Financial Statements of

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Year ended March 31, 2020

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

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Year ended March 31, 2020

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 8, 2020

"Original Signed by Meghan Untershultz Klein"

Meghan Unterschultz Klein, Executive Director

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INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Mennonite Centre For Newcomers

Opinion

We have audited the financial statements of Edmonton Mennonite Centre For Newcomers (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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.

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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

June 8, 2020

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 791,054	$ 1,028,593
Accounts receivable (note 2)	2,233,671	1,311,603
Investments (note 3)	589,781	586,145
Prepaid expenses	428,234	481,031
	4,042,740	3,407,372
Restricted investments (notes 3 and 10)	20,913	20,913
Capital assets (note 4)	8,476,601	77,731
	$ 12,540,254	$ 3,506,016
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 884,429	$ 976,098
Deferred contributions - operations (note 6)	1,094,216	1,200,262
Current portion of long term debt (note 8)	1,485,846	-
Current portion of deferred lease inducements (note 9)	354,402	-
	3,818,893	2,176,360
Deferred contributions - capital assets (note 7)	233,177	-
Long term debt (note 8)	4,906,664	-
Deferred lease inducements (note 9)	2,933,814	-
	11,892,548	2,176,360
Net assets:		
Internally restricted (notes 10 and 12)	400,000	400,000
Endowments (note 10)	20,913	20,913
Unrestricted	226,793	908,743
	647,706	1,329,656
Contingencies (note 12)		
Subsequent events (note 16)		
	$ 12,540,254	$ 3,506,016

See accompanying notes to financial statements.

On behalf of the Board:

"Original Signed by Jennifer Braun" Director "Original Signed by Paola Matallana" Director

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Grants (note 11)	$ 17,354,015	$ 17,212,979
Amortization of deferred lease inducements	246,841	-
Fundraising events	74,559	93,509
Rent	67,514	46,838
Donations	51,432	52,246
Investment income	30,339	29,897
Course fees	28,788	42,860
Amortization of deferred contributions - capital assets	14,994	-
	17,868,482	17,478,329
Expenses:		
Salaries, wages and benefits	12,095,540	11,678,023
Rent, utilities and maintenance	2,588,305	1,772,011
Contract services	2,189,461	2,709,304
Administrative (Schedule 1)	598,796	544,474
Resources	405,386	454,122
Amortization	390,372	131,999
Interest and bank charges	166,436	11,081
Supplies, repairs and maintenance	79,918	89,133
Bad debts	36,218	8,419
	18,550,432	17,398,566
(Deficiency) excess of revenue over expenses	$ (681,950)	$ 79,763

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Changes In Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Internally restricted (notes 10 and 12)	Endowments (note 10)	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	$ 400,000	$ 20,913	$ 908,743	$ 1,329,656	$ 1,249,893
(Deficiency) excess of revenue over expenses	-	-	(681,950)	(681,950)	79,763
Balance, end of year	$ 400,000	$ 20,913	$ 226,793	$ 647,706	$ 1,329,656

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenue over expenses	$ (681,950)	$ 79,763
Items not involving cash:		
Amortization of deferred lease inducements	(246,841)	-
Amortization	390,372	131,999
Unrealized loss (gain) on investments	3,964	(13,374)
Amortization of deferred contributions - capital assets	(14,994)	(126,902)
	(549,449)	71,486
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(922,068)	(466,779)
Decrease (increase) in prepaid expenses	52,797	(264,918)
(Decrease) increase in accounts payable and accrued liabilities	(91,669)	113,070
(Decrease) increase in deferred contributions - operations	(106,046)	(102,680)
	(1,616,435)	(649,821)
Financing activities:		
Deferred contributions received - capital assets	248,171	-
Proceeds of long-term debt	6,454,843	-
Repayments of long-term debt	(62,333)	-
Deferred lease inducements received	3,535,057	-
	10,175,738	-
Investing activities:		
Purchase of capital assets	(8,789,242)	(54,301)
Purchase of investments	(7,600)	(576,235)
Proceeds on the sale of investments	-	179,815
Disposal of capital assets	-	4,753
	(8,796,842)	(445,968)
Decrease in cash flow	(237,539)	(1,095,789)
Cash and cash equivalents, beginning of year	1,028,593	2,124,382
Cash and cash equivalents, end of year	$ 791,054	$ 1,028,593

See accompanying notes to financial statements.

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. Restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset. 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.

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. Assets acquired under capital leases are amortized over the estimated useful life of the asset or over the lease term, as appropriate.

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

Asset	Rate
Buildings	30 years
Office furniture and computer equipment	3 - 5 years
Furniture and fixtures	5 years
Leasehold improvements	Term of the lease
Vehicles	5 years

(d) Leases and tenant inducements:

Leases are classified as capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease, including free rental periods.

Tenant inducements are recognized as revenue or as a reduction in rent expense on a straight line basis over the term of the related lease.

(e) 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.

1. Significant accounting policies (continued):

(f) 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 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.

(g) 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, rates and methods to calculate amortization, and accrued liabilities related to tenant inducements. Actual results could differ from those estimates.

2. Accounts receivable:

	2020	2019
Program funding grants	$ 1,141,665	$ 1,181,092
Leasehold improvement allowance receivable	1,012,046	-
Goods and services tax rebate	78,194	123,216
Other	1,766	7,295
	$ 2,233,671	$ 1,311,603

3. Investments:

		2020		2019
Mutual funds	$	185,010	$	189,609
Guaranteed investment certificates		407,600		400,000
Servus Credit Union Ltd. common shares		18,084		17,449
	$	610,694	$	607,058

As at March 31, 2020, the cost of the mutual funds was $176,235 (2019 - $176,235).

The guaranteed investment certificate bears interest at 1.68%, with a maturity date of August 2020, and is held as security for an irrevocable letter of guarantee (note 12).

Unrealized gains (losses) on the mutual funds, in the amount of ($3,964) (2019 - $13,374), are included in investment income.

4. Capital assets:

						Net Book Value		
		Cost		Accumulated amortization		2020		2019
Buildings	$	5,852,237	$	56,830	$	5,795,407	$	-
Office and computer equipment		972,585		954,911		17,674		11,559
Furniture and fixtures		352,498		328,339		24,159		34,698
Leasehold improvements		3,337,300		697,939		2,639,361		31,474
Vehicles		22,891		22,891		-		-
	$	10,537,511	$	2,060,910	$	8,476,601	$	77,731

5. Accounts payable and accrued liabilities:

		2020		2019
Trade payables	$	486,938	$	621,035
Accrued vacation liability		370,057		325,915
Other accrued liabilities		27,434		29,148
	$	884,429	$	976,098

6. 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:

		2020		2019
Add: Contributions received	$	17,373,960	$	17,129,151
Balance, beginning of year		1,200,262		1,302,942
Less: Amounts recognized as revenue		(17,480,006)		(17,231,831)
Balance, end of year	$	1,094,216	$	1,200,262

The balance is comprised of the following:

		2020		2019
Provincial grants	$	525,591	$	852,332
Other grants and donations		282,125		288,285
Federal grants		241,696		3,030
Local government grants		44,804		41,378
RISE awards		-		15,237
	$	1,094,216	$	1,200,262

7. Deferred contribution - capital assets:

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

		2020		2019
Balance, beginning of year	$	-	$	126,902
Add: Contributions received		248,171		-
Less: Amounts recognized as revenue		(14,994)		(126,902)
Balance, end of year	$	233,177	$	-

8. Long-term debt:

		2020		2019
Loan payable to RBC, bearing interest at 3.4%, repayable in blended monthly payments of $20,524, maturing August 9, 2024	$	4,062,666	$	-
Loan payable to RBC, bearing interest at prime plus 0.25%, repayable in monthly interest only payments, with all outstanding principal and interest payable in full on June 30, 2020		1,375,000		-
Loan payable to Alberta Social Enterprise Venture Fund Inc., bearing interest at 6%, repayable in monthly interest only payments, with all outstanding principal and interest payable in full on November 28, 2021		954,844		-
		6,392,510		-
Less current portion of long term debt		(1,485,846)		-
	$	4,906,664	$	-

8. Long-term debt (continued):

The principal portion of the long-term debt, based on the terms of the agreements in effect at March 31, 2020, are as follows:

2021	$ 1,485,846
2022	1,069,491
2023	118,578
2024	122,644
2025	3,595,951
	$ 6,392,510

Interest on the debt facilities of $114,975 (2019 - $nil) is included in interest and bank charges on the statement of operations.

The loans payable to RBC are secured by a general security agreement constituting a first ranking security interest in the personal property of the Centre and are subject to certain financial covenants.

In addition to the above, the Centre has established a Revolving Demand Facility with a maximum balance of $500,000 bearing interest at prime plus 0.73%. The authorized overdraft had not been drawn upon at March 31, 2020.

9. Deferred lease inducements:

		2020		2019
Deferred lease inducements, beginning of year	$	-	$	-
Leasehold improvement allowance received in the year		2,468,405		-
Rent free fixturing period		1,066,652		-
Amortization of deferred lease inducements		(246,841)		-
Deferred lease inducements		3,288,216		-
Less: current portion of deferred lease inducements		354,402		-
	$	2,933,814	$	-

10. 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 (2019 - $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 (2019 - $400,000) 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. Refer to Note 12.

11. Grants:

	2020	2019
Federal government	$ 11,954,807	$ 11,801,352
Provincial government	3,804,227	3,966,433
Other organizations	1,349,747	1,084,098
Local government	245,234	361,096
	$ 17,354,015	$ 17,212,979

12. Contingencies:

The Centre has established an irrevocable letter of guarantee with its financial institution for up to $400,000 (2019 - $400,000). As at March 31, 2020, the Centre has an irrevocable letter of guarantee issued in the amount of $325,000, relating to programs funded by Alberta Human Services. The letter of guarantee is secured by a General Security Agreement and an assigned guaranteed investment certificate in the amount of $400,000. Alberta Human Services may exercise its right to draw on this letter of guarantee 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.

13. Contractual obligations:

The Centre has entered into leases for office space and equipment at its various locations. The Centre is also responsible for its share of operating costs related to the respective leases. These costs are not fixed within the lease and are subject to change on a year to year basis. The Centre is required to make annual base rent and lease payments as follows:

2021	$ 905,067
2022	879,062
2023	862,136
2024	909,087
Thereafter	5,886,637

14. 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 of 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.

(c) Other price risk:

Other price risk is the risk that the fair value of 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 or fund its obligations as they come due. the Centre is exposed to this risk mainly in respect to 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.

15. 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 $87,621 (2019 - $86,295).

The gross contributions received from fundraising activities is $74,559 (2019 - $93,509).

16. Subsequent events:

Prior to the Centre's year-end, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social dislocating impact.

At the time of the approval of the these financial statements, the Centre has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary declines in the fair value of investments and investment income;
- Closure of the administrative buildings and mandatory working from home requirements for those able to do so;
- Many programs adapted to being delivered via telephone, videoconferencing tools and online technologies;
- Some programs suspended or severely restricted in delivery (i.e. childcare);
- Cancellation of fundraising and community engagement events, such as RISE Awards; and
- Enhanced restrictions on discretionary spend.

These factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities, and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

17. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 1 - Administrative Expenses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Travel and conferences	$ 119,607	$ 124,058
Advertising	84,626	79,221
Professional development	80,355	63,984
Telephone	62,990	57,491
Insurance	54,505	41,117
Professional fees	51,666	42,078
Service charges	50,267	49,206
Printing and photocopy	40,511	39,791
Board	22,917	8,293
Staff and volunteers	16,695	20,996
Dues and memberships	11,528	10,799
Office and general	3,129	7,440
	$ 598,796	$ 544,474

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - Program Revenues and Expenses

Year ended March 31, 2020, with comparative information for 2019

Putting down roots

	2020	2019
Revenue		
City of Edmonton grants	$ 163,304	$ 182,093
Expenses		
Salaries, wages and benefits	121,726	143,230
General administration	21,300	23,751
Supplies	11,994	7,204
Rent	8,284	9,860
	163,304	184,045
(Deficiency) of revenue over expenses	$ -	$ (1,952)

Replanting roots

	2020	2019
Revenue		
City of Edmonton grants	$ 12,764	$ -
	12,764	-
Expenses		
Salaries, wages and benefits	10,365	-
General administration	1,665	-
Supplies	734	-
	12,764	-
Excess of revenue over expenses	$ -	$ -

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - Program Revenues and Expenses (continued)

Year ended March 31, 2020, with comparative information for 2019

Rainbow refugee

	2020	2019
Revenue		
City of Edmonton grants	$ 63,861	$ -
Expenses		
Salaries, wages and benefits	49,876	-
General administration	8,330	-
Supplies	1,880	-
Rent	3,780	-
	63,866	-
(Deficiency) of revenue over expenses	$ (5)	$ -