

**Mennonite Disaster Service
Region V Inc.**

Financial Statements
November 30, 2016



February 22, 2017

Independent Auditor's Report

To the Members and the Board of Directors of Mennonite Disaster Service Region V Inc.

We have audited the accompanying financial statements of Mennonite Disaster Service Region V Inc., which comprise the statement of financial position as at November 30, 2016 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's 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 about whether the financial statements are free from 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.

*PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020*



Basis for qualified opinion

In common with many not-for-profit organizations, Mennonite Disaster Service Region V Inc. derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Mennonite Disaster Service Region V Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses and cash flows from operations for the year ended November 30, 2016, current assets as at November 30, 2016 and fund balances at the beginning and end of the November 30, 2016 year.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mennonite Disaster Service Region V Inc. as at November 30, 2016 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.

Other matter

The financial statements of Mennonite Disaster Service Region V Inc. for the year ended November 30, 2015 were audited by another auditor who expressed a modified opinion on those financial statements on January 28, 2016. The modified opinion related to the completeness of donation revenue which is not susceptible to satisfactory audit verification. Verification of these revenues for the year ended November 30, 2015 was limited to the amounts recorded in the records of Mennonite Disaster Service Region V Inc.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Menonite Disaster Service Region V Inc.

Statement of Financial Position

As at November 30, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash (note 4)	466,116	307,986
Interest bearing deposits (note 5)	1,799,488	1,280,032
Accounts receivable (note 7)	13,323	104,744
	<u>2,278,927</u>	<u>1,692,762</u>
Property and equipment (note 6)	67,855	75,373
	<u>2,346,782</u>	<u>1,768,135</u>
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	19,813	45,379
Commitments (note 8)		
Fund balances		
Unrestricted		
General Fund	1,624,347	1,386,558
Externally restricted		
Bi-National Fund	10,284	1,268
Region V and Region V Units Fund	443,951	154,080
Capital Campaign Fund	-	-
Internally restricted		
CMU Disaster Recovery Program Bursary Fund	633	622
Region V Projects Reserve Fund	100,000	100,000
Wellness Fund	4,707	4,855
Funds Invested in Property and Equipment	67,855	75,373
Fund of Last Resort	75,192	-
	<u>2,326,969</u>	<u>1,722,756</u>
	<u>2,346,782</u>	<u>1,768,135</u>

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

Mennonite Disaster Service Region V Inc.

Statement of Operations and Changes in Fund Balances

For the year ended November 30, 2016

	2016										2015
	Unrestricted	Externally Restricted					Internally Restricted				Total
	General Fund	Bi-National Fund	Region V and Region V Units Fund	Region V Capital Campaign Fund	CMU Disaster Recovery Program Bursary Fund	Region V Projects Reserve Fund	Wellness Fund	Funds Invested in Property and Equipment	Fund of Last Resort		
Revenue	847,845	31,811	457,656	-	-	-	-	-	1,963	1,339,275	778,914
Donations	-	-	80,000	-	-	-	-	-	-	80,000	-
Grants - Alberta Fires	-	-	-	-	-	-	-	-	-	-	192,000
Grants - Alberta Flood	-	10,000	-	-	-	-	-	-	-	10,000	10,000
Grants from Bi-National Fund (note 6)	-	-	3,800	-	-	-	-	-	-	3,800	5,050
Summer Youth and Family Project fees	30,632	-	-	-	11	-	-	-	-	30,643	34,545
Investment income	2,307	-	-	-	-	-	-	484	-	2,791	2,582
Other income	-	-	-	-	-	-	-	-	-	-	-
	880,784	41,811	541,456	-	11	-	-	484	1,963	1,466,509	1,023,091
Expenses											
Project and program	227,046	-	-	-	-	-	-	-	-	227,046	228,457
Unrestricted (schedule 1)	-	87,994	179,816	-	-	-	-	-	-	267,810	514,154
Externally restricted (schedule 2)	-	-	-	-	-	-	-	19,153	75,000	94,153	19,010
Internally restricted (schedule 3)	-	-	-	-	-	-	-	-	-	-	-
Operations	157,503	14,843	-	-	-	-	-	-	-	157,503	135,547
Unrestricted (schedule 1)	-	-	-	-	-	-	-	-	-	14,843	27,241
Externally restricted (schedule 2)	-	-	-	-	-	-	148	4,205	-	4,353	3,238
Internally restricted (schedule 3)	-	-	-	-	-	-	-	-	-	-	-
Board	96,588	-	-	-	-	-	-	-	-	96,588	77,369
Unrestricted (schedule 1)	-	-	-	-	-	-	-	-	-	-	-
	481,137	102,837	179,816	-	-	-	148	23,358	75,000	862,296	1,005,016
Excess (deficiency) of revenue over expenses for the year	399,647	(61,026)	361,640	-	11	-	(148)	(22,874)	(73,037)	604,213	18,075
Fund balance - Beginning of year	1,386,558	1,268	154,080	-	622	100,000	4,855	75,373	-	1,722,756	1,704,681
Interfund transfers (note 9)	(146,502)	70,042	(71,769)	-	-	-	-	-	148,229	-	-
Investment in property and equipment	(15,356)	-	-	-	-	-	-	15,356	-	-	-
Fund balance - End of year	1,624,347	10,284	443,951	-	633	100,000	4,707	67,855	75,192	2,326,989	1,722,756

The accompanying notes are an integral part of these financial statements.

Mennonite Disaster Service Region V Inc.

Statement of Cash Flows

For the year ended November 30, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	604,213	18,075
Items not affecting cash		
Amortization	23,358	22,131
Gain on disposal of property and equipment	(484)	-
	<u>627,087</u>	<u>40,206</u>
Changes in non-cash working capital items		
Accounts receivable	91,421	(97,808)
Accounts payable and accrued liabilities	(25,566)	30,702
	<u>692,942</u>	<u>(26,900)</u>
Investing activities		
Purchase of property and equipment	(23,508)	(30,620)
Proceeds on disposal of property and equipment	8,152	-
	<u>(15,356)</u>	<u>(30,620)</u>
Increase (decrease) in cash	677,586	(57,520)
Cash - Beginning of year	1,588,018	1,645,538
Cash - End of year	2,265,604	1,588,018
Cash consists of		
Cash	466,116	307,986
Interest bearing deposits	1,799,488	1,280,032
	<u>2,265,604</u>	<u>1,588,018</u>

The accompanying notes are an integral part of these financial statements.

Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

1 Nature of operations

Mennonite Disaster Service Region V Inc. (MDS) was organized to provide a channel through which various constituencies of the Anabaptist churches can respond to those affected by disasters in Canada, the United States, and their territories. It is federally incorporated without share capital and is registered as a charitable organization with the Government of Canada.

2 Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3 Summary of significant accounting policies

Fund accounting

The accounts of MDS are maintained in accordance with the principles of fund accounting. Fund accounting is a procedure whereby a self-balancing group of accounts is provided for each accounting fund established by the Board of Directors (the Board) of MDS.

For financial reporting purposes, the accounts have been classified into the following funds:

General Fund

This fund reports the assets, liabilities, revenue and expenses related to general operations.

Externally Restricted Funds

Externally restricted funds are created as a result of donations designated for certain projects by the contributor. Contributors are informed at the time of donation that funds in excess of designated project expenses after a project closes may be reallocated to other Board approved projects. Overall project funding deficiencies (expenses in excess of designated contributions) are covered by the General Fund.

Bi-National Fund

Contributions designed for programs/projects are administered at the Region or Bi-National level. MDS is an organization that is split into five Regions, of which Regions I through IV are in the United States and Region V encompasses all of Canada. The function of the Region is to provide mutual assistance among its units for disaster response with the Region. When a disaster requires response beyond the capacity of a Region, Bi-National is brought in to assist in the recovery effort. The Bi-National Fund consists of all programs/projects located in Regions I through IV.

Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

3 Summary of significant accounting policies (continued)

Region V and Region V Units Fund

Contributions are designated for Region V and/or units within Region V (Canada). MDS units are the basic operational entities that coordinate the joint response of the individuals from multiple congregations. A unit is generally as large as a province and its name reflects the province(s) it covers. Region V (Canada) currently consists of seven units.

Capital Campaign Fund

Consists of contributions designated for the construction of the 2010 Bi-National administration and warehouse facility, in accordance with the Joint Ministry Agreement with Mennonite Disaster Service Bi-National (US).

Internally Restricted Funds

Internally restricted funds are created as a result of Board decisions to restrict certain fund resources for specific activities.

Canadian Mennonite University (CMU) Disaster Recovery Program Bursary Fund

This fund is to be used toward bursaries for eligible students in the Disaster Recovery Program at CMU in Winnipeg, Manitoba. The CMU program was discontinued and the fund remains for existing students who are completing the program.

Region V Projects Reserve Fund

This fund is to be used at the Board's discretion when operating deficits in Region V projects arise. The fund will be replenished as directed by the Board from unrestricted funds as needed, to a maximum balance of \$100,000.

Wellness Fund

This fund is to cover costs related to staff and Board wellness assistance.

Funds Invested in Property and Equipment

This fund reports the acquisition, disposition and liabilities related to property and equipment.

Fund of Last Resort

This fund is designed to provide a last resort funding option for program materials when other funding sources cannot be secured. When MDS has funds in excess of six months' operating reserves any portion of said excess can be transferred into the Fund of Last Resort at the Board's discretion.

Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

3 Summary of significant accounting policies (continued)

These financial statements have been prepared in accordance with ASNPO, and include the following significant accounting policies:

Cash

Cash consists of funds held on deposit with various financial and banking institutions.

Property and equipment

Purchases of property and equipment are recorded at cost. Additions under \$1,000 are expensed when purchased and additions over \$1,000 are capitalized and amortized from the date of purchase. Amortization is based on the assets' estimated useful lives using the straight-line method over the following terms:

Office furniture and equipment	3 and 7 years
Project equipment	5 years
Leasehold improvements	7 years (over lease term)

Revenue recognition

MDS follows the restricted fund method for contributions. Unrestricted donations are recognized in the General Fund when received. Other unrestricted revenues are recognized in the General Fund when they are receivable. Restricted donations are recognized as revenue of the appropriate restricted fund when received. Amounts pledged to MDS by supporters are not recognized in the accounts until received.

Translation of foreign exchange

Revenue and expense items denominated in foreign currencies are translated at exchange rates in effect at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at year-end.

Contributed services

A significant portion of MDS's operations is carried out by services donated by individuals. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Menonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

3 Summary of significant accounting policies (continued)

Expense allocations

The following expenses related to operations were allocated on the following basis:

	Program %	Operations %	Board %
Administration costs			
Telephone	80	20	-
Publications	70	30	-
Postage	25	65	10
Supplies, printing, office			
Region V projects	15	85	-
Other	100	-	-
Staff travel			
Programs	100	-	-
Other	60	40	-
Occupancy costs	55	29	16
Wages, benefits and Ceridian fees	55	29	16

The following expenses related to the Board were allocated on the following basis:

	Program %	Operations %	Board %
Administration costs			
Telecommunications	65	10	25

Administration costs

Subject to review by the Board, MDS does not allocate any designated donations to the General Fund to cover the administrative cost of designated projects.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

3 Summary of significant accounting policies (continued)

Financial instruments

MDS initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

MDS subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash, interest bearing deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

4 Cash

	2016 \$	2015 \$
Unrestricted	91,365	152,638
Externally restricted	297,596	155,348
Internally restricted	77,155	-
	<u>466,116</u>	<u>307,986</u>

5 Interest bearing deposits

	2016 \$	2015 \$
Unrestricted		
Canadian Conference of Mennonite Brethren Churches Legacy General Fund - interest at 2.0% (2015 - 2.25%)	536,832	386,223
Abundance Canada General Fund - interest at 1.97% (2015 - 2.25%)	1,157,316	788,332
	<u>1,694,148</u>	<u>1,174,555</u>
Internally restricted		
Abundance Canada CMU Disaster Recovery Bursary Fund - interest at 1.79% 2015 - 2.25%)	633	622
Wellness Fund - interest at 1.97% (2015 - 2.25%)	4,707	4,855
Region V Project Reserve Fund - interest at 1.97% 2015 - 2.25%)	100,000	100,000
	<u>105,340</u>	<u>105,477</u>
	<u>1,799,488</u>	<u>1,280,032</u>

Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

6 Property and equipment

			2016	2015
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Office furniture and equipment	44,808	32,858	11,950	5,370
Project equipment	174,191	126,598	47,593	60,941
Leasehold improvements	72,725	64,413	8,312	9,062
	291,724	223,869	67,855	75,373

7 Related party transactions

MDS is part of a series of Regions in Canada and the United States undertaking relief efforts (note 1). The Bi-National office provides direction and coordination efforts to the Regions. MDS has undertaken transactions with the Bi-National office.

The following is a summary of the related party transactions occurring during the year:

	2016	2015
	\$	\$
Grants to Bi-National Program	75,000	-
Grants from Bi-National Operations	10,000	10,000
Capital campaign funds collected and remitted to Bi-National	-	17,000

Included in accounts receivable is \$2,595 (2015 – \$nil) from Bi-National.

8 Commitments

MDS has commitments under operating leases requiring total approximate annual rental payments as follows:

	\$
2017	17,148
2018	1,429

Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2016

9 Interfund transfers

During the year, certain externally restricted Region V and Region V Units funds were reallocated to the newly created Fund of Last Resort in the amount of \$148,229. The Board has approved this reallocation from the Alberta - Flood program surplus.

The Board has also approved interfund transfers from the General Fund to the Bi-National Fund in the amount of \$70,042 and to the Region V and Region V Units Fund in the amount of \$76,460.

10 Financial instruments

Credit risk

Credit risk is the risk one party to a financial instrument may fail to discharge an obligation and cause a financial loss to another party. MDS, in the normal course of operations, is exposed to credit risk from its donors. However, the broad donor base minimizes the credit risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate fluctuations on MDS's cash flows, financial position and revenues. Certain of MDS's investments are subject to changes in interest rates.

Liquidity risk

Liquidity risk is the risk MDS will not be able to meet its financial obligations associated with financial liabilities in full. MDS expects to be able to meet its financial obligations in the foreseeable future.

Foreign currency risk

Foreign currency risk arises from certain of the MDS' obligations and activities which must be settled in US dollars. MDS does not engage in hedging transactions to preclude its exposure to foreign currency risk.

11 Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

Mennonite Disaster Service Region V Inc.

Schedule of General Fund Expenses

Schedule 1

For the year ended November 30, 2016

	2016			2015		
	Project and Program \$	Operations \$	Board \$	Project and Program \$	Operations \$	Board \$
Advertising and promotion	-	36,921	-	-	43,291	-
Fundraising	-	11,183	-	-	17,374	-
Insurance	-	394	-	-	401	-
Interest and bank charges	-	5,487	-	-	2,378	-
Light, power and water	-	2,902	-	-	2,937	-
Memberships/subscriptions	-	390	-	-	921	-
Occupancy	7,350	11,790	-	1,445	24,076	-
Office	-	18,364	-	-	8,769	-
Professional fees	-	21,476	-	-	8,674	-
Project investigations	1,992	-	-	-	-	-
Project start-up and completion	972	-	-	2,036	-	-
Website and computers	-	3,903	-	-	3,313	-
Supplies	-	11,857	-	-	14,525	-
Telephone	-	5,689	1,264	-	7,693	2,363
Training and development	13,880	1,264	-	33,547	3,265	-
Travel and meetings	3,027	34,870	54,482	7,590	17,537	41,815
Vehicle expenses	10,213	-	-	13,027	-	-
Wages and benefits	-	221,467	-	-	184,396	-
	<u>37,434</u>	<u>387,957</u>	<u>55,746</u>	<u>57,645</u>	<u>339,550</u>	<u>44,178</u>
Expense allocations (note 3)						
Administration costs	90,993	(103,252)	12,259	83,272	(92,625)	9,353
Wages and benefits	98,619	(127,202)	28,583	87,540	(111,378)	23,838
	<u>189,612</u>	<u>(230,454)</u>	<u>40,842</u>	<u>170,812</u>	<u>(204,003)</u>	<u>33,191</u>
	<u>227,046</u>	<u>157,503</u>	<u>96,588</u>	<u>228,457</u>	<u>135,547</u>	<u>77,369</u>
Total General Fund expenses			<u>481,137</u>			<u>441,373</u>

Mennonite Disaster Service Region V Inc.

Schedule of Externally Restricted Funds Expenses

Schedule 2

For the year ended November 30, 2016

	2016 \$	2015 \$
Bi-National Fund		
Project and Program		
California Wildfires	2,203	-
Colorado Midwest Flood	6,861	10,196
Detroit, MI Floods	15,992	5,962
Gulf States Flood	6,062	-
Hurricane Sandy	-	19,914
MDS Warehouse	-	4,630
Mississippi Tornadoes	-	3,038
Nebraska Tornadoes	404	2,229
Pateros, WA Fires	15,176	2,701
Pensacola, FL Flood	-	14,044
South Carolina Flood	9,566	-
Texas Fires	20,093	3,335
West Virginia Floods	11,637	1,151
	<hr/> 87,994	<hr/> 67,200
Operations		
Grant	14,843	10,241
	<hr/> 102,837	<hr/> 77,441

Mennonite Disaster Service Region V Inc.

Schedule of Externally Restricted Funds Expenses *continued*

For the year ended November 30, 2016

Schedule 2 continued

	2016 \$	2015 \$
Brought forward	102,837	77,441
Region V Grant and Region V Unit Fund		
Project and Program		
Alberta		
Family Project	-	650
Flood	15,042	380,997
Investigations	571	280
Tools	-	105
British Columbia		
Investigations	82	282
Tools	245	-
Youth Project	9,700	-
Rock Creek Wildfires	17,686	-
Manitoba		
Family Project	9,220	-
Investigations	21	62
Local	1,871	7,630
Breezy Point	(40,284)	47,550
Ontario		
Family Project	11,063	-
Investigations	1,935	319
Local	3,319	-
Vehicle and Equipment Maintenance	6,070	-
Tweed Flood	-	(15,000)
Kitchener	-	(7,775)
Syrian Refugee	58,274	-
Saskatchewan		
Family Project	-	11,739
Flood	-	4,225
Tools	-	5,304
Region V		
Family Project	353	-
Vehicle and Equipment Maintenance	-	2,163
Alberta Fires	4,904	-
Carmacks, YT Fire	79,744	-
All-unit supplies	-	8,423
	179,816	446,954
Capital Campaign		
Operations		
Capital campaign funds for Bi-National	-	17,000
Total Externally Restricted Funds expenses	282,653	541,395

Mennonite Disaster Service Region V Inc.

Schedule of Internally Restricted Funds Expenses

Schedule 3

For the year ended November 30, 2016

	2016 \$	2015 \$
Wellness Fund		
Operations		
Employee health benefits	148	116
Funds Invested in Property and Equipment		
Project and Program		
Amortization	19,153	19,010
Operations		
Amortization	4,205	3,121
	<u>23,358</u>	<u>22,131</u>
Fund of Last Resort		
Project and Program		
Detroit, MI Floods (note 7)	75,000	-
Total Internally Restricted Funds expenses	<u>98,506</u>	<u>22,247</u>