

Mennonite Economic Development Associates

Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)



Independent auditor's report

To the Members of Mennonite Economic Development Associates

Our opinion

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Mennonite Economic Development Associates and its subsidiary (together, the Company) as at June 30, 2021 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.

What we have audited

The Company's combined financial statements comprise:

- the combined balance sheet as at June 30, 2021;
- the combined statement of operations and changes in unrestricted net assets for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's responsibilities for the audit of the combined financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the combined financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 Company'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 Company'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 combined 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
October 7, 2021

Mennonite Economic Development Associates

Combined Balance Sheet

As at June 30, 2021

(expressed in U.S. dollars)

	2021 \$	2020 \$
Assets (note 13)		
Current assets		
Cash and short-term deposits (note 3)	16,197,528	18,817,259
Accounts receivable	2,178,465	699,922
Advances to MEDA Country Programs and partners (note 4)	2,622,067	878,229
Work in progress	36,117	127,331
Prepaid expenses	181,219	149,170
Current portion of loans receivable (note 5)	1,023,462	396,441
	<u>22,238,858</u>	<u>21,068,352</u>
Non-current assets		
Loans receivable (note 5)	1,254,948	2,546,913
Investments (note 6)	19,415,776	18,119,534
Capital assets (note 7)	1,628,412	1,234,289
	<u>22,299,136</u>	<u>21,900,736</u>
	<u>44,537,994</u>	<u>42,969,088</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	1,328,513	861,831
Deferred contributions (note 8)	153,284	264,941
Deferred grants and contracts	10,947,661	10,865,616
Due to MEDA Country Programs and partners (note 4)	97,509	88,770
Current portion of notes payable (note 9)	3,381,961	3,081,672
	<u>15,908,928</u>	<u>15,162,830</u>
Notes payable (note 9)	<u>5,898,243</u>	<u>6,152,125</u>
	21,807,171	21,314,955
Net Assets		
Unrestricted	<u>22,730,823</u>	<u>21,654,133</u>
	<u>44,537,994</u>	<u>42,969,088</u>
Contingencies and commitments (note 12)		

The accompanying notes are an integral part of these combined financial statements.

Mennonite Economic Development Associates
Combined Statement of Operations and Changes in Unrestricted Net Assets
For the year ended June 30, 2021

(expressed in U.S. dollars)

	2021 \$	2020 \$
Revenues		
Grants and contracts	19,434,474	21,985,911
Contributions (note 8)	6,253,904	6,485,104
Consulting and program management fees	3,909,762	4,920,514
Unrealized investment gain (note 10)	1,008,028	-
Realized investment income	312,088	591,924
Convention and tour fees	24,192	179,280
Other (note 11)	114,111	260,296
	31,056,559	34,423,029
Expenses		
Development programs	26,371,495	29,768,957
Resource development	1,613,381	1,765,301
MEDA Risk Capital Fund	1,085,862	1,084,682
Constituency engagement	886,551	1,187,792
Unrealized investment loss (note 10)	-	1,431,921
Other (note 11)	22,580	286,033
	29,979,869	35,524,686
Excess of revenues over expenses (expenses over revenues) for the year	1,076,690	(1,101,657)
Unrestricted net assets – Beginning of year	21,654,133	22,755,790
Unrestricted net assets – End of year	22,730,823	21,654,133


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Greg Gaeddert

Chairman

November 9, 2021

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Verda Beachey

Secretary

November 7, 2021

The accompanying notes are an integral part of these combined financial statements.

Mennonite Economic Development Associates

Combined Statement of Cash Flows

For the year ended June 30, 2021

(expressed in U.S. dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	1,076,690	(1,101,657)
Items not affecting cash		
Amortization of capital assets	288,914	289,861
Gain on sale of investments	(114,871)	(96,942)
Equity share of (gain) loss on investment	(1,008,028)	1,749,419
Loan recovery provision	-	(317,498)
Unrealized foreign exchange loss (gain) on notes payable	684,410	(239,867)
Unrealized foreign exchange (gain) loss on loans receivable	(13,899)	35,178
	<u>913,216</u>	<u>318,494</u>
Net change in non-cash working capital items	(982,308)	(1,113,253)
	<u>(69,092)</u>	<u>(794,759)</u>
Financing activities		
Advances of notes payable	353,184	655,205
Repayments of notes payable	(991,187)	(3,031,898)
Increase in due to MEDA Country Programs and partners	8,739	63,195
	<u>(629,264)</u>	<u>(2,313,498)</u>
Investing activities		
(Increase) decrease in advances to MEDA Country Programs and partners	(1,743,838)	449,496
Issuance of new loans	(597,893)	(1,858,118)
Payment of loans	1,276,736	6,772,030
Purchase of capital assets	(683,037)	(117,493)
Proceeds on sale and distributions from investments	1,045,278	1,381,836
Purchase of investments	(1,218,621)	(2,594,752)
	<u>(1,921,375)</u>	<u>4,032,999</u>
Changes in cash and short-term deposits	(2,619,731)	924,742
Cash and short-term deposits – Beginning of year	18,817,259	17,892,517
Cash and short-term deposits – End of year	<u>16,197,528</u>	<u>18,817,259</u>
Supplemental disclosure of cash flow information		
Net interest (paid) received	(116,708)	67,731

The accompanying notes are an integral part of these combined financial statements.

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

1 Purpose of the organization

Mennonite Economic Development Associates (MEDA) is an international economic development organization that creates business solutions to the relief of poverty.

2 Significant accounting policies

Basis of presentation

The combined financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

For the purposes of financial statement presentation, the following operations have been combined:

- Mennonite Economic Development Associates

Mennonite Economic Development Associates, a non-for-profit corporation without share capital, is incorporated under the state laws of Pennsylvania.

- Mennonite Economic Development Associates of Canada

MEDA Canada, a not-for-profit corporation without share capital, is incorporated as Mennonite Economic Development Associates of Canada under the federal laws of Canada and is a registered charity under the Income Tax Act.

- MEDA Europa

MEDA Europa, a not-for-profit corporation fully owned by MEDA, is incorporated under the federal laws of Germany.

- Sarona MEDA Investments, Inc.

Sarona MEDA Investments, Inc. is an asset management company. Sarona MEDA Investments, Inc. is a for-profit subsidiary of MEDA incorporated under the state laws of Pennsylvania. Sarona MEDA Investments, Inc. had no financial activity in the year.

- MEDA Trade Company Inc.

MEDA Trade Company Inc. is a controlled for-profit subsidiary of MEDA Canada, incorporated as a taxable corporation under the provincial laws of Ontario. MEDA Trade Company Inc. had no financial activity in the year.

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

- MEDA Global Inc.

MEDA Global Inc. is a not-for-profit corporation based in Canada. MEDA Canada exercises control over MEDA Global Inc. as it manages and oversees its operations. MEDA Global Inc. had no financial activity in the year.

- Sarona Global Investment Fund, Inc.

Sarona Global Investment Fund, Inc. assists the poor through raising and investing capital in ventures that strengthen the economic prospects of certain countries while ensuring modest financial return. Sarona Global Investment Fund, Inc. is a not-for-profit subsidiary of MEDA, incorporated under the state laws of Pennsylvania. Sarona Global Investment Fund, Inc. had no financial activity in the year.

Excluded from combination in the financial statements are:

- MEDA Country Programs

MEDA Country Programs are not-for-profit operations based in Ghana, Tanzania, Ethiopia, Ukraine, Jordan, Myanmar, Nicaragua, Nigeria, Kenya, Senegal and Haiti. MEDA exercises control over these Country Programs as it manages and oversees their operations. A summary of the combined financial position and results of operations of the MEDA Country Programs is included in notes to these combined financial statements (note 4).

Revenue recognition

MEDA follows the deferral method of accounting for revenue. Restricted funding, which primarily includes grant and contract revenues from various government and other funding agencies, is recognized as revenue in the year in which the related expenses are incurred and all relevant terms of the funding agreement are met. Deferred contributions and deferred grants and contracts at the balance sheet date relate to funding received by that date that is in respect of program expenses to be incurred in future periods.

Unrestricted contributions from individuals, corporations and foundations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All contributions are considered to be available for general use unless specifically restricted by the donor.

Grants received for program purposes are recorded as revenue by MEDA and expensed when disbursed to the various Country Programs based upon relevant criteria. Program-specific grants and contracts signed and executed by a MEDA Country Program are recognized in income by the relevant MEDA Country Program and, as such, are not recorded as revenue by MEDA in these combined financial statements.

Cash and short-term deposits

Cash and short-term deposits include cash on deposit, marketable securities and deposits with maturities of less than three months at acquisition.

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

Loans receivable

Loans are measured at amortized cost. Provisions are made based on management's assessment of the intent and ability of the borrower to pay, taking into account political and economic risk factors.

Investments

Investments are made to assist in the creation of business solutions to poverty in developing countries while achieving long-term capital growth. However, the opportunity to realize capital gains depends on a number of factors and management cannot predict the future date at which MEDA will divest of an investment in its portfolio.

The fair value method is used to account for investments in equity instruments that are quoted in an active market.

For investments not carried at fair value and that MEDA controls or significantly influences, the equity method is used. Under the equity method, income or losses are added or deducted and dividends received are deducted from the carrying value of the investment shown on the balance sheet. The cost method is used to account for investments that MEDA does not control or significantly influence.

Capital assets

Capital assets consist of assets for use at administrative offices and are recorded at cost. Amortization is calculated using the straight-line method over the estimated useful lives of the assets. All asset classes are amortized using varying straight-line rates of 3 to 10 years.

Foreign currency translation

Monetary assets and liabilities held in currencies other than the United States dollar are translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are recorded at historical rates of exchange. Exchange differences are recorded in the statement of operations as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Financial instruments

MEDA's financial instruments consist of cash and short term deposits, accounts receivable, advances to and due to MEDA Country Programs and partners, loans receivable, accounts payable and accrued liabilities and notes payable. Currency, liquidity and credit risk arising from these financial instruments is disclosed in note 13. The financial instruments are measured at amortized cost.

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

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 the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of expenses

MEDA executes development programs, arranges programs and publications for its members, and operates the MEDA Risk Capital Fund. The costs of each function include the costs of personnel, travel, communication, office costs and other expenses that are directly related to providing the program. MEDA also incurs costs for the shared management and support of all programs.

MEDA annually allocates shared support and management costs on an appropriate and consistent basis for each category of costs as follows:

- Human resource, premises, administrative support and information technology costs are allocated proportionately based on the number of staff in each functional area.
- Finance, accounting, legal and marketing costs are allocated proportionately based on time spent by respective staff on each program area.
- Executive management and board costs are allocated proportionately based on time spent by board members and executive staff in each program area.

The amounts allocated are presented in note 14.

3 Cash and short-term deposits

Certain balances included in cash and short-term deposits are advances received from donors to fund specific projects and therefore, they cannot be used for other purposes. Current year balances under such conditions are \$8,478,879 (2020 – \$10,252,328).

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

4 MEDA Country Programs and partners

Advances to MEDA Country Programs and partners are as follows:

	2021 \$	2020 \$
MEDA Libya	-	16
MEDA Ethiopia	53,733	-
MEDA Ghana	-	111,912
MEDA Haiti	205,427	-
MEDA Jordan	90,245	8,508
MEDA Kenya	400,886	200,550
MEDA Myanmar	14,171	29,846
MEDA Nicaragua	109,196	12,413
MEDA Nigeria	425,007	117,315
MEDA Senegal	319,916	32,347
MEDA Ukraine	335,348	177,736
MEDA Tanzania	356,403	53,659
Other partner agencies	311,735	133,927
	<u>2,622,067</u>	<u>878,229</u>

The advances are non-interest bearing and are unsecured.

Amounts due to MEDA Country Programs and partners are as follows:

	2021 \$	2020 \$
MEDA Ghana	38,266	-
MEDA Ethiopia	-	29,609
MEDA Tanzania	-	49,490
Other partner agencies	59,243	9,671
	<u>97,509</u>	<u>88,770</u>

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

MEDA Country Programs are not-for-profit organizations with a similar purpose to MEDA and exist to carry out MEDA's purpose in the country in which they are operating. The following Country Programs' financial results have not been combined in MEDA's financial statements. Financial statements for each Country Program are prepared separately. A financial summary (obtained from unaudited, internally prepared financial information) of each non-combined Country Program as at June 30, 2021 and results of operations for the year then ended are as follows:

											2021	2020	
	Tanzania Cassava \$	Tanzania \$	Ethiopia \$	Ukraine \$	Ghana FEATS \$	Kenya \$	Myanmar \$	Jordan \$	Nicaragua \$	Nigeria \$	Senegal \$	Total \$	Total \$
Assets													
Current	323,828	45,272	106,759	403,249	12,704	462,392	12,620	143,167	199,076	536,301	332,772	2,578,140	1,618,376
Non-current	2,208	1,867	5,656	7,911	15,381	79,932	611	2	29,652	42,685	197,710	383,615	399,876
	326,036	47,139	112,415	411,160	28,085	542,324	13,231	143,169	228,728	578,986	530,482	2,961,755	2,018,252
Liabilities													
Current	323,828	55,329	106,763	403,249	21,145	462,392	12,620	143,166	199,077	536,251	332,772	2,596,592	1,625,239
Non-current	2,208	-	5,652	7,911	2,717	79,932	611	3	20,538	12,517	35,919	168,008	249,215
	326,036	55,329	112,415	411,160	23,862	542,324	13,231	143,169	219,615	548,768	368,691	2,764,600	1,874,454
Fund balance	-	(8,190)	-	-	4,223	-	-	-	9,113	30,218	161,791	197,155	143,798
	326,036	47,139	112,415	411,160	28,085	542,324	13,231	143,169	228,728	578,986	530,482	2,961,755	2,018,252
Results of operations													
Revenues	1,940,742	1,886,299	1,109,128	1,490,191	1,497,563	1,680,677	1,199,410	2,251,751	1,256,177	1,743,992	740,420	16,796,350	18,420,323
Expenses	1,940,742	1,901,897	1,109,128	1,490,191	1,512,440	1,680,677	1,238,214	2,283,954	1,260,805	1,737,601	587,343	16,742,992	18,514,112
Excess (deficiency) of revenue over expenses	-	(15,598)	-	-	(14,877)	-	(38,804)	(32,203)	(4,628)	6,391	153,077	53,358	(93,789)
Cash flows provided by (used in) operating activities	123,056	(34,463)	46,373	80,123	(149,854)	(49,813)	(117,104)	15,321	6,739	194,958	(19,286)	96,050	(97,665)

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

5 Loans receivable

The following is a summary of outstanding loans receivable by country:

	2021 \$	2020 \$
Canada	159,784	176,555
Nicaragua	968,947	1,060,781
Sierra Leone	208,879	208,879
United States	940,800	1,497,139
	<hr/>	<hr/>
	2,278,410	2,943,354
Less: Current portion of loans receivable	1,023,462	396,441
	<hr/>	<hr/>
Non-current portion of loans receivable	1,254,948	2,546,913
	<hr/>	<hr/>

Loans receivable bear interest rates from 4% - 8.5% with maturity dates varying from on demand to 2026 and thereafter.

Scheduled repayments of loans receivable are as follows:

	\$
2022	1,023,462
2023	82,079
2024	370,236
2025	85,212
2026 and thereafter	717,421
	<hr/>
	2,278,410
	<hr/>

Uncertainty of collection

The provision is based on management's best estimate of loan losses to be incurred in future periods and purchase discounts applied to certain investments. Management reviews each loan individually and applies a loan loss provision based on the investee's repayment history and management's knowledge of the investee's operations. During the current year, a loan provision of \$nil (2020 - \$nil) is included with respect to such provisions and reversal of provision is \$nil (2020 - \$317,498).

Direct loans by MEDA Members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be loaned to specified MEDA related projects or companies. Of the loans receivable shown above, \$nil is loaned under those conditions (2020 - \$75,000). In such cases, MEDA acts as a trustee for the lenders and bears no risk for loss on the loans.

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

6 Investments

Investments consist of the following:

	2021 \$	2020 \$
Accounted for using the equity method		
CODIP, S.A., Paraguay – 11.6% (2020 – 11.6%) of issued and outstanding common shares	1,129,522	1,494,232
MiCredito, Nicaragua – 33.6% (2020 – 33.6%) of issued and outstanding common shares	1,771,463	1,351,213
Sarona Asset Management Inc., Canada – 9.9% (2020 – 10.0%) of issued and outstanding shares	7,365	1
Sarona Frontier Markets Fund 1, L.P., Global – 24.7% (2020 – 24.5%) of contributed capital	2,379,821	2,647,278
Sarona Frontier Markets International Fund 2, L.P., Global – 4.0% (2020 – 4.0%) of contributed capital	4,639,218	3,673,152
SGGM International 2 L.P., Global – 4.2% (2020 – 7.6%) of contributed capital	1,736,067	1,101,212
Sarona Risk Capital Fund 1, L.P., Global – 45.8% (2020 – 38.9%) of contributed capital	153,827	163,662
Sarona Trade Finance Fund – 11.8% (2020 – 12.0%) of contributed capital	1,377,624	1,501,773
MicroVest General Partner and MicroVest Capital Management USA (combined) – 26.4% (2020 – 26.4%) of outstanding common shares	1	152,899
MicroVest Short Duration Fund A – 0.3% (2020 – 0.5%) of contributed capital	122,027	590,280
MicroVest Plus, L.P. – 2.1% (2020 – 1.9%) of contributed capital	78,027	175,322
MicroVest Enhanced Debt Fund – 5.9% (2020 – 0%) of contributed capital	992,341	-
Access Africa Fund, LLC – 9.09% (2020 – 9.09%) of issued and outstanding common shares	27,144	117,623
Mountain Lion Agriculture (SL) Limited, Sierra Leone – 12.7% (2020 – 12.7%) of issued and outstanding common shares; 34.4% (2020 – 34.4%) of issued and outstanding preferred shares	584,861	584,861
	<u>14,999,308</u>	<u>13,553,508</u>
Accounted for at cost		
Fonkoze, S.A., Haiti – 1.7% (2020 – 1.7%) of issued and outstanding common shares	122,873	80,436
IMON L.L.C., Tajikistan – 8.7% (2020 – 8.7%) of issued and outstanding common shares	1,180,328	1,157,462
EFAfrica Group Ltd. – 8.5% (2020 – 11.7%) of issued and outstanding common shares	663,895	906,679
Women's World Banking Capital Partners L.P. – 3.1% (2020 – 3.1%) of contributed capital	807,946	1,052,115
Women's World Banking Capital Partners II L.P. – 1.0% (2020 – 1.0%) of contributed capital	266,406	-
Business Partners East Africa LLC – 4.8% (2020 – 4.8%) of issued and outstanding shares	1,250,020	1,266,037
SEAF Single Vintage Flex Fund	125,000	103,297
	<u>4,416,468</u>	<u>4,566,026</u>
Total investments	<u>19,415,776</u>	<u>18,119,534</u>

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

7 Capital assets

	2021 \$	2020 \$
Office furniture, leasehold improvements, land and equipment	2,533,974	1,875,829
Less: Accumulated amortization	905,562	641,540
	1,628,412	1,234,289

8 Deferred contributions

Deferred contributions relate to funding received for specific projects that is in respect of program expenses to be incurred in future periods.

	2021 \$	2020 \$
Deferred contributions – Beginning of year	264,941	304,613
Contributions received during year	6,132,199	6,450,837
Contributions recognized in revenue during year	(6,253,904)	(6,485,104)
Revaluation of foreign currency balances	10,048	(5,405)
	153,284	264,941

9 Notes payable

Notes payable consist of:

	2021 \$	2020 \$
Everence Association, Inc., interest at 4%, due December 31, 2024	500,000	500,000
Kindred Credit Union, CDN \$600,000 (2020 – \$600,000), interest at 3% and 4% per annum, due December 31, 2021	484,027	441,956
Everence Federal Credit Union, interest at 1%, due May 5, 2022 administered under U.S. Small Business Administration Paycheck Protection Program	-	265,558
Various promissory notes, interest at rates varying from 0% – 4%, with maturities at various dates from 30 days subsequent to demand to March 31, 2031		
US\$ denominated	681,892	676,355
CDN\$ denominated CDN \$7,629,105 (2020 – CDN \$7,894,438)	6,154,488	5,814,996
Euro denominated €1,212,857 (2020 – €1,366,857)	1,459,797	1,534,932
	9,280,204	9,233,797
Less: Current portion	3,381,961	3,081,672
	5,898,243	6,152,125

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

The notes payable are unsecured.

Scheduled repayment of notes payable is as follows:

	\$
2022 and open maturities	3,381,961
2023	2,395,050
2024	2,477,393
2025	554,181
2026 and thereafter	471,619
	<u>9,280,204</u>

Expenses include interest paid on long-term notes payable of \$134,422 (2020 – \$340,043).

Direct investment by MEDA members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be loaned to, or used to purchase shares in, specified MEDA related projects or companies. MEDA is obligated to repay the funds only to the extent that MEDA is repaid by the investee or is able to sell the respective investment. Of the notes payable shown above, \$nil is payable under those conditions (2020 – \$75,000).

Notes payable from MEDA Directors

Of the notes payable listed above, \$1,210,068 is payable to MEDA Directors (2020 – \$1,473,188).

10 Unrealized investment (gain) loss

Unrealized investment (gain) loss includes the following:

	2021 \$	2020 \$
Recovery of value of loans receivable	-	(317,498)
Equity share of (gain) loss on investments	(1,008,028)	1,749,419
	<u>(1,008,028)</u>	<u>1,431,921</u>

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

11 Other expenses

Other revenue includes:

	2021 \$	2020 \$
Foreign exchange gains	12,314	-
Other	101,797	260,296
	<u>114,111</u>	<u>260,296</u>

Other expenses consist of:

	2021 \$	2020 \$
Other	22,580	349
Foreign exchange losses	-	285,684
	<u>22,580</u>	<u>286,033</u>

12 Contingencies and commitments

Minimum lease commitments

MEDA has minimum lease commitments for Canadian and U.S. office premises of:

	\$
2022	400,032
2023	381,092
2024	382,010
2025	384,002
2026 and thereafter	1,092,881

Commitments

MEDA has outstanding forward currency contracts for the purchase of \$3,000,000 CDN (2020 – \$3,000,000 CDN) in January to June 2022. MEDA has provided a general security agreement and restricted \$250,000 CDN in cash and short-term deposits as security against the forward currency contracts.

Contingencies

MEDA receives grants and contracts from donors, some of which are subject to audit and assessment in future periods.

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

13 Financial instruments

Fair value

The fair values of MEDA's financial instruments recorded as current on the balance sheet are approximated by their carrying values due to their short-term maturity. It is not practicable to determine the fair value of loans receivable as these loans are provided to organizations that are often unable to obtain alternate financing and due to the uncertain political and economic conditions that exist in certain countries. Nor is it practicable to determine the fair value of investments as these investments are in private companies in low income countries where no open market for the investments exists and uncertain political and economic conditions exist in certain countries.

It is also not practicable to determine the fair value of notes payable given that MEDA receives funds at below market rates and because repayment requirements for some notes are limited by the amount MEDA receives from the related investments.

Currency risk

MEDA's assets and liabilities include balances that are denominated in foreign currencies consistent with the purpose of MEDA. MEDA holds forward currency contracts, but remains exposed to significant currency risk.

Credit risk

Consistent with the purpose of MEDA, the lending of monies internationally and in areas with less stable political and economic climates exposes MEDA to increased credit risk. MEDA establishes provisions for uncertainty of collectability as disclosed in note 5.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations as they fall due, without raising funds at unfavourable rates or selling assets on a forced basis. Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirement of MEDA's business have been met primarily by funds generated from operations. Cash provided from these sources is used primarily for payment of operating expenses. MEDA maintains a cash balance to meet liquidity requirements. As at June 30, 2021, MEDA has cash of \$16,197,528 (2020 – \$18,817,259).

Mennonite Economic Development Associates

Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

Significant event

The impacts of COVID-19 in Canada continued to be felt during the fiscal year. The global pandemic has continued to impact MEDA's operations in various ways, including halting global travel and its workforce working remotely. Although the current impacts of the pandemic have not significantly impacted the operational results of MEDA, its investment portfolio or the operations of the various Country Programs, the full duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on MEDA's investment portfolio and its future ability to deliver the various Country Programs.

14 Allocation of expenses

Shared support and management costs have been allocated to the functional areas in the following amounts:

	Human resource, premises, admin and IT \$	Finance, Accounting and legal \$	Executive management \$	Marketing \$	2021 \$	2020 \$
Constituency engagement	119,408	15,639	91,225	131,555	357,827	350,433
Development programs	954,097	827,770	174,108	154,111	2,110,086	2,092,571
Resource development	229,011	45,801	157,702	164,557	597,071	672,838
MEDA Risk Capital Fund	-	227,887	74,653	-	302,540	167,572
	<u>1,302,516</u>	<u>1,117,097</u>	<u>497,688</u>	<u>450,223</u>	<u>3,367,524</u>	<u>3,283,414</u>

15 Government remittances

MEDA had \$1,154 outstanding government remittances as at June 30, 2021 (2020 – \$nil).

Mennonite Economic Development Associates

Supplementary Combined Schedules

For the year ended June 30, 2021

(expressed in U.S. dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europa \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
Cash and short-term deposits (note 3)	10,981,734	5,168,576	47,218	-	-	-	-	16,197,528
Accounts receivable	1,546,953	631,512	-	-	-	-	-	2,178,465
Advances to MEDA Country Programs and partners (note 4)	1,989,222	632,845	-	-	-	-	-	2,622,067
Work-in-progress	36,117	-	-	-	-	-	-	36,117
Prepaid expenses	116,563	64,656	-	-	-	-	-	181,219
Due from related parties	-	5,700,921	264,363	-	-	-	(5,965,284)	-
Current portion of loans receivable (note 5)	698,406	325,056	-	-	-	-	-	1,023,462
Loans receivable (note 5)	131,378	1,123,570	-	-	-	-	-	1,254,948
Loans receivable from related parties	14,592,878	-	-	-	-	-	(14,592,878)	-
Investments (note 6)	3,298,905	16,116,971	-	-	-	-	(100)	19,415,776
Capital assets (note 7)	895,276	733,136	-	-	-	-	-	1,628,412
Total assets	34,287,432	30,497,243	311,581	-	-	-	(20,558,262)	44,437,994
Accounts payable and accrued liabilities	778,582	549,931	-	-	-	-	-	1,328,513
Deferred contributions (note 8)	143,266	10,018	-	-	-	-	-	153,284
Deferred grants and contracts	7,574,197	3,373,464	-	-	-	-	-	10,947,661
Due to related parties	5,698,212	-	167,072	-	-	100,000	(5,965,284)	-
Due to MEDA Country Programs and partners (note 4)	97,509	-	-	-	-	-	-	97,509
Current portion of notes payable (note 9)	3,331,961	50,000	-	-	-	-	-	3,381,961
Notes payable to related parties	-	14,592,878	-	-	-	-	(14,592,878)	-
Notes payable (note 9)	5,298,243	600,000	-	-	-	-	-	5,898,243
Total liabilities	22,921,970	19,176,291	167,072	-	-	100,000	(20,558,162)	21,807,171
Unrestricted net assets	11,365,462	11,320,952	144,509	-	-	(100,000)	(100)	22,730,823
Total liabilities and equity	34,287,432	30,497,243	311,581	-	-	-	(20,558,262)	44,537,994

Mennonite Economic Development Associates

Supplementary Combined Schedules ...continued

For the year ended June 30, 2021

(expressed in U.S. dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europa \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
Revenues								
Grants and contracts	15,894,664	3,539,810	-	-	-	-	-	19,434,474
Contributions (note 8)	2,616,795	3,140,141	496,968	-	-	-	-	6,253,904
Contributions from related organizations	1,346,259	-	-	-	-	-	(1,346,259)	-
Consulting and program management fees	3,950,391	650,951	-	-	-	-	(691,580)	3,909,762
Unrealized investment gain	-	1,383,613	-	-	-	-	(375,585)	1,008,028
Realized investment income	313,718	225,979	-	-	-	-	(227,609)	312,088
Convention fees	24,192	-	-	-	-	-	-	24,192
Other	627,814	27,190	29,407	-	-	-	(570,300)	114,111
	<u>24,773,833</u>	<u>8,967,684</u>	<u>526,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,211,333)</u>	<u>31,056,559</u>
Expenses								
Development programs	22,173,750	5,236,745	-	-	-	-	(1,039,000)	26,371,495
Resource development	677,305	936,076	-	-	-	-	-	1,613,381
MEDA Risk Capital Fund	316,287	997,184	-	-	-	-	(227,609)	1,085,862
Constituency engagement	407,848	478,703	-	-	-	-	-	886,551
Unrealized investment loss (note 10)	375,585	-	-	-	-	-	(375,585)	-
Other (note 11)	284,713	581,027	725,979	-	-	-	(1,569,139)	22,580
	<u>24,235,488</u>	<u>8,229,735</u>	<u>725,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,211,333)</u>	<u>29,979,869</u>
Excess of revenues over expenses (expenses over revenues) for the year	<u>538,345</u>	<u>737,949</u>	<u>(199,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,076,690</u>