

**Mennonite Disaster Service
Canada Inc.**

Financial Statements
July 31, 2023



Independent auditor's report

To the Board of Directors of Mennonite Disaster Service Canada Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mennonite Disaster Service Canada Inc. (the Organization) as at July 31, 2023 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at July 31, 2023;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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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.

Auditor's 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 21, 2023


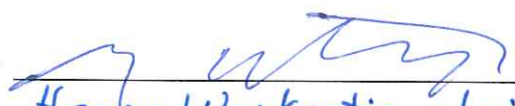
Menonite Disaster Service Canada Inc.

Statement of Financial Position

As at July 31, 2023

	2023 \$	2022 \$
Assets		
Current assets		
Cash	760,126	716,559
Interest bearing deposits (note 4)	820,712	1,650,281
Investments	95,751	93,281
Accounts receivable	261,402	95,082
Prepaid expenses	461	-
	<u>1,938,452</u>	<u>2,555,203</u>
Property and equipment (note 5)	<u>283,183</u>	<u>192,205</u>
	<u>2,221,635</u>	<u>2,747,408</u>
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	<u>72,450</u>	<u>292,369</u>
Fund balances		
Unrestricted		
General Fund	1,255,866	1,574,999
Externally restricted		
MDS US Projects Fund	5,154	5,954
MDS Canada and MDS Canada Units Fund	-	49,297
Internally restricted		
Spirit of MDS Fund	100,000	200,000
MDS Canada Projects Reserve Fund	80,000	80,000
Funds Invested in Property and Equipment	283,183	192,205
Fund of Last Resort	-	4,592
Bequest Fund	424,982	347,992
	<u>2,149,185</u>	<u>2,455,039</u>
	<u>2,221,635</u>	<u>2,747,408</u>
Commitments (note 7)		

Approved by the Board of Directors

 Director  Director
Lester Weber, Treasurer *Henry Warkentin, chair*

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

Mennonite Disaster Service Canada Inc.

Statement of Operations and Changes in Fund Balances

For the year ended July 31, 2023

	2023		2022							
	Unrestricted	Externally Restricted	Internally Restricted	Total						
	General Fund \$	MDS US Projects Fund \$	MDS Canada and MDSC Units Fund \$	Spirit of MDS Fund \$	MDS Canada Projects Reserve Fund \$	Invested in Property and Equipment \$	Fund of Last Resort \$	Request Fund \$	Total \$	Total \$
Revenue										
Donations	1,158,005	2,487	222,450	-	-	-	-	-	1,382,942	2,155,729
Bequests	76,990	-	-	-	-	-	-	-	76,990	220,000
Grants – BC Fires	-	-	300,000	-	-	-	-	-	300,000	400,000
Grants – Fiona Hurricane	-	-	100,000	-	-	-	-	-	100,000	-
Grants from MDS, United States (note 6)	-	13,551	-	-	-	-	-	-	13,551	12,707
Interest income	16,814	-	-	-	-	-	-	-	16,814	21,265
Harvest income	4,606	-	-	-	-	-	-	-	4,606	118,015
Other income	3,870	-	-	-	-	-	-	-	3,870	1,951
	1,260,285	16,038	622,450	-	-	-	-	-	1,898,773	2,929,667
Expenses										
Project and program										
Unrestricted (schedule 1)	409,644	47,136	1,224,791	-	-	-	-	-	409,644	317,197
Externally restricted (schedule 2)	-	-	-	137,069	-	-	-	-	1,271,927	2,229,342
Internally restricted (schedule 3)	-	-	-	-	-	53,932	-	-	191,001	163,674
Operations										
Unrestricted (schedule 1)	232,352	-	-	-	-	9,378	-	-	232,352	178,501
Internally restricted (schedule 3)	-	-	-	-	-	-	-	-	9,378	8,201
Board										
Unrestricted (schedule 1)	87,547	-	-	-	-	-	-	-	87,547	78,970
	729,543	47,136	1,224,791	137,069	-	63,310	-	-	2,201,849	2,975,885
(Deficiency) excess of revenue over expenses for the year before the following	530,742	(31,098)	(602,341)	(137,069)	-	(63,310)	-	-	(303,076)	(46,218)
Unrealized gain (loss) on investments	2,470	-	-	-	-	-	-	-	2,470	(6,719)
Loss on sale of fixed assets	-	-	-	-	-	(4,860)	-	-	(4,860)	-
Loss on foreign exchange	(388)	-	-	-	-	-	-	-	(388)	(675)
(Deficiency) excess of revenue over expenses for the year	532,824	(31,098)	(602,341)	(137,069)	-	(68,170)	-	-	(305,854)	(53,612)
Fund balance – Beginning of year	1,574,999	5,954	49,297	200,000	80,000	192,205	4,592	347,992	2,455,039	2,508,651
Interfund transfers (note 8)	(692,809)	30,298	553,044	37,069	-	-	(4,592)	76,990	-	-
Investment in property and equipment	(159,148)	-	-	-	-	159,148	-	-	-	-
Fund balance – End of year	1,255,866	5,154	-	100,000	80,000	283,183	-	424,982	2,149,185	2,455,039

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

Mennonite Disaster Service Canada Inc.

Statement of Cash Flows

For the year ended July 31, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(305,854)	(53,612)
Items not affecting cash		
Amortization	63,310	48,975
Loss on sale of fixed assets	4,860	-
Unrealized (gain) loss on investments	(2,470)	6,719
	(240,154)	2,082
Changes in non-cash working capital items		
Accounts receivable	(166,320)	(72,193)
Prepaid expenses	(461)	1,436
Accounts payable and accrued liabilities	(219,919)	139,213
	(626,854)	70,538
Investing activities		
Purchase of property and equipment	(179,848)	(147,217)
Proceeds from sale of fixed assets	20,700	-
Purchase of investments	-	(100,000)
	(159,148)	(247,217)
(Decrease) increase in cash and interest bearing deposits during the year	(786,002)	(176,679)
Cash and interest bearing deposits – Beginning of year	2,366,840	2,543,519
Cash and interest bearing deposits – End of year	1,580,838	2,366,840
Cash and interest bearing deposits consist of		
Cash	760,126	716,559
Interest bearing deposits	820,712	1,650,281
	1,580,838	2,366,840

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

Mennonite Disaster Service Canada Inc.

Notes to Financial Statements

July 31, 2023

1 Nature of operations

Mennonite Disaster Service Canada Inc. (MDSC) 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 MDSC 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 (Board) of MDSC.

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 contributors. 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.

- MDS US Projects Fund

The MDS US Projects Fund was previously known as the Bi-National Fund. MDSC works together with Mennonite Disaster Service (MDS) in the United States through a Joint Ministries Agreement that outlines how MDSC and MDS respond together to disasters in Canada and the United States.

Mennonite Disaster Service Canada Inc.

Notes to Financial Statements

July 31, 2023

Contributions to the MDS US Projects Fund are designated for projects/responses in the United States or one of its territories. Any excess contributions to the fund are transferred to the United States or reallocated to a similar disaster response, at the discretion of the Board.

- MDS Canada and MDS Canada Units Fund

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

- Spirit of MDS Fund

The fund was created to provide grants to churches and ministries who are assisting people in need, with a primary focus on Anabaptist organizations. These needs may include construction or renovation projects, food or other needed resources, neighborhood projects involving volunteers or other creative ideas that fit within the MDSC core values of Faith in Action and Caring Relationships. The fund will be accessible in up to \$5,000 grants per organization by application. Each grant will be reviewed and approved by the respective unit chair or committee. These grants can be used for construction or renovation projects to repair a community home; to provide food or other needed resources for those in crisis; for neighbourhood ministry projects or other creative ideas that fit with MDS Canada's core values of faith in action and caring relationships.

- MDS Canada Projects 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.

- 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 MDSC 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. In June 2023, the Board determined that this Fund was no longer necessary as there were adequate reserves in other funds and it was closed (note 8).

Mennonite Disaster Service Canada Inc.

Notes to Financial Statements

July 31, 2023

- Bequest Fund

This is a contingency fund for any underfunded disaster recovery rebuilding work in Canada or the United States. 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 consist 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

MDSC 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 MDSC by supporters are not recognized in the accounts until received.

Funds received relating to the reimbursement of expenses from the Disaster Funding Assistance is recognized upon receipt due to the uncertainty regarding the timing and amount receivable.

Interest 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.

Notes to Financial Statements

July 31, 2023

Contributed services

A significant portion of MDSC'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 based on approved budgets as follows:

	Program %	Operations %	Board %
Administration costs			
Annual consultation	50	50	-
Telephone	80	20	-
Publications	70	30	-
Postage	25	65	10
Supplies, printing, office			
MDS Canada	15	85	-
Provincial units	100	-	-
Staff travel			
Programs	100	-	-
Staff	60	40	-
Executive Director	50	25	25
Occupancy costs	54	34	12
Wages and benefits	54	34	12

The following expenses related to the Board were allocated based on approved budgets as follows:

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

Administration costs

Subject to review by the Board, MDSC does not allocate any designated donations to the General Fund to cover the administrative costs 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 as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Mennonite Disaster Service Canada Inc.

Notes to Financial Statements

July 31, 2023

Financial instruments

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

MDSC subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments which are measured at face value at each period end and the unrealized gain or loss is recognized in the statement of operations and changes in fund balances.

During the 2023 fiscal year, MDSC held a mutual fund initially purchased for \$100,000 (2022 – \$100,000) and recognized a gain on investment of \$2,470 (2022 – loss of \$6,719). 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 Interest bearing deposits

	2023 \$	2022 \$
Unrestricted and internally restricted General Fund – interest at 1.40% (2022 – 1.05%)	820,712	1,650,281

5 Property and equipment

	2023		2022	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Office furniture and equipment	89,516	62,991	26,525	28,086
Project equipment	602,340	348,995	253,345	160,057
Leasehold improvements	15,000	11,687	3,313	4,062
	706,856	423,673	283,183	192,205

Mennonite Disaster Service Canada Inc.

Notes to Financial Statements

July 31, 2023

6 Related party transactions

MDSC works in partnership with MDS in the United States undertaking relief efforts (note 1). MDSC has undertaken transactions with the MDS office in the United States.

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

	2023 \$	2022 \$
Grants from MDS in the United States Operations	13,551	12,707

7 Commitments

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

	\$
2024	38,599
2025	39,420
2026	39,694
2027	40,515
2028	30,386

8 Interfund transfers

During the year, the Board approved interfund transfers to the externally restricted MDS Canada and MDS Canada Units Fund from the General Fund in the amount of \$553,044 (2022 – \$422,047) and to the externally restricted MDS US Projects Fund from the General Fund in the amount of \$30,298 (2022 – \$3,855 to the General Fund).

The Board has also approved interfund transfers from the General Fund to the internally restricted Bequest Fund in the amount of \$76,990 (2022 – \$220,000) and from the General Fund to the internally restricted Spirit of MDS Fund in the amount of \$37,069 (2022 – \$321,350).

The Board has closed the Fund of Last Resort, transferring the remaining \$4,592 to the General Fund.

9 Financial instruments

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause a financial loss to another party. MDSC, in the normal course of operations, is not exposed to material credit risk.

Mennonite Disaster Service Canada Inc.

Notes to Financial Statements

July 31, 2023

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate fluctuations on MDSC's cash flows, financial position and revenue. Certain of MDSC's interest bearing deposits are subject to changes in interest rates.

Liquidity risk

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

Foreign currency risk

Foreign currency risk arises from certain of the MDSC's obligations and activities, which must be settled in US dollars. Operating activities transacted in US dollars are not material to the financial statements.

Mennonite Disaster Service Canada Inc.

Schedule of General Fund Expenses

(Unaudited)

For the year ended July 31, 2023

Schedule 1

	2023			2022		
	Project and Program \$	Operations \$	Board \$	Project and Program \$	Operations \$	Board \$
Advertising and promotion	-	8,102	-	6,510	15,121	-
Annual consultation	-	17,944	-	-	-	-
Fundraising	-	7,002	-	-	4,397	-
Insurance	-	788	-	-	590	-
Interest and bank charges	-	8,446	-	-	4,290	-
Memberships/subscriptions	-	1,025	-	-	1,904	-
Occupancy	-	46,126	-	2,550	46,479	-
Office	-	4,274	-	-	4,870	-
Professional fees	-	20,663	-	-	17,572	-
Project investigations	-	-	-	739	-	-
Publications	-	50,337	-	-	51,619	-
Supplies	617	11,197	-	992	9,433	60
Telephone	-	11,775	-	-	9,972	400
Tools and equipment	24,769	-	-	6,150	-	-
Training and development	32,588	2,797	-	14,673	1,810	-
Travel and meetings	456	51,584	22,627	9,782	24,954	31,659
Vehicle expenses	48,502	2,195	-	27,253	323	-
Wages and benefits	-	352,114	-	-	277,352	-
Website and computers	-	3,615	-	-	3,214	-
	106,932	599,984	22,627	68,649	473,900	32,119
Expense allocations (note 3)						
Administration costs	112,504	(133,441)	20,937	98,726	(110,933)	12,207
Wages and benefits	190,208	(234,191)	43,983	149,822	(184,466)	34,644
	302,712	(367,632)	64,920	248,548	(295,399)	46,851
	409,644	232,352	87,547	317,197	178,501	78,970
Total General Fund expenses			<u>729,543</u>			<u>574,668</u>

Menonite Disaster Service Canada Inc.

Schedule of Externally Restricted Fund Expenses

(Unaudited)

For the year ended July 31, 2023

Schedule 2

	2023 \$	2022 \$
MDS US Projects Fund		
Project and Program		
California Wildfires	24,624	6,256
Hurricane Harvey	-	3,504
Hurricane Ian	1,770	-
Hurricane Laura	2,652	-
Bastrop Tornado	3,560	-
Eastern Kentucky Flooding	2,936	-
Rio Grande Flooding	11,594	-
	<hr/> 47,136	<hr/> 9,760
MDS Canada and MDS Canada Units Fund		
Project and Program		
Atlantic Canada		
Investigations	7,010	-
Local	3,658	224,287
Alberta		
Local	9,228	5,758
British Columbia		
Investigations	1,360	368
Local	457	65,128
Manitoba		
Investigations	294	-
Local	56,472	115,345
Ontario		
Investigations	736	1,069
Local	9,474	59,821
Saskatchewan		
Local	-	21,708
MDS Canada		
Investigations	7,426	4,005
Family Project	1,224	23,785
Hurricane Fiona	703,017	68,285
Youth Project	10,088	3,651
BC Fires and Floods	388,777	1,253,065
Hay West	25,570	373,307
	<hr/> 1,224,791	<hr/> 2,219,582
Total Externally Restricted Fund expenses	<hr/> 1,271,927	<hr/> 2,229,342

Mennonite Disaster Service Canada Inc.

Schedule of Internally Restricted Fund Expenses

(Unaudited)

For the year ended July 31, 2023

Schedule 3

	2023 \$	2022 \$
Funds Invested in Property and Equipment		
Project and Program Amortization	53,932	40,774
Operations Amortization	9,378	8,201
	<u>63,310</u>	<u>48,975</u>
Funds Invested in Spirit of MDS		
Project and Program Church grants provided	137,069	122,900
Total Internally Restricted Fund expenses	<u>200,379</u>	<u>171,875</u>

