>246,213</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, 2019

	2019	2018
	<u>\$</u>	<u>\$</u>
BALANCE, BEGINNING OF YEAR	134,991	92,357
Surplus for the year	<u>59,148</u>	<u>42,634</u>
BALANCE, END OF YEAR	<u>194,139</u>	<u>134,991</u>

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Operations For the Year Ended March 31, 2019

	2019	2018
	<u>\$</u>	<u>\$</u>
REVENUES		
Grant Revenue		
Ministry of Training, Colleges and Universities - ES and YJL	156,477	167,120
Immigration, Refugees and Citizenship Canada	98,477	89,537
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
Harvest Bowl	33,846	-
United Way	20,000	18,000
KINDRED Credit Union	5,000	-
Human Resources and Skills Development Canada	-	3,800
Total Grant Revenue	<u>544,692</u>	<u>509,349</u>
Thrift store revenue	309,919	279,475
Donation revenue	81,905	75,414
Radio revenue	76,649	72,555
Other revenue (Schedule 2)	72,569	59,060
Aylmer relief sale revenue	34,235	33,519
Post revenue	17,823	21,774
Settlement revenue	9,284	9,063
Volunteer program revenue	<u>7,185</u>	<u>5,733</u>
	<u>1,154,261</u>	<u>1,065,942</u>
EXPENSES		
Wages and benefits	771,978	736,655
Other (Schedule 3)	192,715	153,908
Travel	26,778	28,832
Rent	24,126	24,084
Office	20,570	21,463
Post	17,474	21,817
Amortization	14,631	10,949
Property taxes	10,758	10,970
Professional fees	8,350	8,078
Insurance	<u>7,733</u>	<u>6,552</u>
	<u>1,095,113</u>	<u>1,023,308</u>
SURPLUS FOR THE YEAR	<u>59,148</u>	<u>42,634</u>

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Cash Flows For the Year Ended March 31, 2019

	2019	2018
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from fundraising, customers, donations and grants	1,218,767	1,132,450
Cash paid to employees and suppliers	<u>(1,145,473)</u>	<u>(1,024,850)</u>
	<u>73,294</u>	<u>107,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible capital assets	<u>(33,498)</u>	<u>(1,501)</u>
	<u>(33,498)</u>	<u>(1,501)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(3,138)</u>	<u>(3,004)</u>
	<u>(3,138)</u>	<u>(3,004)</u>
NET CHANGE IN CASH DURING THE YEAR	36,658	103,095
CASH (ADVANCES), BEGINNING OF YEAR	<u>60,367</u>	<u>(42,728)</u>
CASH, END OF YEAR	<u><u>97,025</u></u>	<u><u>60,367</u></u>
CASH IS COMPRISED OF:		
Cash - unrestricted	65,880	30,776
Cash - restricted	<u>31,145</u>	<u>29,591</u>
	<u><u>97,025</u></u>	<u><u>60,367</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, 2019

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. Donation and fundraising revenues are recognized at the time of receipt.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2019

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%
Automotive equipment	30%

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, 2019

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

	2019	2018
	<u>\$</u>	<u>\$</u>
MCS Reserve	14,891	14,149
Family Education	11,214	9,623
Menno Play	3,610	3,606
Leamington Outreach	1,329	1,313
Building Expansion	101	-
Festival Sale	-	900
	<u>31,145</u>	<u>29,591</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, 2019

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2019	2018
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Land	28,925	-	28,925	28,925
Buildings	291,805	172,966	118,839	124,338
Computer equipment	37,572	36,494	1,078	1,539
Radio equipment	55,254	50,381	4,873	6,092
Office equipment	94,519	81,950	12,569	12,786
Automotive equipment	<u>30,898</u>	<u>4,635</u>	<u>26,263</u>	-
	<u>538,973</u>	<u>346,426</u>	<u>192,547</u>	<u>173,680</u>

5. DEFERRED REVENUE

Deferred revenue represents the unspent portion of receipts for the Harvest Bowl project at year-end.

6. 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.

7. DEMAND MORTGAGE PAYABLE

	2019	2018
	<u>\$</u>	<u>\$</u>
Demand mortgage payable, 4.4%, repayable in blended monthly instalments of \$360 (secured by land and buildings with a net book value of \$147,764)	<u>25,513</u>	<u>28,650</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>
2020	3,274
2021	3,422
2022	3,574
2023	3,733
2024 and beyond	<u>11,510</u>
	<u>25,513</u>

The total balance available on the demand mortgage is \$340,000.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2019

8. 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 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 year. The organization is not exposed to any covenants. There have been no changes to the assessed levels of these risks in the year.

9. COMPARATIVE FIGURES

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

10. COMMITMENTS

The organization has entered into a one year facilities rental contract which expires in March 2020. The organization pays \$8,000 per year as part of the contract.

The organization has entered into a purchase agreement to acquire a new building, conditional on obtaining financing. The purchase price of the building is \$2,600,000, with a closing date in October 2019.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Unaudited Schedules to the Statement of Operations For the Year Ended March 31, 2019

<u>Schedule 1</u>								
	General <u>Operations</u>	<u>ARC</u>	<u>Thrift Store</u>	<u>Radio</u>	Employment <u>Program</u>	Family <u>Education</u>	March 31 2019 <u>\$</u>	March 31 2018 <u>\$</u>
REVENUE								
Thrift store revenue	-	-	309,919	-	-	-	309,919	279,475
MTCU grant	-	-	-	-	156,477	-	156,477	167,120
IRCC grant	15,980	82,497	-	-	-	-	98,477	89,537
CAPC grant	-	-	-	-	-	87,090	87,090	87,090
Donation revenue	52,532	12,537	1,525	12,704	-	2,607	81,905	75,414
Radio revenue	-	-	-	76,649	-	-	76,649	72,555
Other revenue (Schedule 2)	71,516	-	-	-	168	885	72,569	59,060
CPNP grant	-	-	-	-	-	61,160	61,160	61,160
NSP grant	4,114	41,757	-	-	-	-	45,871	45,871
MCYS grant	-	-	-	-	-	36,771	36,771	36,771
Aylmer relief sale revenue	34,235	-	-	-	-	-	34,235	33,519
Harvest Bowl	33,846	-	-	-	-	-	33,846	-
United Way grant	-	10,000	-	-	-	10,000	20,000	18,000
Post revenue	-	17,823	-	-	-	-	17,823	21,774
Settlement revenue	-	9,284	-	-	-	-	9,284	9,063
Volunteer program revenue	-	7,185	-	-	-	-	7,185	5,733
KINDRED C U grant	5,000	-	-	-	-	-	5,000	-
HRSDC grant	-	-	-	-	-	-	-	3,800
	<u>217,223</u>	<u>181,083</u>	<u>311,444</u>	<u>89,353</u>	<u>156,645</u>	<u>198,513</u>	<u>1,154,261</u>	<u>1,065,942</u>
EXPENSES								
Wages and benefits	108,453	158,924	116,365	108,370	129,322	150,543	771,977	736,655
Other (Schedule 3)	105,802	14,488	30,272	6,626	11,986	23,541	192,715	153,908
Travel	1,307	9,372	1,360	-	-	14,739	26,778	28,832
Rent	(46,516)	3,077	45,498	-	13,993	8,073	24,125	24,084
Post	-	17,474	-	-	-	-	17,474	21,817
Office	4,600	5,803	6,127	971	1,030	2,044	20,575	21,462
Amortization	14,631	-	-	-	-	-	14,631	10,949
Property taxes	10,758	-	-	-	-	-	10,758	10,970
Professional fees	7,650	-	-	-	700	-	8,350	8,078
Insurance	2,761	775	1,869	775	775	775	7,730	6,552
Infrastructure cost	(10,223)	-	-	-	10,223	-	-	-
	<u>199,223</u>	<u>209,913</u>	<u>201,491</u>	<u>116,742</u>	<u>168,029</u>	<u>199,715</u>	<u>1,095,113</u>	<u>1,023,307</u>
SURPLUS FOR THE YEAR	<u>18,000</u>	<u>(28,830)</u>	<u>109,953</u>	<u>(27,389)</u>	<u>(11,384)</u>	<u>(1,202)</u>	<u>59,148</u>	<u>42,635</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, 2019

Schedule 2

	2019	2018
	<u>\$</u>	<u>\$</u>
Other Revenue		
PC cards	43,675	30,302
Administration fees	9,502	10,885
Apartment rental	9,350	9,200
Promotional dinner	3,670	3,503
Other	2,981	1,066
Mileage reimbursement	1,796	451
Registration and fees	1,360	265
Interest	235	115
Booth sales	<u>-</u>	<u>3,273</u>
	<u>72,569</u>	<u>59,060</u>

Schedule 3

	2019	2018
	<u>\$</u>	<u>\$</u>
Other Expenses		
PC cards	41,100	29,600
Harvest Bowl	33,846	-
Donations and forwardings	20,212	16,184
Supplies	19,243	29,735
Purchases - minor equipment and furniture	13,706	13,174
Utilities	11,665	11,307
Meals and hospitality	9,607	7,682
Repairs and maintenance	7,369	12,102
Advertising	7,115	6,611
Fees and licences	5,403	5,208
Unusable item disposal	4,967	5,739
Professional development	4,709	4,711
Interest and bank charges	4,005	2,929
Janitorial services and supplies	3,933	4,121
Miscellaneous	2,921	2,293
Evaluation	<u>2,914</u>	<u>2,512</u>
	<u>192,715</u>	<u>153,908</u>

See accompanying notes to the financial statements