

**MENNONITE COMMUNITY SERVICES OF
SOUTHERN ONTARIO**

Financial Statements

March 31, 2021

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Financial Statements

For the Year Ended March 31, 2021

| 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 - 15 |
| Unaudited Schedule - Statement of Operations by Program | 16 |
| Unaudited Schedule - Other Revenue | 17 |
| Unaudited Schedule - Other Expenses | 17 |
| Unaudited Schedule - Statement of Plaza Rental Operations | 18 |



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, 2021, 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, 2021, 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, 2021 and the year ending March 31, 2020, current assets as at March 31, 2021 and March 31, 2020 and net assets as at April 1, 2020 and March 31, 2021 for the 2021 year ended, as well as April 1, 2019 and March 31, 2020 for the 2020 year ended. Our audit opinion on the financial statements for the year ended March 31, 2020 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 15, 2021

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

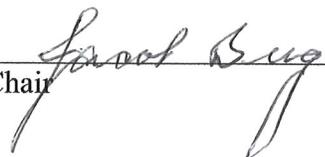
MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Financial Position As at March 31, 2021

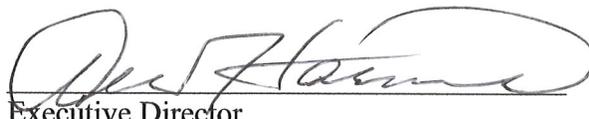
| | 2021 | 2020 |
|--|-------------------------|--------------------------------------|
| | <u>\$</u> | <u>\$</u> (Restated) (Note 16) |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash - unrestricted | 9,264 | 119,556 |
| Cash - restricted (Note 3) | 20,044 | 19,984 |
| Accounts receivable (Note 10) | 33,599 | 52,516 |
| HST recoverable | 95,981 | - |
| Prepaid expenses | <u>17,763</u> | <u>39,535</u> |
| | 176,651 | 231,591 |
| TANGIBLE CAPITAL ASSETS (NOTE 4) | <u>3,171,182</u> | <u>2,909,465</u> |
| TOTAL ASSETS | <u>3,347,833</u> | <u>3,141,056</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Operating line of credit (Note 5) | 25,203 | 6,868 |
| Accounts payable and accrued liabilities | 140,909 | 97,543 |
| Government remittances payable | 18,365 | 40,456 |
| Current portion of deferred revenue (Note 6) | 129,021 | 114,190 |
| Short-term debt (Note 7) | <u>118,860</u> | <u>22,239</u> |
| | 432,358 | 281,296 |
| DEFERRED REVENUE (NOTE 6) | 280,349 | 242,133 |
| RESERVE FUND (NOTE 3) | 20,044 | 19,984 |
| LONG-TERM DEBT (NOTE 8) | <u>2,540,000</u> | <u>2,500,000</u> |
| | <u>3,272,751</u> | <u>3,043,413</u> |
| <u>NET ASSETS</u> | | |
| NET ASSETS | <u>75,082</u> | <u>97,643</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>3,347,833</u> | <u>3,141,056</u> |

Approved by Board of Directors:

Chair



Executive Director



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, 2021

| | 2021 | 2020 |
|---|----------------------|-----------------|
| | <u>\$</u> | <u>\$</u> |
| BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED | 105,327 | 194,139 |
| Prior period adjustment (Note 16) | <u>(7,684)</u> | <u>-</u> |
| BALANCE, BEGINNING OF YEAR | 97,643 | 194,139 |
| Deficit for the year | <u>(22,561)</u> | <u>(96,496)</u> |
| BALANCE, END OF YEAR | <u>75,082</u> | <u>97,643</u> |

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Operations For the Year Ended March 31, 2021

| | <u>2021</u> | <u>2020</u> |
|---|------------------|-------------------------|
| | <u>\$</u> | <u>\$</u> |
| | | (Restated) (Note 16) |
| REVENUES | | |
| Grants | | |
| Public Health Agency of Canada - CAPC (Norfolk, Chatham, St. Jacobs) | 218,810 | - |
| Ministry of Labour, Training and Skills Development - Employment Services | 147,379 | 144,125 |
| Government assistance (Notes 9, 10) | 146,061 | - |
| Immigration, Refugees and Citizenship Canada | 88,167 | 88,167 |
| Public Health Agency of Canada - CAPC (Aylmer) | 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 |
| United Way - ECSF and LLGC | 44,985 | - |
| Harvest Bowl | 43,325 | 12,578 |
| Ministry of Children, Community and Social Services | 36,771 | 36,771 |
| United Way - FESPA and Volunteer Program | 11,250 | 18,000 |
| Kindred Credit Union | 6,000 | - |
| Canada Summer Jobs | 5,455 | 7,039 |
| Rural Economic Development Program | 1,378 | 295 |
| Elgincentives | 418 | 170 |
| Total Grants | <u>944,120</u> | <u>501,266</u> |
| Thrift store | 299,210 | 382,720 |
| Other (Schedule - page 17) | 184,901 | 117,808 |
| Donation | 126,303 | 106,065 |
| Radio | 62,307 | 55,609 |
| Post | 8,530 | 16,144 |
| Settlement | 3,865 | 7,955 |
| Volunteer program | 1,411 | 4,757 |
| Aylmer relief sale | <u>-</u> | <u>28,902</u> |
| | <u>1,630,647</u> | <u>1,221,226</u> |
| EXPENSES | | |
| Wages and benefits | 822,722 | 854,829 |
| Other (Schedule - page 17) | 223,164 | 184,138 |
| CAPC - Fund Distributions | 218,810 | - |
| Amortization | 139,174 | 71,684 |
| Interest on long-term debt | 100,000 | 51,093 |
| Professional and consulting fees | 37,789 | 16,209 |
| Office | 41,174 | 32,022 |
| Insurance | 20,928 | 12,951 |
| Property taxes | 19,113 | 29,470 |
| Rent | 13,256 | 24,638 |
| Travel | 8,576 | 24,572 |
| Post | <u>8,502</u> | <u>16,116</u> |
| | <u>1,653,208</u> | <u>1,317,722</u> |
| DEFICIT FOR THE YEAR | <u>(22,561)</u> | <u>(96,496)</u> |

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Statement of Cash Flows For the Year Ended March 31, 2021

| | 2021 | 2020 |
|---|----------------------|-----------------------|
| | <u>\$</u> | <u>\$</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from fundraising, customers, donations and grants | 1,687,559 | 1,532,233 |
| Cash paid to employees and suppliers | <u>(1,571,855)</u> | <u>(1,204,709)</u> |
| | <u>115,704</u> | <u>327,524</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Additions to tangible capital assets | <u>(400,892)</u> | <u>(288,602)</u> |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | |
| Issuance of short-term debt | 100,000 | - |
| Repayment of short-term debt | (3,379) | (3,275) |
| Issuance of long-term debt | 60,000 | - |
| Withdrawals on operating line of credit | <u>18,335</u> | <u>6,868</u> |
| | <u>174,956</u> | <u>3,593</u> |
| NET CHANGE IN CASH DURING THE YEAR | (110,232) | 42,515 |
| CASH, BEGINNING OF YEAR | <u>139,540</u> | <u>97,025</u> |
| CASH, END OF YEAR | <u><u>29,308</u></u> | <u><u>139,540</u></u> |
| CASH IS COMPRISED OF: | | |
| Cash - unrestricted | 9,264 | 119,556 |
| Cash - restricted | <u>20,044</u> | <u>19,984</u> |
| | <u>29,308</u> | <u>139,540</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, 2021

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 and deferred revenue

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. Rental revenues are recognized on a monthly basis as rent becomes due.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

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:

| | |
|-------------------------------------|------------------|
| Signs | 20% |
| Buildings and building components - | |
| 16, 18 and 20 Talbot | 4 - 5% |
| 300 Talbot | 2 - 25 Years S/L |
| Parking lot and sidewalks | 8% |
| Computer equipment and software | 30 - 100% |
| 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, short-term debt and long-term debt.

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/deficit for the year.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

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

| | 2021 | 2020 |
|---------------------|----------------------|----------------------|
| | <u>\$</u> | <u>\$</u> |
| MCS Reserve | 15,077 | 15,027 |
| Menno Play | 3,617 | 3,613 |
| Leamington Outreach | <u>1,350</u> | <u>1,344</u> |
| | <u><u>20,044</u></u> | <u><u>19,984</u></u> |

The balances in these accounts are internally 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, 2021

4. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated Amortization | 2021 | 2020 |
|-----------------------------------|------------------|-----------------------------|------------------|------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Land | 1,278,925 | - | 1,278,925 | 1,278,925 |
| Signs | 33,450 | 7,556 | 25,894 | 21,053 |
| Buildings and building components | | | | |
| 16, 18 and 20 Talbot | 356,681 | 59,696 | 296,985 | 164,746 |
| 300 Talbot | 1,412,391 | 129,474 | 1,282,917 | 1,157,996 |
| Parking lot and sidewalk | 250,000 | 29,200 | 220,800 | 240,000 |
| Computer equipment and software | 58,137 | 56,933 | 1,204 | 754 |
| Radio equipment | 55,254 | 52,135 | 3,119 | 3,898 |
| Office equipment | 142,470 | 94,001 | 48,469 | 23,709 |
| Automotive equipment | <u>30,898</u> | <u>18,029</u> | <u>12,869</u> | <u>18,384</u> |
| | <u>3,618,206</u> | <u>447,024</u> | <u>3,171,182</u> | <u>2,909,465</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 \$18,468, excluding outstanding transactions.

6. DEFERRED REVENUE

| | 2021 | 2020 |
|------------------------------------|----------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| Donations - Capital Campaign | 219,914 | 229,272 |
| Harvest Bowl | 117,055 | 97,920 |
| Rural Economic Development Program | 53,086 | 14,446 |
| Elgincentives | 12,132 | 8,352 |
| Rent Deposits | <u>7,183</u> | <u>6,333</u> |
| | 409,370 | 356,323 |
| Less: current portion | <u>129,021</u> | <u>114,190</u> |
| | <u>280,349</u> | <u>242,133</u> |

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

| 7. SHORT-TERM DEBT | 2021 <u>\$</u> | 2020 <u>\$</u> |
|---|-----------------------|----------------------|
| Demand mortgage payable, 3.9%, repayable in blended monthly instalments of \$356 (secured by land and buildings with a net book value of \$325,807) | 18,860 | 22,239 |
| Private loan, 0%, no specified terms of repayment, due June 2021 | 50,000 | - |
| Bank loan payable, 3.45%, monthly interest only payments, due November 2021 | <u>50,000</u> | <u>-</u> |
| | <u>118,860</u> | <u>22,239</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> |
|------|-----------------------|
| 2022 | 103,574 |
| 2023 | 3,733 |
| 2024 | 3,899 |
| 2025 | 4,073 |
| 2026 | <u>3,581</u> |
| | <u>118,860</u> |

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

| 8. LONG-TERM DEBT | 2021 <u>\$</u> | 2020 <u>\$</u> |
|--|-------------------------|-------------------------|
| Private mortgage payable, 4%, annual interest only anniversary payments, no set terms of repayment, due September 2024 | 2,500,000 | 2,500,000 |
| Canada Emergency Business Account (CEBA) program loan, 0%, forgivable up to \$20,000 if repaid by December 31, 2022 (Note 9) | <u>40,000</u> | <u>-</u> |
| | <u>2,540,000</u> | <u>2,500,000</u> |

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

8. LONG-TERM DEBT (CONTINUED)

The aggregate amount of principal payments required in each of the next four years to meet retirement provisions is as follows:

| | <u>\$</u> |
|------|------------------|
| 2022 | - |
| 2023 | 40,000 |
| 2024 | - |
| 2025 | <u>2,500,000</u> |
| | <u>2,540,000</u> |

9. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA) LOAN

During the year, the organization received \$60,000 from the CEBA loan program. The CEBA loan has two components and is divided into a liability and a forgivable portion. This loan is interest free and if the loan is repaid on or before December 31, 2022, up to 25% of the \$40,000 portion and 50% of the \$20,000 portion will be forgivable. If the loan remains outstanding as at December 31, 2022, the loan will be converted to a 3-year term loan with annual interest at 5%, paid monthly, effective on January 1, 2023. The full balance of the loan must be repaid by no later than December 31, 2025. The organization has reported the forgivable portion of \$20,000 as government assistance in the current year, with the remaining \$40,000 reported in long-term debt.

10. CANADIAN EMERGENCY WAGE SUBSIDY

During the year, the organization experienced a reduction in revenue that qualified the organization to recover a portion of its wages under the Canada Emergency Wage Subsidy (CEWS) and 10% Temporary Wage Subsidy (TWS). The organization received \$108,001 and included \$18,060 in accounts receivable for the CEWS and TWS programs. The total of these payments under the CEWS and TWS programs of \$126,061 has been reported in the statement of operations as government assistance.

11. 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.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

11. FINANCIAL INSTRUMENTS (CONTINUED)

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, short-term debt and long-term debt. 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 short term debt. It is management's opinion 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.

12. COMMITMENTS

The organization has entered into a one year facilities rental contract which expires in March 2022. The organization pays \$8,000 per year as part of the contract.

13. RELATED PARTY TRANSACTIONS

During the year, the organization had the following transactions with a member of the Board of Directors. All transactions are in the normal course of operations, measured at fair market value and recorded at exchange amount:

| | <u>2021</u> | 2020 |
|-------------------------|-------------|--------------|
| | <u>\$</u> | <u>\$</u> |
| Repairs and maintenance | <u>219</u> | <u>3,268</u> |

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

14. SIGNIFICANT EVENT

During the year and subsequent to year end, the organization was exposed to economic risks associated with the coronavirus pandemic. These risks are beyond the organization's control. The pandemic had an adverse impact on the organization's operations, with government mandated lockdowns resulting in the thrift store location being closed for several periods during the year, and operating at reduced capacity. The organization took out additional short-term debt during the year to help supplement reduced cash flows from store sales. Management estimates that thrift store sales will recover once they are able to operate at full capacity. The impact of these risks cannot be quantified at this time but could impact the organization's operations, future surplus, cash flows and financial conditions.

15. SUBSEQUENT EVENT

The organization's Harvest Bowl project has been incorporated as a not-for-profit entity. Once the Harvest Bowl entity obtains charitable status, the organization plans on transferring all assets, liabilities and operations associated with the Harvest Bowl project to the new entity. It is expected that the transfer will take place within the next fiscal year.

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Notes to the Financial Statements For the Year Ended March 31, 2021

16. PRIOR PERIOD ADJUSTMENT

During the audit of the current fiscal year, it was discovered that \$8,522 of funding related to the previous fiscal year had not been recorded. It was also discovered that HST payable had been understated in the previous year by \$44,461. These corrections were made in 2021, applied retrospectively, and resulted in a restatement of the following financial statement line items. The following adjustments are for the opening balances of the current fiscal year and the closing balances of the previous fiscal year:

| | <u>2021</u> | <u>2020</u> |
|---|---------------|---------------|
| | <u>\$</u> | <u>\$</u> |
| Adjustments to the Statement of Financial Position: | | |
| Increase in Accounts receivable | <u>8,522</u> | <u>8,522</u> |
| Net increase in Tangible capital assets | <u>36,607</u> | <u>36,607</u> |
| Increase in Government remittances payable | <u>44,461</u> | <u>44,461</u> |
| Increase in Deferred revenue | <u>8,352</u> | <u>8,352</u> |
| Decrease in Net assets, beginning of year | <u>7,684</u> | <u>-</u> |
| Adjustments to the Statement of Operations: | | |
| Increase in Grant revenue | <u>-</u> | <u>170</u> |
| Increase in Amortization expense | <u>-</u> | <u>747</u> |
| Increase in Supplies expense | <u>-</u> | <u>7,107</u> |

Mennonite Community Services of Southern Ontario

Unaudited Schedule - Statement of Operations by Program For the Year Ended March 31, 2021

| REVENUE | General Operations | ARC | Thrift Store | Radio | Employment Program | Family Education | March 31 2021 \$ | March 31 2020 \$ |
|---|-----------------------|-----------------|----------------|-----------------|-----------------------|---------------------|---------------------|---------------------|
| CAPC grants | - | - | - | - | - | 305,900 | 305,900 | 87,090 |
| Thrift store | - | - | 299,210 | - | - | - | 299,210 | 382,720 |
| Other (Schedule 2) | 178,531 | - | - | - | 5,070 | 1,300 | 184,901 | 117,808 |
| MLTSD grant | - | - | - | - | 147,379 | - | 147,379 | 144,125 |
| Government assistance | 146,061 | - | - | - | - | - | 146,061 | - |
| Donation | 103,797 | 4,554 | 748 | 15,373 | - | 1,831 | 126,303 | 106,065 |
| IRCC grant | 11,750 | 76,417 | - | - | - | - | 88,167 | 88,167 |
| Radio | - | - | - | 62,307 | - | - | 62,307 | 55,609 |
| CPNP grant | - | - | - | - | - | 61,160 | 61,160 | 61,160 |
| NSP grant | 2,628 | 43,243 | - | - | - | - | 45,871 | 45,871 |
| United Way - ECSF and LLGC | 44,985 | - | - | - | - | - | 44,985 | - |
| Harvest Bowl | 43,325 | - | - | - | - | - | 43,325 | 12,578 |
| MCYS grant | - | - | - | - | - | 36,771 | 36,771 | 36,771 |
| United Way - FESPA and volunteer program | - | 9,000 | - | - | - | 2,250 | 11,250 | 18,000 |
| Post | - | 8,530 | - | - | - | - | 8,530 | 16,144 |
| Kindred Credit Union grant | 6,000 | - | - | - | - | - | 6,000 | - |
| Canada Summer Jobs | - | - | 5,455 | - | - | - | 5,455 | 7,039 |
| Settlement | - | 3,865 | - | - | - | - | 3,865 | 7,955 |
| Volunteer program | - | 1,411 | - | - | - | - | 1,411 | 4,757 |
| RED Program grant | 1,378 | - | - | - | - | - | 1,378 | 295 |
| Elgin incentives grant | 418 | - | - | - | - | - | 418 | 170 |
| Aylmer relief sale revenue | - | - | - | - | - | - | - | 28,902 |
| | <u>538,873</u> | <u>147,020</u> | <u>305,413</u> | <u>77,680</u> | <u>152,449</u> | <u>409,212</u> | <u>1,630,647</u> | <u>1,221,226</u> |
| EXPENSES | | | | | | | | |
| Wages and benefits | 168,588 | 142,483 | 172,287 | 100,405 | 125,520 | 113,439 | 822,722 | 854,829 |
| Other (Schedule 3) | 108,648 | 7,337 | 37,821 | 7,108 | 11,183 | 51,067 | 223,164 | 184,138 |
| CAPC - Fund Distribution | - | - | - | - | - | 218,810 | 218,810 | - |
| Amortization | 139,174 | - | - | - | - | - | 139,174 | 71,684 |
| Interest on long-term debt | 100,000 | - | - | - | - | - | 100,000 | 51,093 |
| Professional fees | 31,424 | - | - | - | 6,165 | 200 | 37,789 | 16,209 |
| Office | 8,682 | 7,609 | 12,996 | 1,409 | 3,827 | 6,651 | 41,174 | 32,022 |
| Insurance | 12,171 | 1,531 | 2,633 | 1,531 | 1,531 | 1,531 | 20,928 | 12,951 |
| Property taxes | 19,113 | - | - | - | - | - | 19,113 | 29,470 |
| Rent | (4,890) | 4,890 | - | - | 5,256 | 8,000 | 13,256 | 24,638 |
| Travel | - | 1,551 | - | - | - | 7,025 | 8,576 | 24,572 |
| Post | - | 8,502 | - | - | - | - | 8,502 | 16,116 |
| | <u>582,910</u> | <u>173,903</u> | <u>225,737</u> | <u>110,453</u> | <u>153,482</u> | <u>406,723</u> | <u>1,653,208</u> | <u>1,317,722</u> |
| (DEFICIT) SURPLUS FOR THE YEAR | <u>(44,037)</u> | <u>(26,883)</u> | <u>79,676</u> | <u>(32,773)</u> | <u>(1,033)</u> | <u>2,489</u> | <u>(22,561)</u> | <u>(96,496)</u> |

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Unaudited Schedule - Other Revenue For the Year Ended March 31, 2021

| | 2021 | 2020 |
|-------------------------------|----------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| Rental | 167,418 | 75,961 |
| Administration fees | 6,584 | 8,995 |
| ACS partnership reimbursement | 5,070 | - |
| Other | 3,745 | 542 |
| Mileage reimbursement | 1,300 | 998 |
| Interest | 584 | 3,722 |
| Registration and fees | 200 | - |
| PC cards | - | 22,287 |
| Promotional dinner | - | 5,302 |
| | <u>184,901</u> | <u>117,807</u> |

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Unaudited Schedule - Other Expenses For the Year Ended March 31, 2021

| | 2021 | 2020 |
|---|----------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| Supplies | 48,333 | 29,907 |
| Repairs and maintenance (Note 13) | 46,055 | 20,519 |
| Harvest Bowl | 43,325 | 12,578 |
| Utilities | 28,585 | 26,024 |
| Purchases - minor equipment and furniture | 11,826 | 8,024 |
| Fees and licences | 9,384 | 5,680 |
| Unusable item disposal | 7,474 | 7,257 |
| Professional development | 5,316 | 1,382 |
| Interest and bank charges | 9,486 | 5,356 |
| Janitorial services and supplies | 4,487 | 7,955 |
| Advertising | 2,973 | 6,995 |
| Evaluation | 2,866 | 2,715 |
| Meals and hospitality | 1,663 | 7,544 |
| Miscellaneous | 1,281 | 2,313 |
| Bad debts | 110 | 151 |
| PC cards | - | 20,750 |
| Forwardings | - | 18,988 |
| | <u>223,164</u> | <u>184,138</u> |

See accompanying notes to the financial statements

MENNONITE COMMUNITY SERVICES OF SOUTHERN ONTARIO

Unaudited Schedule - Statement of Plaza Rental Operations For the Year Ended March 31, 2021

| | 2021 |
|-------------------------|----------------|
| | <u>\$</u> |
| Revenue | |
| Rent - 300 Talbot | <u>143,555</u> |
| Expenses | |
| Mortgage interest | 59,180 |
| Amortization | 53,033 |
| Property taxes (Note b) | 5,864 |
| Repairs and maintenance | 5,354 |
| Insurance | <u>5,437</u> |
| | <u>128,868</u> |
| | <u>14,687</u> |

Note a: Rental revenue is collected from third party tenants at the 300 Talbot Street Plaza. Rental expenses have been estimated based on the percentage of the plaza that is available for commercial rent space (59.18%).

Note b: During the current year, the organization was recognized as a registered charity by the municipality and received property tax rebates totaling \$41,863 for the calendar years 2017 - 2020. This reduced property taxes in the current fiscal year.