Financial Statements of

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Year ended March 31, 2021

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

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Year ended March 31, 2021

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 7, 2021

Original Signed By

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, 2021
- 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, 2021, 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.

KPMG

- 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 7, 2021

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Financial Position

March 31, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets:				
Cash and cash equivalents	$	269,818	$	791,054
Accounts receivable (note 2)		1,034,605		2,233,671
Investments (note 3)		385,038		589,781
Prepaid expenses		211,831		428,234
		1,901,292		4,042,740
Restricted investments (notes 3 and 10)		20,913		20,913
Capital assets (note 4)		8,452,400		8,476,601
	$	10,374,605	$	12,540,254
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	1,228,043	$	884,429
Deferred contributions - operations (note 6)		997,426		1,094,216
Current portion of long term debt (note 8)		324,368		1,485,846
Current portion of deferred lease inducements (note 9)		354,402		354,402
		2,904,239		3,818,893
Deferred contributions - capital assets (note 7)		217,407		233,177
Long term debt (note 8)		4,281,374		4,906,664
Deferred lease inducements (note 9)		2,579,412		2,933,814
		9,982,432		11,892,548
Net assets:				
Internally restricted (notes 10 and 12)		371,260		400,000
Endowments (note 10)		20,913		20,913
Unrestricted		-		226,793
		392,173		647,706
Contingencies (note 12)				
Impacts of COVID-19 (note 16)				
	$	10,374,605	$	12,540,254

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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Grants (note 11)	$ 15,171,988	$ 17,354,015
Federal subsidies (note 16)	1,016,051	-
Amortization of deferred lease inducements	246,841	246,841
Donations	192,440	51,432
Course fees	24,138	28,788
Investment income	17,501	30,339
Amortization of deferred contributions - capital assets	15,770	14,994
Rent	11,401	67,514
Fundraising events	2,090	74,559
	16,698,220	17,868,482
Expenses:		
Salaries, wages and benefits	11,641,451	12,095,540
Rent, utilities and maintenance	1,963,222	2,588,305
Contract services	1,147,377	2,189,461
Resources	747,528	405,386
Amortization	542,390	390,372
Administrative (Schedule 1)	517,551	598,796
Interest and bank charges	213,654	166,436
Supplies, repairs and maintenance	172,582	79,918
Bad debts	7,998	36,218
	16,953,753	18,550,432
Deficiency of revenue over expenses	$ (255,533)	$ (681,950)

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Changes In Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Internally restricted (notes 10 and 12)	Endowments (note 10)	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	$ 400,000	$ 20,913	$ 226,793	$ 647,706	$ 1,329,656
Deficiency of revenue over expenses	-	-	(255,533)	(255,533)	(681,950)
Transfers	(28,740)	-	28,740	-	-
Balance, end of year	$ 371,260	$ 20,913	$ -	$ 392,173	$ 647,706

See accompanying notes to financial statements.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (255,533)	$ (681,950)
Items not involving cash:		
Amortization of deferred lease inducements	(246,841)	(246,841)
Amortization of rent free fixturing period	(107,561)	-
Amortization of deferred contributions - capital assets	(15,770)	(14,994)
Amortization	542,390	390,372
Unrealized (gain) loss on investments	(11,309)	3,964
Realized (gain) loss on investments	(1,555)	-
	(96,179)	(549,449)
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	1,199,066	(922,068)
Decrease in prepaid expenses	216,403	52,797
Increase (decrease) in accounts payable and accrued liabilities	343,614	(91,669)
Decrease in deferred contributions - operations	(96,790)	(106,046)
	1,566,114	(1,616,435)
Financing activities:		
Deferred contributions received - capital assets	-	248,171
Proceeds of long-term debt	650,000	6,454,843
Repayments of long-term debt	(2,436,768)	(62,333)
Deferred lease inducements received	-	3,535,057
	(1,786,768)	10,175,738
Investing activities:		
Purchase of capital assets	(518,189)	(8,789,242)
Purchase of investments	-	(7,600)
Proceeds on the sale of investments	217,607	-
	(300,582)	(8,796,842)
Decrease in cash	(521,236)	(237,539)
Cash and cash equivalents, beginning of year	791,054	1,028,593
Cash and cash equivalents, end of year	$ 269,818	$ 791,054

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.

The Centre applies for financial assistance under available government programs. Government assistance is recognized as revenue in the year in which the related expenses are incurred.

(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. Items subject to such estimates and assumptions include the carrying amount of capital assets and rates and methods to calculate amortization. Actual results could differ from those estimates.

2. Accounts receivable:

	2021	2020
Program funding grants	$ 871,653	$ 1,141,665
Goods and services tax rebate	161,495	78,194
Other	1,457	1,766
Leasehold improvement allowance receivable	-	1,012,046
	$ 1,034,605	$ 2,233,671

3. Investments:

	2021	2020
Mutual funds	$ 62,318	$ 185,010
Guaranteed investment certificates	325,000	407,600
Servus Credit Union Ltd. common shares	18,633	18,084
	$ 405,951	$ 610,694

As at March 31, 2021, the cost of the mutual funds was $48,616 (2020 - $176,235).

The guaranteed investment certificate bears interest at 0.10% (2020 - 1.68%), with a maturity date of August 2021, and is held as security for an irrevocable letter of guarantee (note 12).

Unrealized gains (losses) on the mutual funds, in the amount of $11,309 (2020 - ($3,964)), are included in investment income.

4. Capital assets:

			Net Book Value	
	Cost	Accumulated amortization	2021	2020
Buildings	$ 6,341,143	$ 268,201	$ 6,072,942	$ 5,795,407
Office and computer equipment	976,823	962,886	13,937	17,674
Furniture and fixtures	355,416	339,850	15,566	24,159
Leasehold improvements	3,359,427	1,009,472	2,349,955	2,639,361
Vehicles	22,891	22,891	-	-
	$ 11,055,700	$ 2,603,300	$ 8,452,400	$ 8,476,601

5. Accounts payable and accrued liabilities:

		2021		2020
Trade payables	$	486,162	$	486,938
Accrued vacation liability		406,426		370,057
Other accrued liabilities		335,455		27,434
	$	1,228,043	$	884,429

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:

		2021		2020
Add: Contributions received	$	16,168,860	$	17,373,960
Balance, beginning of year		1,094,216		1,200,262
Less: Amounts recognized as revenue		(16,265,650)		(17,480,006)
Balance, end of year	$	997,426	$	1,094,216

The balance is comprised of the following:

		2021		2020
Other grants and donations	$	557,594	$	282,125
Provincial grants		196,215		525,591
Federal grants		157,384		241,696
Local government grants		71,233		44,804
RISE awards		15,000		-
	$	997,426	$	1,094,216

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:

	2021	2020
Balance, beginning of year	$ 233,177	$ -
Add: Contributions received	-	248,171
Less: Amounts recognized as revenue	(15,770)	(14,994)
Balance, end of year	$ 217,407	$ 233,177

8. Long-term debt:

	2021	2020
Loan payable to RBC, bearing interest at 3.4%, repayable in blended monthly payments of $20,524, maturing August 9, 2024	$ 4,007,650	$ 4,062,666
Loan payable to RBC, bearing interest at 3.16%, repayable in blended monthly payments of $18,949, maturing December 2, 2023	598,092	-
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
	4,605,742	6,392,510
Less current portion of long term debt	(324,368)	(1,485,846)
	$ 4,281,374	$ 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, 2021, are as follows:

2022	$	324,368
2023		334,974
2024		288,697
2025		3,657,703
	$	4,605,742

Interest on the debt facilities of $155,199 (2020 - $114,975) 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. As at March 31, 2021, the Centre was not in compliance with certain financial covenants, however RBC has waived its right to demand repayment until April 1, 2022.

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, 2021.

9. Deferred lease inducements:

		2021		2020
Deferred lease inducements, beginning of year	$	3,288,216	$	-
Leasehold improvement allowance received in the year		-		2,468,405
Amortization of rent free fixturing period		(107,561)		1,066,652
Amortization of deferred lease inducements		(246,841)		(246,841)
Deferred lease inducements		2,933,814		3,288,216
Less: current portion of deferred lease inducements		354,402		354,402
	$	2,579,412	$	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 (2020 - $20,913) have been restricted as they are not available for current purposes.

b) Internally restricted
The Board of Directors has internally restricted $371,260 (2020 - $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:

	2021	2020
Federal government	$ 10,623,469	$ 11,954,807
Provincial government	2,828,676	3,804,227
Other organizations	989,170	1,349,747
Local government	730,673	245,234
	$ 15,171,988	$ 17,354,015

12. Contingencies:

The Centre has established an irrevocable letter of guarantee with its financial institution for up to $325,000 (2020 - $400,000). As at March 31, 2021, the Centre has an irrevocable letter of guarantee issued in the amount of $325,000 (2020 - $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 $325,000. 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:

2022	$	879,062
2023		862,136
2024		909,087
2025		917,552
Thereafter		4,969,085

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.

14. Financial risks (continued):

(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 $1,000 (2020 - $87,621).

The gross contributions received from fundraising activities is $2,090 (2020 - $74,559).

16. Impacts of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus.

The Centre was eligible for and recognized revenue under the following federal subsidy programs:

- Canada Emergency Wage Subsidy - $911,842 of which $214,797 is included in accounts receivable;
- Canada Emergency Rent Subsidy - $104,209 of which $101,149 is included in accounts receivable.

16. Impact of COVID-19 (continued):

The Centre has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- 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.

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 1 - Administrative Expenses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Professional fees	$ 131,753	$ 51,666
Telephone	104,620	62,990
Professional development	57,737	80,355
Insurance	55,563	54,505
Advertising	45,680	84,626
Service charges	41,303	50,267
Printing and photocopy	32,682	40,511
Travel and conferences	20,249	119,607
Board	14,127	22,917
Dues and memberships	7,899	11,528
Staff and volunteers	4,184	16,695
Office and general	1,754	3,129
	$ 517,551	$ 598,796

EDMONTON MENNONITE CENTRE FOR NEWCOMERS

Schedule 2 - Program Revenues and Expenses

Year ended March 31, 2021, with comparative information for 2020

Putting down roots

		2021		2020
Revenue				
City of Edmonton grants	$	137,234	$	163,304
Expenses				
Salaries, wages and benefits		92,561		121,726
General administration		17,050		21,300
Supplies		14,345		11,994
Rent		13,278		8,284
		137,234		163,304
(Deficiency) of revenue over expenses	$	-	$	-