

**Mennonite Disaster Service
Canada Inc.**

(formerly Mennonite Disaster Service
Region V Inc.)

Financial Statements
November 30, 2018



February 7, 2019

Independent Auditor's Report

**To the Board of Directors of
Mennonite Disaster Service Canada Inc.
(formerly Mennonite Disaster Service Region V Inc.)**

We have audited the accompanying financial statements of Mennonite Disaster Service Canada Inc., which comprise the statement of financial position as at November 30, 2018 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Basis for qualified opinion**

In common with many not-for-profit organizations, Mennonite Disaster Service Canada 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 Canada Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses for the year, and cash flows from operations for the years ended November 30, 2018 and November 30, 2017, current assets as at November 30, 2018 and November 30, 2017 and fund balances as at the beginning and the end of the years ended November 30, 2018 and November 30, 2017. Our audit opinion on the financial statements for the year ended November 30, 2017 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 Canada Inc. as at November 30, 2018 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 Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Statement of Financial Position

As at November 30, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash (note 4)	420,193	571,218
Interest bearing deposits (note 5)	1,868,029	1,832,806
Accounts receivable (note 7)	12,849	199,240
	2,301,071	2,603,264
Property and equipment (note 6)	126,850	94,651
	2,427,921	2,697,915
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	34,894	67,504
Fund balances		
Unrestricted		
General Fund	1,702,662	1,564,746
Externally restricted		
Bi-National Fund	123,520	129,664
MDS Canada and MDS Canada Units Fund	143,046	437,914
Internally restricted		
CMU Disaster Recovery Program Bursary Fund	653	643
MDS Canada Projects Reserve Fund	80,000	100,000
Wellness Fund	4,543	4,543
Funds Invested in Property and Equipment	126,850	94,651
Fund of Last Resort	56,592	76,592
Bequest Fund	155,161	221,658
	2,393,027	2,630,411
	2,427,921	2,697,915

Approved by the Board of Directors

Director

Director

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

Mennonite Disaster Service Canada Inc.
(formerly Mennonite Disaster Service Region V Inc.)
Statement of Operations and Changes in Fund Balances
For the year ended November 30, 2018

	2018									2017	
	Unrestricted	Externally Restricted		Internally Restricted							
	General Fund	Bi-National Fund	MDS Canada and MDS Canada Units Fund	CMU Disaster Recovery Program Bursary Fund	MDS Canada Projects Reserve Fund	Wellness Fund	Funds Invested in Property and Equipment	Fund of Last Resort	Bequest Fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue											
Donations	773,658	55,201	161,464	-	-	-	-	-	-	990,323	1,455,132
Grants - Alberta Fires	-	-	-	-	-	-	-	-	-	-	300,000
Grants - BC Fires	-	-	77,268	-	-	-	-	-	-	77,268	-
Grants from Bi-National Fund (note 7)	-	12,740	-	-	-	-	-	-	-	12,740	13,333
Summer Youth and Family Project fees	-	-	3,550	-	-	-	-	-	-	3,550	3,975
Investment income	31,964	-	-	10	-	-	-	-	-	31,974	34,609
Other income	41,502	-	-	-	-	-	-	-	-	41,502	26,365
	847,124	67,941	242,282	10	-	-	-	-	-	1,157,357	1,833,414
Expenses											
Project and program											
Unrestricted (schedule 1)	331,866	-	-	-	-	-	-	-	-	331,866	271,885
Externally restricted (schedule 2)	-	101,763	557,284	-	-	-	-	-	-	659,047	877,711
Internally restricted (schedule 3)	-	-	-	-	-	-	35,337	-	-	35,337	25,540
Operations											
Unrestricted (schedule 1)	279,054	-	-	-	-	-	-	-	-	279,054	229,387
Externally restricted (schedule 2)	-	-	-	-	-	-	-	-	-	-	27,235
Internally restricted (schedule 3)	-	-	-	-	-	-	6,140	-	-	6,140	5,292
Board											
Unrestricted (schedule 1)	83,297	-	-	-	-	-	-	-	-	83,297	92,922
	694,217	101,763	557,284	-	-	-	41,477	-	-	1,394,741	1,529,972
Excess (deficiency) of revenue over expenses for the year	152,907	(33,822)	(315,002)	10	-	-	(41,477)	-	-	(237,384)	303,442
Fund balance - Beginning of year	1,564,746	129,664	437,914	643	100,000	4,543	94,651	76,592	221,658	2,630,411	2,326,969
Interfund transfers (note 9)	58,685	27,678	20,134	-	(20,000)	-	-	(20,000)	(66,497)	-	-
Investment in property and equipment	(73,676)	-	-	-	-	-	73,676	-	-	-	-
Fund balance - End of year	1,702,662	123,520	143,046	653	80,000	4,543	126,850	56,592	155,161	2,393,027	2,630,411

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

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Statement of Cash Flows

For the year ended November 30, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses (excess of expenses over revenue) for the year	(237,384)	303,442
Item not affecting cash		
Amortization	41,477	30,668
	(195,907)	334,110
Changes in non-cash working capital items		
Accounts receivable	186,391	(185,917)
Accounts payable and accrued liabilities	(32,610)	47,691
	(42,126)	195,884
Investing activities		
Purchase of property and equipment	(73,676)	(57,464)
(Decrease) increase in cash	(115,802)	138,420
Cash - Beginning of year	2,404,024	2,265,604
Cash - End of year	2,288,222	2,404,024
Cash consists of		
Cash	420,193	571,218
Interest bearing deposits	1,868,029	1,832,806
	2,288,222	2,404,024

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

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

1 Nature of operations

Mennonite Disaster Service Canada Inc. (MDS) (formerly Mennonite Disaster Service Region V Inc.) 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 1 through 4 are in the United States and Region 5 (MDS Canada) 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 1 through 4.

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

3 Summary of significant accounting policies (continued)

MDS Canada and MDS Canada Units Fund

Contributions are designated for MDS Canada and/or units within MDS 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. MDS 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.

MDS Canada Reserve Fund

This fund is to be used at the Board's discretion when operating deficits in MDS Canada projects arise. The fund will be replenished as directed by the Board from unrestricted funds as needed, to a maximum balance of \$80,000.

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 Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

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. An underfunded disaster is defined as a project that does not have sufficient externally or internally restricted funds. The funds are administered operationally and/or by approval of the Board.

Cash and interest bearing deposits

Cash and interest bearing deposits 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	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 Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

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			
MDS Canada projects	15	85	-
Other	100	-	-
Staff travel			
Programs	100	-	-
Other	60	40	-
Occupancy costs	59	27	14
Wages and benefits	59	27	14

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

	Program %	Operations %	Board %
Administration costs			
Telecommunications	59	27	14

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 Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

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

	2018	2017
	\$	\$
Unrestricted and internally restricted	201,439	270,045
Externally restricted	218,754	301,173
	<hr/>	<hr/>
	420,193	571,218

5 Interest bearing deposits

	2018	2017
	\$	\$
Unrestricted and internally restricted		
Canadian Conference of Mennonite Brethren Churches Legacy		
General Fund - interest at 2.25% (2017 - 2.0%)	-	547,366
Abundance Canada		
General Fund - interest at 1.80% (2017 - 1.82%)	1,867,376	1,284,797
CMU Disaster Recovery Bursary Fund - interest at 1.55% (2017 - 1.57%)	653	643
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	1,868,029	1,832,806

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

6 Property and equipment

	2018		2017
	Cost \$	Accumulated amortization \$	Net \$
Office furniture and equipment	64,516	42,627	21,889
Project equipment	285,624	187,475	98,149
Leasehold improvements	15,000	8,188	6,812
	365,140	238,290	126,850
			94,651

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:

	2018 \$	2017 \$
Grants to Bi-National Program	-	27,235
Grants from Bi-National Operations	12,740	13,333

Included in accounts receivable is \$5,340 (2017 – \$nil) from Bi-National and included in accounts payable is \$nil (2017 - \$43,125) 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:

	\$
2019	42,880
2020	43,662
2021	44,220
2022	45,002
2023	45,560

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Notes to Financial Statements

November 30, 2018

9 Interfund transfers

During the year, the Board approved interfund transfers to the General Fund from the internally restricted MDS Canada Projects Reserve Fund, Fund of Last Resort and Bequest Fund in the amount of \$20,000, \$20,000 and \$66,497, respectively.

The Board has also approved interfund transfers from the General Fund to the externally restricted Bi-National Fund in the amount of \$27,678 and to the externally restricted MDS Canada and MDS Canada Units Fund in the amount of \$20,134.

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 Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Schedule of General Fund Expenses

(Unaudited)

For the year ended November 30, 2018

Schedule 1

	2018			2017		
	Project and Program \$	Operations \$	Board \$	Project and Program \$	Operations \$	Board \$
Advertising and promotion	-	84,007	-	-	61,714	-
Fundraising	-	13,392	-	-	26,651	-
Insurance	-	379	-	-	1,221	-
Interest and bank charges	-	3,569	-	-	3,738	-
Light, power and water	-	2,038	-	-	2,783	-
Memberships/subscriptions	-	1,099	-	-	2,418	-
Occupancy	8,058	37,126	-	9,883	25,477	-
Office	-	65,852	-	-	11,727	-
Professional fees	-	18,810	-	-	10,922	-
Project investigations	288	-	-	-	-	-
Project start-up and completion	176	-	-	334	-	-
Supplies	-	23,026	-	-	8,714	-
Telephone	-	7,610	896	-	6,303	1,191
Tools and equipment	5,166	-	-	34,827	-	-
Training and development	33,202	1,604	-	29,692	2,409	-
Travel and meetings	16,416	36,836	37,020	2,052	28,401	45,884
Vehicle expenses	20,366	416	-	15,818	-	-
Wages and benefits	-	266,581	-	-	239,335	-
Website and computers	-	10,284	-	-	22,700	-
	<u>83,672</u>	<u>572,629</u>	<u>37,916</u>	<u>92,606</u>	<u>454,513</u>	<u>47,075</u>
Expense allocations (note 3)						
Administration costs	113,712	(127,182)	13,470	115,263	(129,925)	14,662
Wages and benefits	134,482	(166,393)	31,911	101,187	(132,372)	31,185
	<u>248,194</u>	<u>(293,575)</u>	<u>45,381</u>	<u>216,450</u>	<u>(262,297)</u>	<u>45,847</u>
	<u>331,866</u>	<u>279,054</u>	<u>83,297</u>	<u>309,056</u>	<u>192,216</u>	<u>92,922</u>
Total General Fund expenses			<u>694,217</u>			<u>594,194</u>

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Schedule of Externally Restricted Funds Expenses

(Unaudited)

For the year ended November 30, 2018

Schedule 2

	2018 \$	2017 \$
Bi-National Fund		
Project and Program		
California Wildfires	13,675	23,592
Detroit, MI Floods	-	1,545
Gulf States Flood	4,536	11,715
Hurricane Harvey	39,924	500
Hurricane Irma	11,958	-
Hurricane Maria	2,632	-
Pateros, WA Fires	-	410
Pine Ridge Storms	13,683	6,642
South Carolina Flood	-	5,544
Summer Youth Project	-	2,998
Texas Fires	-	15,948
West Virginia Floods	15,355	31,369
	101,763	100,263
Operations		
Grant	-	27,235
Carried forward	101,763	127,498

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Schedule of Externally Restricted Funds Expenses *continued*

(Unaudited)

For the year ended November 30, 2018

Schedule 2 continued

	2018 \$	2017 \$
Brought forward	101,763	127,498
MDS Canada Grant and MDS Canada Unit Fund		
Project and Program		
Atlantic Canada		
Investigations	1,152	-
Local	3,716	1,807
British Columbia		
Investigations	952	442
Local	7,850	1,164
Youth Project	87	915
Manitoba		
Investigations	408	-
Local	5,000	3,277
Ontario		
Family Project	-	2,358
Flood	-	2,260
Investigations	849	2,880
Local	32,484	23,233
Vehicle and Equipment Maintenance	-	(6,070)
MDS Canada		
Family Project	5,903	6,270
Youth Project	-	2,779
Alberta Fires	4,159	733,085
Carmacks, YT Fire	-	15
BC Fires	494,724	3,009
All-unit supplies	-	24
	557,284	777,448
Total Externally Restricted Funds expenses	659,047	904,946

Mennonite Disaster Service Canada Inc.

(formerly Mennonite Disaster Service Region V Inc.)

Schedule of Internally Restricted Funds Expenses

(Unaudited)

For the year ended November 30, 2018

Schedule 3

	2018 \$	2017 \$
Wellness Fund		
Operations		
Employee health benefits	-	164
Funds Invested in Property and Equipment		
Project and Program		
Amortization	35,337	25,540
Operations		
Amortization	6,140	5,128
	41,477	30,668
Total Internally Restricted Funds expenses	41,477	30,832