

Evangelical Mennonite Mission Conference
Financial Statements
January 31, 2022

Independent Auditor's Report

To the Members of Evangelical Mennonite Mission Conference:

Qualified Opinion

We have audited the financial statements of Evangelical Mennonite Mission Conference (the "Organization"), which comprise the statement of financial position as at January 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at January 31, 2022, 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.

Basis for Qualified Opinion

In common with many charitable organizations, Evangelical Mennonite Mission Conference derives income from the general public in the form of donations, for which the completeness is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from this source was limited to the amounts recorded in the financial records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenue over expenses, current assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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.

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.

Winnipeg, Manitoba

June 10, 2022

MNP LLP

Chartered Professional Accountants

Evangelical Mennonite Mission Conference

Statement of Financial Position

As at January 31, 2022

	Operating Fund	General Reserve	Restricted Funds	Endowment Fund	2022	2021
Assets						
Current						
Cash	287,419	-	-	-	287,419	210,792
Term and other deposits (Note 3)	38,749	268,080	374,491	127,455	808,775	842,979
Accounts receivable	2,475	-	-	-	2,475	8,605
GST receivable	11,026	-	-	-	11,026	7,439
Prepaid expenses	4,186	-	-	-	4,186	5,427
Inventory	21,832	-	-	-	21,832	20,247
	365,687	268,080	374,491	127,455	1,135,713	1,095,489
Term deposit (Note 3)	80,731	-	-	-	80,731	80,731
Capital assets (Note 4)	85,706	-	-	-	85,706	88,928
	532,124	268,080	374,491	127,455	1,302,150	1,265,148
Liabilities						
Current						
Accounts payable and accrued liabilities	49,727	-	-	-	49,727	27,389
Due to (from) other funds	326,556	(218,224)	(127,963)	19,631	-	-
	376,283	(218,224)	(127,963)	19,631	49,727	27,389
Guarantees (Note 6)						
Net Assets						
Unrestricted	70,135	-	-	-	70,135	47,189
Invested in capital assets	85,706	-	-	-	85,706	88,928
Internally restricted (Note 7)	-	486,304	171,647	-	657,951	661,940
Externally restricted (Note 8)	-	-	330,807	-	330,807	333,626
Endowment fund	-	-	-	107,824	107,824	106,076
	155,841	486,304	502,454	107,824	1,252,423	1,237,759
	532,124	268,080	374,491	127,455	1,302,150	1,265,148

Approved on behalf of the Board


Moderator


Treasurer

The accompanying notes are an integral part of these financial statements

Evangelical Mennonite Mission Conference

Statement of Operations

For the year ended January 31, 2022

	<i>Operating Fund</i>	<i>General Reserve</i>	<i>Restricted Funds</i>	<i>Endowment Fund</i>	2022	2021
Revenue						
Individual and program support	762,533	-	206,396	-	968,929	788,064
Other revenue	21,383	-	-	-	21,383	66,244
Interest	1,793	2,295	3,534	1,748	9,370	12,932
Estates	2,785	-	-	-	2,785	-
	788,494	2,295	209,930	1,748	1,002,467	867,240
Expenses						
Administrative and program support	180,896	-	-	-	180,896	149,466
Amortization	3,222	-	-	-	3,222	3,278
Congregational resourcing, publications, support	232,539	-	-	-	232,539	239,160
Missions, evangelism and outreach (Note 10)	280,406	-	219,408	-	499,814	414,769
Pastoral and spiritual support	55,731	-	-	-	55,731	42,779
Scholarships	15,500	-	-	-	15,500	16,750
Youth conference costs	101	-	-	-	101	1,550
	768,395	-	219,408	-	987,803	867,752
Excess (deficiency) of revenue over expenses	20,099	2,295	(9,478)	1,748	14,664	(512)

The accompanying notes are an integral part of these financial statements

Evangelical Mennonite Mission Conference

Statement of Changes in Net Assets

For the year ended January 31, 2022

	<i>Operating Fund</i>	<i>General Reserve</i>	<i>Restricted Funds</i>	<i>Endowment Fund</i>	2022	2021
Net assets, beginning of year	136,117	484,009	511,557	106,076	1,237,759	1,238,271
Excess (deficiency) of revenue over expenses	20,099	2,295	(9,478)	1,748	14,664	(512)
Interfund transfers (Note 9)	(375)	-	375	-	-	-
Net assets, end of year	155,841	486,304	502,454	107,824	1,252,423	1,237,759

The accompanying notes are an integral part of these financial statements

Evangelical Mennonite Mission Conference

Statement of Cash Flows

For the year ended January 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	14,664	(512)
Amortization	3,222	3,278
	17,886	2,766
Changes in working capital accounts		
Accounts receivable	6,130	27,889
GST receivable	(3,587)	11,370
Prepaid expenses	1,241	7,512
Inventory	(1,585)	-
Accounts payable and accrued liabilities	22,338	(8,188)
	42,423	41,349
Investing		
Change in term and other deposits	34,204	(2,194)
Increase in cash resources	76,627	39,155
Cash resources, beginning of year	210,792	171,637
Cash resources, end of year	287,419	210,792

The accompanying notes are an integral part of these financial statements

Evangelical Mennonite Mission Conference

Notes to the Financial Statements

For the year ended January 31, 2022

1. Incorporation and nature of the Organization

Evangelical Mennonite Mission Conference (the "Organization") is a registered charity and thus is exempt from income taxes under Income Tax Act. In order to maintain its status as a registered not-for-profit organization under the Act, the Organization must meet certain requirements within the Act. In the opinion of management these requirements have been met.

The Organization exists to "Honour and glorify God. As partners of the Gospel and with the guidance of the Holy Spirit, we encourage each other in making disciples, nurturing believers, preparing and sending workers into all the world. Anticipating the blessings of God, we commit ourselves to do together what we cannot do alone."

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant policies:

Revenue recognition

The Organization uses the restricted fund method of accounting for contributions. Restricted contributions related to specific projects are recorded in the year in which the revenue is received. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received. Endowment contributions are recognized as revenue in the Endowment Fund. Restricted investment income earned on Endowment Fund, General Reserve and Restricted Funds resources is recognized as revenue in the related fund. Unrestricted investment income is recognized as revenue in the Operating Fund when earned.

Contributed materials and services

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased. Volunteers contribute time to assist the Organization in carrying out its service delivery activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable and GST receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Evangelical Mennonite Mission Conference

Notes to the Financial Statements

For the year ended January 31, 2022

2. Significant accounting policies (Continued from previous page)

Fund accounting

The Organization follows the restricted fund method of accounting for contributions, and maintains four funds as reported separately on the statement of financial position, statement of operations and statement of changes in net assets.

The Operating Fund - a fund which reports the Organization's revenue and expenses related to program delivery and administrative activities.

The General Reserve - an internally restricted fund established by the Board of Directors. This mainly represents Estate Bequests that the conference has received.

The Endowment Fund - an externally restricted fund used to report on the endowment contributions received pursuant to the Planned Giving Ministry. The amounts gifted are to remain in perpetuity with the income from the fund being available to be utilized for specific purposes as determined from time to time.

Other Restricted Funds - The Organization has nine restricted funds (four internally restricted; five externally restricted) which are accounted for individually by the Organization, but have been aggregated for financial statement presentation.

Internally Restricted Funds

These funds reflect the assets and liabilities pertaining to unrestricted revenue that the Board of Directors have allocated to particular funds, along with transfers of resources into those funds, together with related expenses.

1. The Education Fund reports the revenue and expenses related to future education activities. The Board of Directors allocates 20% of all unrestricted estate bequests to this fund.
2. The Regional Activities Fund reports on transfers from the Operating Fund to assist churches with various projects and activities.
3. The Builders Fund reports on transfers from the Operating Fund to assist the regions with future capital expansion.
4. The Plautdietsch (Low German) Curriculum Fund was established by an Estate bequest in 2016 which is used by the Mission Evangelical Menonita (MEM) team in the development of Low German Curriculum for use in education of the Low German speaking Mennonite people of Bolivia and other countries.

Externally Restricted Funds

These funds reflect the assets and liabilities pertaining to revenue received from external sources which have been designated for specific purposes, and expenses incurred for these purposes.

1. The Higher Education Fund was established in 2000 and accounts for education and training bursaries for students attending Bible School or other post-secondary schools, including church ministry training and vocational training.
2. The Church Planting Fund was established in 2001 with funds from the closure of the Aylmer Bible School, with a maximum disbursement of \$10,000 per church for new ministry initiatives.
3. The Legacy Fund was established in 2010 for general use in maintaining the heritage and tradition of the Mennonite Missionary Work, often referred to as Archiving.
4. The Community Outreach Fund was established in 2010 and is available to churches and individuals for activities and projects which will impact the ministry on a long-term basis.
5. The Projects Fund is comprised of various special ministry, projects and capital missions construction projects throughout all EMMC regions.

Evangelical Mennonite Mission Conference

Notes to the Financial Statements

For the year ended January 31, 2022

2. Significant accounting policies (Continued from previous page)

Cash

Cash includes balances with banks. Cash held subject to restrictions is recorded as restricted cash.

Inventory

Inventory held for sale or distribution at no charge or for a nominal charge is recognized at the lower of cost and current replacement cost. Cost is determined by the first in, first out method.

Capital assets

Purchased capital assets are recorded at cost.

Amortization of capital assets is provided following methods and rates intended to amortize the cost of assets over their estimated useful lives.

Buildings	straight-line	40 years
Furniture and fixtures	declining balance	20 %

Shared ministry

The Organization has entered into a shared ministry agreement with another Canadian not-for-profit organization. The Organization is responsible for 50% of the expenses for a ministry in Bolivia. Only the Organization's portion of the expenses are recognized in these financial statements.

Financial instruments

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses in the year the reversal occurs.

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principal currency of the Organization's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of deficiency of revenues over expenses for the current period.

3. Term and other deposits

The Organization has short and long term investments, bearing interest from 0.45% to 1.75% and maturing at various dates to September 2023.

Evangelical Mennonite Mission Conference

Notes to the Financial Statements

For the year ended January 31, 2022

4. Capital assets

	Cost	Accumulated amortization	2022 Net book value
Land	45,817	-	45,817
Buildings	120,056	81,056	39,000
Furniture and fixtures	71,297	70,408	889
	237,170	151,464	85,706

	Cost	Accumulated amortization	2021 Net book value
Land	45,817	-	45,817
Buildings	120,056	78,056	42,000
Furniture and fixtures	71,297	70,186	1,111
	237,170	148,242	88,928

5. Bank indebtedness

The Organization has available a revolving line of credit to a limit of \$80,000 bearing interest at 2.45% (2021 - 2.45%). The line of credit is secured by a term deposit in the amount of \$80,000. At the year end, the Organization has not drawn down the line of credit.

6. Guarantees

The Organization has guaranteed mortgages on properties of certain member congregations. These amounts have not been reflected in these financial statements as the member congregations reflect these properties and the respective mortgages on their financial statements and are making mortgage repayments directly to the respective lender. The balance outstanding on the mortgages at January 31, 2022 is \$168,634 (2021 - \$220,221).

As at January 31, 2022, no liability has been recorded associated with these guarantees.

7. Internally Restricted Funds

	Balance, January 31, 2021	Revenue	Expenses	Transfers	2022	2021
General Reserve	484,009	2,295	-	-	486,304	484,009
Restricted Fund						
Education	102,215	-	-	-	102,215	102,215
Regional Activities	21,185	-	(2,500)	-	18,685	21,185
Builders Fund	14,785	-	-	125	14,910	14,785
Plautdietsch (Low German) Curriculum	39,746	-	(4,159)	250	35,837	39,746
	177,931	-	(6,659)	375	171,647	177,931
Total	661,940	2,295	(6,659)	375	657,951	661,940

Evangelical Mennonite Mission Conference

Notes to the Financial Statements

For the year ended January 31, 2022

8. Externally Restricted Funds

	<i>Balance, January 31, 2021</i>	<i>Revenue</i>	<i>Expenses</i>	<i>2022</i>	<i>2021</i>
Higher Education	86,292	5,930	(15,500)	76,722	86,292
Church Planting	55,282	2,890	-	58,172	55,282
Legacy Fund	43,330	-	-	43,330	43,330
Community Outreach Projects	10,844	-	-	10,844	10,844
	137,878	201,110	(197,249)	141,739	137,878
	333,626	209,930	(212,749)	330,807	333,626

9. Interfund transactions

During the year, the Organization internally restricted \$125 to be used for the Builders Fund and \$250 for the Plaudietsch (Low German) Curriculum. The transfer of this amount was made from the Operating Fund to the Restricted Fund.

10. Shared ministry revenue and expenses

The Organization participates in a shared ministry in Bolivia. Expenses of \$149,073 (2021 - \$125,435) related to this shared ministry are included in mission, evangelism and outreach expenses.

11. Salaries and benefits

Included in expenses for the year ended January 31, 2022 is \$271,374 (2021 - \$251,553) in salaries and benefits.

12. Commitments

The Organization has entered into a premises lease agreement with estimated minimum annual payments as follows:

2023	20,183
2024	13,722
	<u>33,905</u>

Evangelical Mennonite Mission Conference

Notes to the Financial Statements

For the year ended January 31, 2022

13. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization enters into transactions for support of various mission projects denominated in US dollars and Belize dollars for which the related revenue, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at January 31, 2022, the following items are denominated in US dollars and Belize dollars currency:

	2022 CAD\$	2021 CAD\$
Cash	118,523	134,126
Term deposits	10,784	10,784
	129,307	144,910

Interest rate risk

Interest rate risk is the risk that the Organization will be subject to changes in the amount of interest income it receives on its term deposits and the amount of interest it pays on its line of credit as a result of changes in interest rates. The Organization has mitigated this risk by having term deposits with fixed interest rates and also having a fixed interest rate on its line of credit.

14. Significant event

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.