

MENNONITE CHURCH ALBERTA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Mennonite Church Alberta

Qualified Opinion

We have audited the financial statements of Mennonite Church Alberta, which comprise of the statement of financial position as at December 31, 2019, statement of operations and fund balances, 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 possible effect of the matter described in the *Basis for Qualified Opinion*, the accompanying financial statements present fairly, in all material respects, the financial position of Mennonite Church Alberta as at December 31, 2019 and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society 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.

In common with many not-for-profit organizations, the Society derives revenues from donations, the completeness of which is not readily susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to fund raising activities and donations, excess of revenue over expenses, assets and fund balances.

Responsibilities of Management's and Those Charged with Governance 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.

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

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

Auditor's Responsibility 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 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 Society'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 Society'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 Society 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.

CALGARY, ALBERTA
March 16, 2020

CHARTERED ACCOUNTANTS

**MENNONITE CHURCH ALBERTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

	FUNDS			Total 2019	Total 2018
	General	Camp Valaqua	Restricted		
<u>ASSETS</u>					
CURRENT					
Cash	\$ 162,347	\$ 12,051	\$ 2,514	\$ 176,912	\$ 203,951
Term deposits	35,523	-	-	35,523	35,181
Accounts receivable	2,881	-	-	2,881	36,269
Goods and services tax receivable	2,737	-	-	2,737	2,969
Prepaid expenses	<u>11,792</u>	<u>17,658</u>	<u>-</u>	<u>29,450</u>	<u>22,751</u>
	215,280	29,709	2,514	247,503	301,121
Restricted cash (Note 3)	-	461	-	461	1,846
Property and equipment (Note 4)	<u>-</u>	<u>788,760</u>	<u>-</u>	<u>788,760</u>	<u>807,776</u>
	<u>\$ 215,280</u>	<u>\$ 818,930</u>	<u>\$ 2,514</u>	<u>\$ 1,036,724</u>	<u>\$ 1,110,743</u>
<u>LIABILITIES</u>					
CURRENT					
Accounts payable and accrued liabilities	\$ 3,648	\$ 9,562	\$ -	\$ 13,210	\$ 31,191
Long term debt due within one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,260</u>
	3,648	9,562	-	13,210	35,451
Long term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,911</u>
	<u>3,648</u>	<u>9,562</u>	<u>-</u>	<u>13,210</u>	<u>47,362</u>
<u>FUND BALANCES</u>					
Invested in plant and equipment	-	788,760	-	788,760	807,776
Externally restricted	-	-	2,514	2,514	8,474
Internally restricted	-	461	-	461	1,846
Unrestricted	<u>211,632</u>	<u>20,147</u>	<u>-</u>	<u>231,779</u>	<u>245,285</u>
	<u>211,632</u>	<u>809,368</u>	<u>2,514</u>	<u>1,023,514</u>	<u>1,063,381</u>
	<u>\$ 215,280</u>	<u>\$ 818,930</u>	<u>\$ 2,514</u>	<u>\$ 1,036,724</u>	<u>\$ 1,110,743</u>

APPROVED BY THE BOARD

_____ Director

_____ Director

MENNONITE CHURCH ALBERTA
STATEMENT OF OPERATIONS AND FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

	FUNDS			Total 2019	Total 2018
	General	Camp Valaqua	Restricted		
REVENUE					
Campership	\$ -	\$ 6,027	\$ -	\$ 6,027	\$ 5,282
Church budgets contributions	354,531	-	-	354,531	360,407
Community building	17,624	-	-	17,624	14,394
Congregational leadership	2,130	-	-	2,130	3,130
Donations	51,563	39,979	-	91,542	85,430
Donations - Capital projects	-	16,326	-	16,326	54,861
Fundraising	-	11,862	-	11,862	14,205
Government funding	-	21,927	-	21,927	34,405
MC Canada	28,639	-	-	28,639	48,329
Mission and services	38,627	-	-	38,627	49,703
Other	9,371	14,749	-	24,120	12,189
Registration	3,415	124,237	-	127,652	112,930
Rental	-	84,008	-	84,008	80,369
	<u>505,900</u>	<u>319,115</u>	<u>-</u>	<u>825,015</u>	<u>875,634</u>
EXPENSES					
Advertising	-	5,380	-	5,380	8,358
Amortization	-	31,206	-	31,206	28,978
Campership	-	5,347	-	5,347	8,060
Church planting	-	-	2,700	2,700	2,400
Committee	1,668	-	-	1,668	794
Community building	20,464	-	-	20,464	17,041
Congregational leadership	3,194	-	-	3,194	4,116
Conferences and travel	-	6,203	-	6,203	7,604
Fundraising	-	1,668	-	1,668	2,131
Groceries and supplies	-	44,092	-	44,092	37,371
Insurance	2,684	22,547	-	25,231	23,683
MC Canada	114,428	-	-	114,428	122,942
Missions and services	63,316	-	-	63,316	58,299
Office and sundry	24,906	22,046	-	46,952	42,364
Out trips	-	13,116	-	13,116	15,191
Professional fees	14,244	-	-	14,244	13,217
Programs	2,296	-	-	2,296	2,226
Property operating costs	-	33,560	-	33,560	29,956
Repairs and maintenance	-	19,945	-	19,945	24,933
Salaries, benefits and honorarium	141,826	223,436	3,260	368,522	359,240
School support	42,000	-	-	42,000	42,000
	<u>431,026</u>	<u>428,546</u>	<u>5,960</u>	<u>865,532</u>	<u>850,904</u>
Excess (deficiency) of revenue over expenses from operations	74,874	(109,431)	(5,960)	(40,517)	24,730
Gain on sale of property and equipment	-	650	-	650	-
Excess (deficiency) of revenue over expenses	74,874	(108,781)	(5,960)	(39,867)	24,730
Fund balances, beginning of year	243,087	811,820	8,474	1,063,381	1,038,651
Interfund transfers	(106,329)	106,329	-	-	-
Fund balances, end of year	<u>\$ 211,632</u>	<u>\$ 809,368</u>	<u>\$ 2,514</u>	<u>\$ 1,023,514</u>	<u>\$ 1,063,381</u>

**MENNONITE CHURCH ALBERTA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

	2019	2018
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$(39,867)	\$ 24,730
Items not involving cash		
Amortization	31,206	28,978
Gain on sale of property and equipment	(650)	-
Net change in non-cash working capital		
Accounts receivable	33,389	30,708
Goods and services tax receivable	232	2,738
Prepaid expenses	(6,699)	(17,614)
Accounts payable and accrued liabilities	(17,982)	(42,729)
Repayment of loan to Edmonton Christian Life Community Church	-	(78,000)
	(371)	(51,189)
INVESTING ACTIVITIES		
Purchase of property and equipment with unrestricted funds	(12,190)	-
Proceeds on disposal of property and equipment	650	-
	(11,540)	-
FINANCING ACTIVITIES		
Proceeds from long term debt	-	60,000
Long term debt repayment	(16,171)	(43,829)
	(16,171)	16,171
Change in cash	(28,082)	(35,018)
Cash, beginning of year	240,978	275,996
Cash, end of year	\$ 212,896	\$ 240,978
Cash consists of:		
Cash	\$ 176,912	\$ 203,951
Term deposits	35,523	35,181
Restricted cash	461	1,846
	\$ 212,896	\$ 240,978

**MENNONITE CHURCH ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

1. PURPOSE OF THE SOCIETY

The mission of the Mennonite Church Alberta is to glorify God by building His Kingdom here on earth. To fulfil our mission, we are committed to:

- (a) proclaiming Jesus Christ as the only Lord and Saviour of the world;
- (b) promoting conference-wide ministries of evangelism, missions, education and service;
- (c) planting and nurturing new congregations, encouraging local congregations to initiate mission outreach activities, supporting congregation-based ministries, and providing assistance to small groups who are unable to sustain themselves;
- (d) communicating with and relating to affiliated conferences and to other denominations;
- (e) facilitating mutual accountability between congregations in the areas of faith, life and ministry;
- (f) assisting congregations in calling and nurturing of leaders;
- (g) promoting spiritual well being and unity of spirit among member congregations;
- (h) planning joint worship and faith celebrations.

The Mennonite Church Alberta was established under the Religious Societies Land Act and is a not-for-profit organization. Mennonite Church Alberta is a registered charity under the Income Tax Act, therefore is not subject to income tax. The continued operation of Mennonite Church Alberta is dependant on the continued support of the member churches and interested individuals.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Mennonite Church Alberta follows the restricted fund method of accounting for contributions.

The General Fund accounts for the general operation and administrative activities of the organization. The fund is unrestricted.

The Camp Valaqua Fund accounts for the net assets invested and operations of the Camp.

Restricted Funds are externally restricted donations for specific purposes.

Use of estimates

The preparation of financial statements in accordance 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, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

Significant estimates included in these financial statements include amortization of property and equipment and the ability to collect on accounts receivable.

**MENNONITE CHURCH ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Mennonite Church Alberta's financial instruments consists mainly of cash, term deposits, accounts receivable, accounts payable and accrued liabilities, and long term debt. Unless otherwise indicated, it is management's opinion that Mennonite Church Alberta is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value, unless otherwise noted.

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Property and equipment

Property and equipment purchased are recorded at cost and property and equipment donated are recorded at exchange value. Acquisitions with a per unit cost under \$1,000 are expensed in the year of acquisition. Amortization is recorded on a straight-line basis, beginning in the year of acquisition, at the following annual rates:

Building and property improvements	40 years
Computer equipment	3 years
Equipment	5 and 25 years
Vehicle	5 years

Revenue recognition

Church budget, community building, and congregational leadership contributions, general and MC Canada donations, and mission funding are recognized as revenue of the general fund when received.

Registration fees for the general fund are recognized when related services are provided and the amount to be received can be reasonably estimated and collection is reasonably assured.

Campership receipts, Camp Valaqua donations and fundraising receipts are recognized as revenue of the Camp Valaqua fund when received.

Government fundings for Camp Valaqua are recognized as revenue of the Camp Valaqua fund in the year to which they relate.

Registration fees and rental income for Camp Valaqua are recognized when related services are provided and the amount to be received can be reasonably estimated and collection is reasonably assured.

**MENNONITE CHURCH ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

As with most charitable organizations, significant donations of time and services are received during each year. Due to the difficulties in establishing dollar values for these services, no attempt has been made to include a value for the services in the records of Mennonite Church Alberta.

Donated property, equipment and materials

Donated property, equipment and materials are recorded at fair market value when fair value can be reasonably estimated.

3. RESTRICTED CASH

Restricted Cash items are restrictions placed on cash by the Board of Directors. These cash balances are not available for use for operational purposes.

	<u>2019</u>	<u>2018</u>
Camp facility upgrade	\$ 461	\$ -
Youth Leadership Team	<u>-</u>	<u>1,846</u>
	<u>\$ 461</u>	<u>\$ 1,846</u>

4. PROPERTY AND EQUIPMENT

	<u>2019 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Camp Valaqua			
Land	\$ 329,364	\$ -	\$ 329,364
Buildings and property improvements	1,220,880	780,563	440,317
Computer equipment	1,190	397	793
Equipment	155,846	146,360	9,486
Vehicle	<u>32,790</u>	<u>23,990</u>	<u>8,800</u>
	<u>\$ 1,740,070</u>	<u>\$ 951,310</u>	<u>\$ 788,760</u>
	<u>2018 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Camp Valaqua			
Land	\$ 329,364	\$ -	\$ 329,364
Building and property improvements	1,220,880	756,452	464,428
Equipment	155,846	141,862	13,984
Vehicle	<u>30,165</u>	<u>30,165</u>	<u>-</u>
	<u>\$ 1,736,255</u>	<u>\$ 928,479</u>	<u>\$ 807,776</u>