

Financial Statements of

**EDMONTON MENNONITE
CENTRE FOR NEWCOMERS**

Year ended March 31, 2018

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Table of Contents

Year ended March 31, 2018

	Page
Management Responsibility Statement	
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 13
Schedule 1 - Administrative Expenses	14
Schedule 2 - FCSS Program Revenues and Expenses	15 - 16
Schedule 3 - Securing Hopeful Futures Program Revenues and Expenses	17

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations established by the Chartered Professional Accountants of Canada. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

KPMG LLP, Chartered Professional Accountants, have been appointed by the Centre's Members to express an opinion on the Centre's financial statements.

Edmonton, Alberta
June 18, 2018

Erick Ambtman, Executive Director



KPMG LLP
2200,10175-101 Street
Edmonton AB T5J 0H3
Canada
Tel 780-429-7300
Fax 780-429-7379

INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Mennonite Centre For Newcomers

We have audited the accompanying financial statements of Edmonton Mennonite Centre For Newcomers, which comprise the statement of financial position as at March 31, 2018, the statement of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Edmonton Mennonite Centre For Newcomers as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

The financial statements of Edmonton Mennonite Centre for Newcomers as at and for the year ended March 31, 2017 were audited by another auditor who expressed a qualified opinion on those financial statements on June 14, 2017. We were not engaged to audit, review, or apply any procedures to the March 31, 2017 financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

June 18, 2018

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,124,382	\$ 1,485,285
Receivables (note 3)	844,824	983,611
Investments (note 4)	176,353	165,995
Prepaid expenses	216,113	130,448
	<u>3,361,672</u>	<u>2,765,339</u>
Restricted investments (notes 4 and 9)	20,913	20,913
Capital assets (note 5)	160,180	240,253
	<u>\$ 3,542,765</u>	<u>\$ 3,026,505</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 863,028	\$ 651,650
Deferred contributions - operations (note 7)	1,302,942	1,206,101
	<u>2,165,970</u>	<u>1,857,751</u>
Deferred contributions - capital assets (note 8)	126,902	236,079
	<u>2,292,872</u>	<u>2,093,830</u>
Net assets:		
Invested in capital assets	33,280	4,174
Restricted for endowment purposes (note 9)	20,913	20,913
Unrestricted	795,700	707,588
Internally restricted (note 9)	400,000	200,000
	<u>1,249,893</u>	<u>932,675</u>
Contingencies (note 11)		
	<u>\$ 3,542,765</u>	<u>\$ 3,026,505</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Grants (note 10)	\$ 16,977,197	\$ 13,168,782
Fundraising events	118,980	80,914
Donations	75,108	322,669
Course fees	47,847	55,743
Rent	39,054	13,805
Investment income	21,163	33,863
	<u>17,279,349</u>	<u>13,675,776</u>
Expenses:		
Salaries, wages and benefits	11,360,846	9,124,121
Contract services	2,687,007	1,583,368
Rent, utilities and maintenance	1,729,043	1,526,871
Administrative (Schedule 1)	520,949	482,342
Resources	450,011	502,807
Amortization	152,255	185,344
Supplies, repairs and maintenance	62,020	261,600
	<u>16,962,131</u>	<u>13,666,453</u>
Excess of revenue over expenses	\$ 317,218	\$ 9,323

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Changes In Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Retained earnings, beginning of year	\$ 932,675	\$ 923,355
Net earnings	317,218	9,320
Retained earnings, end of year	\$ 1,249,893	\$ 932,675

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 317,218	\$ 9,323
Items not involving cash:		
Amortization	152,255	185,344
Unrealized gain on investments	(9,660)	(16,238)
Amortization of deferred contributions - capital assets	(128,214)	(153,232)
	<u>331,599</u>	<u>25,197</u>
Changes in non-cash operating working capital:		
Decrease (increase) in receivables	138,787	(194,259)
(Increase) decrease in prepaid expenses	(85,665)	128,607
Increase (decrease) in accounts payable and accrued liabilities	211,378	(41,359)
Increase in deferred contributions - operations	96,841	27,560
	<u>692,940</u>	<u>(54,254)</u>
Financing activities:		
Deferred contributions received - capital assets	19,037	67,524
Investing activities:		
Purchase of capital assets	(72,184)	(89,362)
Purchase of investments	(16,148)	(136,437)
Proceeds on the sale of investments	15,452	126,099
	<u>(72,880)</u>	<u>(99,700)</u>
Increase (decrease) in cash flow	639,097	(86,430)
Cash and cash equivalents, beginning of year	1,485,285	1,571,715
Cash and cash equivalents, end of year (note 3)	<u>\$ 2,124,382</u>	<u>\$ 1,485,285</u>

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements

Year ended March 31, 2018

Nature of operations:

The Edmonton Mennonite Centre For Newcomers (the "Centre") is incorporated under the Societies Act of the Province of Alberta as a non-profit organization. Its purpose is to provide settlement assistance to new Canadians. The Centre is also a registered charity and, therefore, is exempt from income tax.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Centre's significant accounting policies are as follows:

(a) Revenue recognition:

The Centre follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Unrestricted investment income is recognized as revenue when earned. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Investment income earned on endowment funds is recorded as a direct increase in net assets.

Course fee revenue is recognized on a straight-line basis over the length of the course.

(b) Cash and cash equivalents:

Cash and cash equivalents include items that are readily convertible to known amounts of cash, subject to an insignificant risk of change in value, have a maturity of one year or less at acquisition, and are held for the purpose of meeting short-term cash commitments rather than for investing.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are stated at cost, less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided for on a straight-line basis over the following useful lives:

Asset	Rate
Office furniture and computer equipment	3 - 5 years
Furniture and fixtures	5 years
Leasehold improvements	5 - 10 years
Vehicles	5 years

(d) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Centre in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Centre has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Centre determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Centre expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

2. Cash and cash equivalents:

	2018	2017
Cash	\$ 1,756,811	\$ 1,117,901
Guaranteed Investment Certificates	367,571	367,384
	<u>\$ 2,124,382</u>	<u>\$ 1,485,285</u>

a) Guaranteed Investment Certificates bear interest at 0.50%, with maturity dates ranging from December 2018 to January 2019. The term deposits are held as security for two irrevocable letters of credit (note 11).

b) The Centre has established a Demand Authorized Overdraft Revolving Operating Facility with a maximum balance of \$500,000 bearing interest at prime plus 3.00%. Advances under the Facility are subject to the lesser of 75% of net eligible accounts receivable or \$500,000. The facility is secured by an Overdraft Protection Agreement. The authorized overdraft had not been drawn upon at March 31, 2018.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Receivables:

	2018	2017
Program funding grants	\$ 775,427	\$ 906,734
Goods and services tax rebate	58,507	59,805
Other	10,890	17,072
	<u>\$ 844,824</u>	<u>\$ 983,611</u>

4. Investments:

	2018	2017
Mutual funds	\$ 180,404	\$ 170,613
Servus Credit Union Ltd. common shares	16,862	16,295
	<u>\$ 197,266</u>	<u>\$ 186,908</u>

As at March 31, 2018, the cost of the investments was \$153,042 (2017 - \$153,275).

Unrealized gains, in the amount of \$9,660 (2017 - \$16,238), are included in investment income.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Capital assets:

	Cost	Accumulated amortization	Net Book Value	
			2018	2017
Leasehold improvements	\$ 389,976	\$ 335,077	\$ 54,899	\$ 83,480
Furniture and fixtures	337,710	279,215	58,495	74,917
Office and computer equipment	952,898	906,112	46,786	81,856
Vehicles	22,891	22,891	-	-
	<u>\$ 1,703,475</u>	<u>\$ 1,543,295</u>	<u>\$ 160,180</u>	<u>\$ 240,253</u>

6. Accounts payable and accrued liabilities:

	2018	2017
Trade payables	\$ 415,351	\$ 318,579
Accrued vacation liability	391,515	303,913
Other accrued liabilities	56,162	29,158
	<u>\$ 863,028</u>	<u>\$ 651,650</u>

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Deferred contributions - operations:

Deferred contribution - operations represent unspent externally restricted operating program funding that is related to a subsequent year. Changes in the deferred contributions balances are as follows:

	2018	2017
Balance, beginning of year	\$ 1,206,101	\$ 1,178,541
Add: Contributions received	17,139,871	13,446,693
Less: Amounts recognized as revenue	(17,043,030)	(13,419,133)
Balance, end of year	\$ 1,302,942	\$ 1,206,101

The balance is comprised of the following:

	2018	2017
Provincial grants	\$ 794,922	\$ 746,521
Local government grants	236,887	120,944
Other grants and donations	235,292	214,202
RISE awards	21,500	49,000
Federal grants	8,931	69,444
Donations for Syrian refugees	5,410	5,990
	\$ 1,302,942	\$ 1,206,101

8. Deferred contribution - capital assets:

Deferred contributions - capital assets represent contributed capital assets and restricted contributions with which some of the Centre's capital assets was purchased. The changes in the deferred contributions balance for the year are as follows:

	2018	2017
Balance, beginning of year	\$ 236,079	\$ 321,787
Add: Contributions received	19,037	67,524
Less: Amounts recognized as revenue	(128,214)	(153,232)
Balance, end of year	\$ 126,902	\$ 236,079

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Restrictions on net assets:

a) Endowment

Net assets restricted for endowment purposes represent the Anne Falk Memorial Endowment Fund. These net assets are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on this amount is externally restricted for bursary purposes. Investments in the amount of \$20,913 (2017 - \$20,913) have been restricted as they are not available for current purposes.

b) Internally restricted

The Board of Directors has internally restricted \$400,000 (2017 - \$200,000) of net assets to be used for future initiatives. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

10. Grants:

	2018	2017
Federal government	\$ 11,618,246	\$ 8,061,417
Provincial government	4,147,697	3,870,966
Other organizations	912,141	1,048,477
Local government	299,113	187,922
	<hr/> \$ 16,977,197	<hr/> \$ 13,168,782

11. Contingencies:

The Centre has established two irrevocable letters of guarantee with its financial institution totaling \$360,996 (2017 - \$360,996). One, in the amount of \$325,000, relates to programs funded by Alberta Human Services. The letter of credit is secured by a Promissory Note, General Security Agreement and an Account Set-Off Agreement. Alberta Human Services may exercise its right to draw on this letter of credit if the Centre fails to provide the educational program for which it has been approved, to follow the Skills Development program policies, or to repay tuition owed to Alberta Human Services. The second, in the amount of \$35,996, is in favour of one of the Centre's landlords.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Contractual obligations:

The Centre has entered into leases for office space and equipment at its various locations. The Centre is required to make annual base rent and lease payments as follows:

2019	\$	935,244
2020		212,034
2021		42,931
2022		16,926

13. Financial risks:

It is managements' opinion that the Centre is not exposed to significant credit, interest, other price risk, and liquidity risk arising from its financial instruments. The following analysis provides information about the Centre's risk exposure and concentration.

(a) Credit risk:

The Centre is subject to credit risk with respect to its receivables. Management monitors these accounts regularly and is reasonably assured that the Centre is not exposed to significant credit risk. The significant portion of the Centre's receivables are from the Governments of Canada and Alberta which reduces the Centre's exposure to credit risk.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the Centre invests in interest-bearing financial instruments. The Centre is directly exposed to interest risk on its fixed income securities.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. Financial risks: (continued):

(c) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Centre is exposed to other price risk on its investments in equities and mutual funds.

(d) Liquidity risk:

Liquidity risk is the risk that the Centre cannot meet a demand for cash of fund its obligations as they come due. the Centre is exposed to this risk mainly in respect of its receipt of grant funds and other related sources and expects to continue to meet future requirements through these revenue sources. The Centre mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting.

14. Fundraising:

The following information is provided to comply with the disclosure requirements of the *Charitable Fund-Raising Act of Alberta* and its regulations.

Fundraising expenses for the purposes of soliciting contributions for the year were \$78,372 (2017 - \$57,950) and include \$nil (2017 - \$2,083) paid as remuneration to employees whose principal duties involved fundraising.

The gross contributions received due to fundraising activities is \$77,678 (2016 - \$135,309).

The only contributions that are equal to or exceed 10% of the gross contributions were used to operate the Rise Awards.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 1 - Administrative Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Advertising	\$ 49,369	\$ 19,063
Board	2,998	3,010
Dues and memberships	11,529	7,950
Insurance	22,927	19,744
Office and general	21,147	19,625
Printing and photocopy	38,758	78,652
Professional development	64,925	59,410
Professional fees	25,556	57,823
Service charges	61,509	48,529
Staff and volunteers	50,489	47,671
Telephone	56,224	45,905
Travel and conferences	115,518	74,960
	<u>\$ 520,949</u>	<u>\$ 482,342</u>

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - FCSS Program Revenues and Expenses

Year ended March 31, 2018, with comparative information for 2017

<u>Putting down roots</u>			
		2018	2017
Revenue			
City of Edmonton grants	\$	115,689	\$ 90,036
Expenses			
Salaries, wages and benefits		83,316	67,557
General administration		14,956	11,921
Supplies		10,372	8,445
Rent		7,045	3,697
		115,689	91,620
Excess (deficiency) of revenue over expenses	\$	-	\$ (1,584)

<u>Towards full participation</u>			
		2018	2017
Revenue			
City of Edmonton grants	\$	-	\$ 47,086
Expenses			
Salaries, wages and benefits		-	32,163
Rent		-	6,421
General administration		-	6,142
Contract services		-	1,500
Supplies		-	860
		-	47,086
Excess of revenue over expenses	\$	-	\$ -

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - FCSS Program Revenues and Expenses (continued)

Year ended March 31, 2018, with comparative information for 2017

<u>Safe families</u>		
	2018	2017
Revenue		
City of Edmonton grants	79,235	-
Donations	100	-
	79,335	-
Expenses		
Salaries, wages and benefits	62,439	-
General administration	10,367	-
Supplies	4,630	-
Rent	1,899	-
	79,335	-
Excess (deficiency) of revenue over expenses	-	-

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 3 - Alberta Children's Services Program Revenues and Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
<u>Securing hopeful futures/Towards full participation</u>		
<hr/>		
Revenue		
Province of Alberta Grants	\$ 202,130	\$ 164,678
Expenses		
Salaries, wages and benefits	157,048	122,078
General administration	26,340	21,839
Rent	13,332	14,851
Service delivery	5,424	5,910
	<hr/> 202,144	<hr/> 164,678
Excess (deficiency) of revenue over expenses	\$ (14)	\$ -
