

Evangelical Mennonite Mission Conference
Financial Statements
January 31, 2019

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, 2019, 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, 2019, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Winnipeg, Manitoba

June 26, 2019

MNP LLP

Chartered Professional Accountants

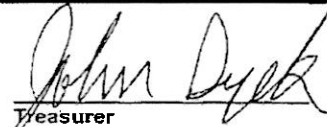
Evangelical Mennonite Mission Conference
Statement of Financial Position

As at January 31, 2019

	<i>Operating Fund</i>	<i>General Reserve</i>	<i>Restricted Funds</i>	<i>Endowment Fund</i>	2019	2018
Assets						
Current						
Cash	148,561	-	-	-	148,561	75,888
Term and other deposits (Note 3)	108,703	264,238	414,257	128,011	915,209	1,061,269
Accounts receivable	77,451	-	-	-	77,451	124,310
GST receivable	13,148	-	-	-	13,148	8,534
Prepaid expenses	12,783	-	-	-	12,783	13,405
Inventory	19,491	-	-	-	19,491	20,284
	380,137	264,238	414,257	128,011	1,186,643	1,303,690
Capital assets (Note 4)	95,554	-	-	-	95,554	98,988
	475,691	264,238	414,257	128,011	1,282,197	1,402,678
Liabilities						
Current						
Bank indebtedness (Note 5)	8,392	-	-	-	8,392	69,387
Accounts payable and accrued liabilities	33,233	-	-	-	33,233	95,060
Due to (from) other funds	272,761	(209,438)	(89,571)	26,248	-	-
	314,386	(209,438)	(89,571)	26,248	41,625	164,447
Guarantees (Note 6)						
Net Assets						
Unrestricted	65,751	-	-	-	65,751	(570)
General reserve	-	473,676	-	-	473,676	478,799
Invested in capital assets	95,554	-	-	-	95,554	98,988
Endowment Fund	-	-	-	101,763	101,763	99,179
Restricted Funds (Note 7)	-	-	503,828	-	503,828	561,835
	161,305	473,676	503,828	101,763	1,240,572	1,238,231
	475,691	264,238	414,257	128,011	1,282,197	1,402,678

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, 2019

	<i>Operating Fund</i>	<i>General Reserve</i>	<i>Restricted Funds</i>	<i>Endowment Fund</i>	<i>2019</i>	<i>2018</i>
Revenue						
Individual and program support	781,738	-	104,891	-	886,629	870,455
Partnerships	200,323	-	-	-	200,323	198,282
Other revenue	59,227	47,423	-	-	106,650	58,073
Estates	-	-	-	-	-	63,433
Interest	3,060	2,248	12,201	2,584	20,093	21,599
	1,044,348	49,671	117,092	2,584	1,213,695	1,211,842
Expenses						
Administrative and program support	243,308	-	-	-	243,308	275,636
Amortization	3,434	-	-	-	3,434	3,543
Congregational resourcing, publications, support	131,851	39,904	-	-	171,755	172,012
Missions, evangelism and outreach	557,033	-	156,098	-	713,131	776,380
Pastoral and spiritual support	45,282	14,890	-	-	60,172	60,395
Scholarships	-	-	19,001	-	19,001	24,750
Youth conference costs (recovery)	553	-	-	-	553	(988)
	981,461	54,794	175,099	-	1,211,354	1,311,728
Excess (deficiency) of revenue over expenses	62,887	(5,123)	(58,007)	2,584	2,341	(99,886)

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, 2019

	<i>Operating Fund</i>	<i>General Reserve</i>	<i>Restricted Funds</i>	<i>Endowment Fund</i>	2019	2018
Net assets, beginning of year	98,418	478,799	561,835	99,179	1,238,231	1,338,117
Excess (deficiency) of revenue over expenses	62,887	(5,123)	(58,007)	2,584	2,341	(99,886)
Net assets, end of year	161,305	473,676	503,828	101,763	1,240,572	1,238,231

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	2,341	(99,886)
Amortization	3,434	3,543
	5,775	(96,343)
Changes in working capital accounts		
Accounts receivable	46,859	(29,015)
GST receivable	(4,614)	(507)
Prepaid expenses	622	(9,826)
Inventory	793	(203)
Accounts payable and accrued liabilities	(61,827)	12,856
	(12,392)	(123,038)
Investing		
Change in term and other deposits	146,060	8,363
Increase (decrease) in cash resources	133,668	(114,675)
Cash resources, beginning of year	6,501	121,176
Cash resources, end of year	140,169	6,501
Cash resources are composed of:		
Cash resources	148,561	75,888
Bank indebtedness	(8,392)	(69,387)
Cash resources, end of year	140,169	6,501

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, 2019

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, 2019

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 bequethment in 2016 which is used by the Mision 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 Urban Church Planting Fund was established in 2001 with funds from the closure of the Aylmer Bible School, with a maximum disbursal 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, 2019

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 %

Due to (from) other funds

Due to (from) other funds represents the difference between the net assets in each fund when compared to the assets and liabilities directly attributable to that particular fund.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions.

At initial recognition, the Organization may irrevocably elect to subsequently measure any 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. All other financial assets and liabilities are subsequently 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 the statements of operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

3. **Term and other deposits**

The Organization has short term investments, bearing interest from .55% to 2.40% and maturing at various dates to September 2020.

Evangelical Mennonite Mission Conference
Notes to the Financial Statements
For the year ended January 31, 2019

4. **Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>
Land	45,817	-	45,817
Buildings	120,056	72,056	48,000
Furniture and fixtures	71,298	69,561	1,737
	237,171	141,617	95,554

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2018 Net book value</i>
Land	45,817	-	45,817
Buildings	120,056	69,056	51,000
Furniture and fixtures	71,298	69,127	2,171
	237,171	138,183	98,988

5. **Bank indebtedness**

The Organization has available a revolving line of credit to a limit of \$80,000 bearing interest at 3.95% (2018 - 3.45%). The line of credit is secured by a term deposit in the amount of \$80,000. At the year end, the Organization has drawn down the line of credit in the amount of \$8,187 (2018 - \$46,425).

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, 2019 is approximately \$291,719 (2018 - \$337,165)

As at January 31, 2019, no liability has been recorded associated with these guarantees.

Evangelical Mennonite Mission Conference
Notes to the Financial Statements
For the year ended January 31, 2019

7. Restricted Funds

	<i>Balance, January 31, 2018</i>	<i>Revenue</i>	<i>Expenses</i>	2019	2018
Internally Restricted Funds (Note 8)	267,812	6,031	(34,913)	238,930	267,812
Externally Restricted Funds (Note 9)	294,023	111,061	(140,186)	264,898	294,023
	561,835	117,092	(175,099)	503,828	561,835

8. Internally Restricted Funds

	<i>Balance, January 31, 2018</i>	<i>Revenue</i>	<i>Expenses</i>	2019	2018
Education	99,855	1,760	-	101,615	99,855
Regional Activities	31,006	179	-	31,185	31,006
Builders Fund	63,538	1,318	-	64,856	63,538
Plautdietsch (Low German) Curriculum	73,413	2,774	(34,913)	41,274	73,413
	267,812	6,031	(34,913)	238,930	267,812

9. Externally Restricted Funds

	<i>Balance, January 31, 2018</i>	<i>Revenue</i>	<i>Expenses</i>	2019	2018
Higher Education	100,636	6,936	(19,001)	88,571	100,636
Urban Church Planting	48,280	1,254	(9,991)	39,543	48,280
Legacy Fund	33,936	684	(1,590)	33,030	33,936
Community Outreach	10,648	196	-	10,844	10,648
Projects	100,523	101,991	(109,604)	92,910	100,523
	294,023	111,061	(140,186)	264,898	294,023

10. Shared ministry revenue and expenses

The Organization participates in a shared ministry in Bolivia. Included in revenue are funds received of \$195,616 (2018 - \$151,087) related to this shared ministry. Expenses of \$156,349 (2018 - \$192,246) related to this shared ministry are included in mission, evangelism and outreach expenses.

Evangelical Mennonite Mission Conference
Notes to the Financial Statements
For the year ended January 31, 2019

11. Commitments

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

2020	18,337
2021	19,024
2022	19,595
2023	20,183
2024	13,722
	90,861

12. 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, 2019, the following items are denominated in US and Belize dollar currency:

	2019	2018
	CAD\$	CAD\$
Cash	80,764	55,861
Term deposits	10,784	10,099
	91,548	65,960
	91,548	65,960