

**Mennonite Disaster Service  
Region V Inc.**

Financial Statements  
**November 30, 2017**



February 7, 2018

## **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, 2017 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.

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**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 years ended November 30, 2017 and November 30, 2016, current assets as at November 30, 2017 and November 30, 2016 and fund balances as at the beginning and end of the years ended November 30, 2017 and November 30, 2016. Our audit opinion on the financial statements for the year ended November 30, 2016 was modified accordingly because of the possible effects of this limitation in scope.

**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, 2017 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

# Mennonite Disaster Service Region V Inc.

## Statement of Financial Position

As at November 30, 2017

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 4)	571,218	466,116
Interest bearing deposits (note 5)	1,832,806	1,799,488
Accounts receivable (note 7)	199,240	13,323
	<u>2,603,264</u>	<u>2,278,927</u>
<b>Property and equipment</b> (note 6)	94,651	67,855
	<u>2,697,915</u>	<u>2,346,782</u>
<b>Liabilities and Fund Balances</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	67,504	19,813
<b>Fund balances</b>		
<b>Unrestricted</b>		
General Fund	1,564,746	1,624,347
<b>Externally restricted</b>		
Bi-National Fund	129,664	10,284
Region V and Region V Units Fund	437,914	443,951
<b>Internally restricted</b>		
CMU Disaster Recovery Program Bursary Fund	643	633
Region V Projects Reserve Fund	100,000	100,000
Wellness Fund	4,543	4,707
Funds Invested in Property and Equipment	94,651	67,855
Fund of Last Resort	76,592	75,192
Bequest Fund	221,658	-
	<u>2,630,411</u>	<u>2,326,969</u>
	<u>2,697,915</u>	<u>2,346,782</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, 2017

	2017			2016							
	Unrestricted	Externally Restricted	Region V and Region V Units Fund	CMU Disaster Recovery Program Bursary Fund	Region V Projects Reserve Fund	Wellness Fund	Funds Invested in Property and Equipment	Fund of Last Resort	Bequest Fund	Total	Total
	General Fund	Bi-National Fund	Region V and Region V Units Fund	CMU Disaster Recovery Program Bursary Fund	Region V Projects Reserve Fund	Wellness Fund	Funds Invested in Property and Equipment	Fund of Last Resort	Bequest Fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>											
Donations	908,988	137,018	409,126	-	-	-	-	-	-	1,455,132	1,339,275
Grants - Alberta Fires	-	-	300,000	-	-	-	-	-	-	300,000	80,000
Grants from Bi-National Fund (note 7)	-	13,333	-	-	-	-	-	-	-	13,333	10,000
Summer Youth and Family Project fees	-	-	3,975	-	-	-	-	-	-	3,975	3,800
Investment income	34,599	-	-	10	-	-	-	-	-	34,609	30,643
Other income	1,365	-	25,000	-	-	-	-	-	-	26,365	2,791
	944,952	150,351	738,101	10	-	-	-	-	-	1,833,414	1,466,509
<b>Expenses</b>											
Project and program											
Unrestricted (schedule 1)	271,885	-	-	-	-	-	-	-	-	271,885	227,046
Externally restricted (schedule 2)	-	100,263	777,448	-	-	-	-	-	-	877,711	267,810
Internally restricted (schedule 3)	-	-	-	-	-	-	25,540	-	-	25,540	94,153
Operations											
Unrestricted (schedule 1)	229,387	-	-	-	-	-	-	-	-	229,387	157,503
Externally restricted (schedule 2)	-	27,235	-	-	-	-	-	-	-	27,235	14,843
Internally restricted (schedule 3)	-	-	-	-	-	164	5,128	-	-	5,292	4,353
Board											
Unrestricted (schedule 1)	92,922	-	-	-	-	-	-	-	-	92,922	96,588
	594,194	127,498	777,448	-	-	164	30,668	-	-	1,529,972	862,296
<b>Excess (deficiency) of revenue over expenses for the year</b>	350,758	22,853	(39,347)	10	-	(164)	(30,668)	-	-	303,442	604,213
<b>Fund balance - Beginning of year</b>	1,624,347	10,284	443,951	633	100,000	4,707	67,855	75,192	-	2,326,969	1,722,756
<b>Interfund transfers (note 9)</b>	(352,895)	96,527	33,310	-	-	-	-	1,400	221,658	-	-
<b>Investment in property and equipment</b>	(57,464)	-	-	-	-	-	57,464	-	-	-	-
<b>Fund balance - End of year</b>	1,564,746	129,664	437,914	643	100,000	4,543	94,651	76,592	221,658	2,630,411	2,326,969

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, 2017

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	303,442	604,213
Items not affecting cash		
Amortization	30,668	23,358
Gain on disposal of property and equipment	-	(484)
	<hr/>	<hr/>
	334,110	627,087
Changes in non-cash working capital items		
Accounts receivable	(185,917)	91,421
Accounts payable and accrued liabilities	47,691	(25,566)
	<hr/>	<hr/>
	195,884	692,942
<b>Investing activities</b>		
Purchase of property and equipment	(57,464)	(23,508)
Proceeds on disposal of property and equipment	-	8,152
	<hr/>	<hr/>
	(57,464)	(15,356)
<b>Increase in cash</b>	138,420	677,586
<b>Cash - Beginning of year</b>	<hr/>	<hr/>
	2,265,604	1,588,018
<b>Cash - End of year</b>	<hr/>	<hr/>
	2,404,024	2,265,604
<b>Cash consists of</b>		
Cash	571,218	466,116
Interest bearing deposits	1,832,806	1,799,488
	<hr/>	<hr/>
	2,404,024	2,265,604
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The accompanying notes are an integral part of these financial statements.

# **Mennonite Disaster Service Region V Inc.**

## Notes to Financial Statements

November 30, 2017

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### **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**

These financial statements have been prepared in accordance with ASNPO, and include the following 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, 2017

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## **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.

### ***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, 2017

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## 3 Summary of significant accounting policies (continued)

### *Bequest Fund*

A disaster contingency fund for any underfunded disaster recovery rebuilding work initiated by the Bi-National or Region. The funds are administered operationally and/or by approval of the Board.

### **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 contributions are recognized in the General Fund when received or receivable. Restricted donations are recognized as revenue of the appropriate restricted fund when received or receivable. Restricted contributions for which there is not a designated restricted fund are recognized in the General Fund under the deferral method. Amounts pledged to MDS by supporters are not recognized in the accounts until received.

Investment income and other income are recognized when earned.

### **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.

# Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2017

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## 3 Summary of significant accounting policies (continued)

### 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.

### 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	51	33	16
Wages and benefits	51	33	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, 2017

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## 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

	2017 \$	2016 \$
Unrestricted and internally restricted	270,045	168,520
Externally restricted	301,173	297,596
	<hr/> 571,218	<hr/> 466,116

## 5 Interest bearing deposits

	2017 \$	2016 \$
<b>Unrestricted and internally restricted</b>		
Canadian Conference of Mennonite Brethren Churches Legacy General Fund - interest at 2.0% (2016 - 2.0%)	547,366	536,832
Abundance Canada General Fund - interest at 1.82% (2016 - 1.97%)	1,284,797	1,262,023
CMU Disaster Recovery Bursary Fund - interest at 1.57% 2016 - 1.79%)	643	633
	<hr/> 1,832,806	<hr/> 1,799,488

# Mennonite Disaster Service Region V Inc.

Notes to Financial Statements

November 30, 2017

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## 6 Property and equipment

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office furniture and equipment	48,756	37,237	11,519	11,950
Project equipment	227,707	152,138	75,569	47,593
Leasehold improvements	72,725	65,162	7,563	8,312
	349,188	254,537	94,651	67,855

## 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:

	2017 \$	2016 \$
Grants to Bi-National Program	27,235	75,000
Grants from Bi-National Operations	13,333	10,000

Included in accounts receivable is \$nil (2016 – \$2,595) from Bi-National and included in accounts payable is \$43,125 (2016 - \$nil) to Bi-National relating to donations received by Region on behalf of Bi-National.

## 8 Commitments

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

	\$
2018	17,148
2019	1,429

# **Mennonite Disaster Service Region V Inc.**

Notes to Financial Statements

November 30, 2017

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## **9 Interfund transfers**

During the year, the Board approved interfund transfers from the General Fund to the internally restricted Bequest Fund in the amount of \$221,658.

The Board has also approved interfund transfers from the General Fund to the externally restricted Bi-National Fund in the amount of \$96,527 and to the externally restricted Region V and Region V Units Fund in the amount of \$33,310.

## **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.

# Mennonite Disaster Service Region V Inc.

## Schedule of General Fund Expenses

(Unaudited)

For the year ended November 30, 2017

Schedule 1

	2017			2016		
	Project and Program \$	Operations \$	Board \$	Project and Program \$	Operations \$	Board \$
Advertising and promotion	-	61,714	-	-	36,921	-
Fundraising	-	26,651	-	-	11,183	-
Insurance	-	1,221	-	-	394	-
Interest and bank charges	-	3,738	-	-	5,487	-
Light, power and water	-	2,783	-	-	2,902	-
Memberships/subscriptions	-	2,418	-	-	390	-
Occupancy	9,883	25,477	-	7,350	11,790	-
Office	-	11,727	-	-	10,879	-
Professional fees	-	10,922	-	-	21,476	-
Project investigations	-	-	-	1,992	-	-
Project start-up and completion	334	-	-	972	-	-
Website and computers	-	22,700	-	-	3,903	-
Supplies	-	8,714	-	-	11,857	-
Telephone	-	6,303	1,191	-	5,689	1,264
Training and development	29,692	2,409	-	13,880	1,264	-
Tools and equipment	34,827	-	-	-	7,485	-
Travel and meetings	2,052	28,401	45,884	3,027	34,870	54,482
Vehicle expenses	15,818	-	-	10,213	-	-
Wages and benefits	-	239,335	-	-	221,467	-
	<u>92,606</u>	<u>454,513</u>	<u>47,075</u>	<u>37,434</u>	<u>387,957</u>	<u>55,746</u>
Expense allocations (note 3)						
Administration costs	115,263	(129,925)	14,662	90,993	(103,252)	12,259
Wages and benefits	101,187	(132,372)	31,185	98,619	(127,202)	28,583
	<u>216,450</u>	<u>(262,297)</u>	<u>45,847</u>	<u>189,612</u>	<u>(230,454)</u>	<u>40,842</u>
	<u>309,056</u>	<u>192,216</u>	<u>92,922</u>	<u>227,046</u>	<u>157,503</u>	<u>96,588</u>
<b>Total General Fund expenses</b>			<u>594,194</u>			<u>481,137</u>

# Mennonite Disaster Service Region V Inc.

## Schedule of Externally Restricted Funds Expenses

(Unaudited)

For the year ended November 30, 2017

Schedule 2

	2017 \$	2016 \$
<b>Bi-National Fund</b>		
<b>Project and Program</b>		
California Wildfires	23,592	2,203
Colorado Midwest Flood	-	6,861
Detroit, MI Floods	1,545	15,992
Gulf States Flood	11,715	6,062
Hurricane Harvey	500	-
Hurricane Sandy	-	-
MDS Warehouse	-	-
Mississippi Tornadoes	-	-
Nebraska Tornadoes	-	404
Pateros, WA Fires	410	15,176
Pensacola, FL Flood	-	-
Pine Ridge Storms	6,642	-
South Carolina Flood	5,544	9,566
Summer Youth Project	2,998	-
Texas Fires	15,948	20,093
West Virginia Floods	31,369	11,637
	<hr/> 100,263	<hr/> 87,994
<b>Operations</b>		
Grant	<hr/> 27,235	<hr/> 14,843
<b>Carried forward</b>	<hr/> 127,498	<hr/> 102,837

# Mennonite Disaster Service Region V Inc.

## Schedule of Externally Restricted Funds Expenses *continued*

(Unaudited)

For the year ended November 30, 2017

Schedule 2 continued

	2017 \$	2016 \$
<b>Brought forward</b>	127,498	102,837
<b>Region V Grant and Region V Unit Fund</b>		
<b>Project and Program</b>		
Alberta		
Family Project	-	-
Flood	-	15,042
Investigations	-	571
Tools	-	-
Atlantic Canada		
Local	1,807	-
British Columbia		
Investigations	442	82
Local	1,164	
Tools	-	245
Youth Project	-	9,700
Wildfires	915	17,686
Manitoba		
Family Project	-	9,220
Investigations	-	21
Local	3,277	1,871
Breezy Point	-	(40,284)
Ontario		
Family Project	2,358	11,063
Flood	2,260	-
Investigations	2,880	1,935
Local	23,233	3,319
Vehicle and Equipment Maintenance	(6,070)	6,070
Tweed Flood	-	-
Kitchener	-	-
Syrian Refugee	-	58,274
Saskatchewan		
Family Project	-	-
Flood	-	-
Tools	-	-
Region V		
Family Project	6,270	353
Vehicle and Equipment Maintenance	-	-
Youth Project	2,779	-
Alberta Fires	733,085	4,904
Carmacks, YT Fire	15	79,744
BC Fires	3,009	-
All-unit supplies	24	-
	<u>777,448</u>	<u>179,816</u>
<b>Capital Campaign</b>		
<b>Operations</b>		
Capital campaign funds for Bi-National	-	-
<b>Total Externally Restricted Funds expenses</b>	<u>904,946</u>	<u>282,653</u>



# Mennonite Disaster Service Region V Inc.

## Schedule of Internally Restricted Funds Expenses

(Unaudited)

For the year ended November 30, 2017

Schedule 3

	2017 \$	2016 \$
<b>Wellness Fund</b>		
<b>Operations</b>		
Employee health benefits	164	148
<b>Funds Invested in Property and Equipment</b>		
<b>Project and Program</b>		
Amortization	25,540	19,153
<b>Operations</b>		
Amortization	5,128	4,205
	30,668	23,358
<b>Fund of Last Resort</b>		
<b>Project and Program</b>		
Detroit, MI Floods (note 7)	-	75,000
<b>Bi-National Fund</b>		
<b>Total Internally Restricted Funds expenses</b>	30,832	98,506

