

# **Mennonite Economic Development Associates of Canada**

Non-consolidated Financial Statements  
**June 30, 2022**  
(expressed in U.S. dollars)



## Independent auditor's report

To the Members of Mennonite Economic Development Associates of Canada

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### Our opinion

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of Mennonite Economic Development Associates of Canada (the Company) as at June 30, 2022 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 non-consolidated financial statements comprise:

- the non-consolidated balance sheet as at June 30, 2022;
- the non-consolidated statement of operations and changes in unrestricted net assets for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include significant accounting policies and other explanatory information.

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### 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 non-consolidated 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 non-consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Responsibilities of management and those charged with governance for the non-consolidated financial statements**

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

In preparing the non-consolidated 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.

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## **Auditor's responsibilities for the audit of the non-consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
October 7, 2022

# Mennonite Economic Development Associates of Canada

## Non-consolidated Balance Sheet

As at June 30, 2022

(expressed in U.S. dollars)

	2022 \$	2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term deposits (notes 3 and 13)	55,285,537	10,981,734
Accounts receivable	1,319,509	1,546,953
Advances to MEDA Canada Country Programs and partners (note 4)	1,430,283	1,989,222
Work-in-progress	-	36,117
Prepaid expenses	157,177	116,563
Promissory notes from related parties (note 6)	5,248,348	-
Current portion of loans receivable (note 5)	28,724	698,406
	<u>63,469,578</u>	<u>15,368,995</u>
<b>Loans receivable</b> (note 5)	597,658	131,378
<b>Loans receivable from related parties</b> (note 6)	-	14,592,878
<b>Investments</b> (note 7)	3,553,920	3,298,905
<b>Capital assets</b> (note 8)	742,168	895,276
	<u>4,893,746</u>	<u>18,918,437</u>
	<u>68,363,324</u>	<u>34,287,432</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 14)	381,416	778,582
Deferred contributions (note 9)	162,397	143,266
Deferred grants and contracts	56,088,130	7,574,197
Due to MEDA Canada Country Programs and partners (note 4)	398,392	97,509
Due to related parties (note 11)	264,363	5,698,212
Current portion of notes payable (note 10)	465,622	3,331,961
	<u>57,760,320</u>	<u>17,623,727</u>
<b>Notes payable</b> (note 10)	-	5,298,243
	<u>57,760,320</u>	<u>22,921,970</u>
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>10,603,004</u>	<u>11,365,462</u>
	<u>68,363,324</u>	<u>34,287,432</u>
<b>Contingencies and commitments</b> (note 12)		

The accompanying notes are an integral part of these non-consolidated financial statements.

# Mennonite Economic Development Associates of Canada

## Non-consolidated Statement of Operations and Changes in Unrestricted Net Assets

For the year ended June 30, 2022

(expressed in U.S. dollars)

	2022 \$	2021 \$
<b>Revenues</b>		
Grants and contracts	15,312,605	15,894,664
Contributions (note 9)	3,268,119	2,616,795
Consulting and program management fees	3,926,275	3,950,391
Contributions from related organizations (note 11)	467,485	1,346,259
Realized investment income (note 11)	237,556	313,718
Convention income	5,952	24,192
Other (note 15)	14,331	627,814
	<u>23,232,323</u>	<u>24,773,833</u>
<b>Expenses</b>		
Global development programs	21,817,452	22,173,750
Resource development	686,671	677,305
MEDA Risk Capital Fund	325,638	316,287
Constituency engagement	310,320	407,848
Unrealized losses on investments	252,160	375,585
Other (note 15)	602,540	284,713
	<u>23,994,781</u>	<u>24,235,488</u>
<b>(Deficiency) excess of revenues over expenses for the year</b>	(762,458)	538,345
<b>Unrestricted net assets – Beginning of year</b>	<u>11,365,462</u>	<u>10,827,117</u>
<b>Unrestricted net assets – End of year</b>	<u>10,603,004</u>	<u>11,365,462</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

# Mennonite Economic Development Associates of Canada

## Non-consolidated Statement of Cash Flows

For the year ended June 30, 2022

(expressed in U.S. dollars)

	2022 \$	2021 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenues over expenses for the year	(762,458)	538,345
Items not affecting cash		
Amortization of capital assets	203,530	271,657
Equity share of unrealized losses on investment	252,160	375,585
Unrealized foreign exchange (gain) loss on notes payable	(423,039)	684,410
Unrealized foreign exchange loss (gain) on loans receivable from related parties	288,574	(684,410)
Unrealized foreign exchange loss (gain) on loans receivable	5,645	(13,900)
	(435,588)	1,171,687
Net change in non-cash working capital items	37,676,648	1,809,385
	37,241,060	2,981,072
<b>Financing activities</b>		
Increase in notes payable	-	353,182
Repayments of notes payable	(7,741,543)	(650,627)
Increase in due to MEDA Canada Country Programs and partners	300,883	8,739
	(7,440,660)	(288,706)
<b>Investing activities</b>		
Decrease (increase) in advances to MEDA Canada Country Programs and partners	558,939	(1,239,356)
Issuance of new loans	(500,000)	-
Payment of loans	697,757	30,671
Decrease in loans receivable with related parties	14,304,304	297,444
Purchase of investments	(507,175)	-
Purchase of capital assets	(50,422)	(9,828)
	14,503,403	(921,069)
<b>Change in cash and short-term deposits during the year</b>	44,303,803	1,771,297
<b>Cash and short-term deposits – Beginning of year</b>	10,981,734	9,210,437
<b>Cash and short-term deposits – End of year</b>	55,285,537	10,981,734
<b>Supplemental disclosure of cash flow information</b>		
Net interest received	41,745	26,199

The accompanying notes are an integral part of these non-consolidated financial statements.

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

### 1 Purpose of the organization

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

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.

### 2 Significant accounting policies

#### Basis of presentation

The non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, except that controlled profit-oriented enterprises are accounted for using the cost method, as opposed to equity accounting or consolidation.

The non-consolidated financial statements include the activities of MEDA Canada.

As allowed under Part III of the Chartered Professional Accountants of Canada Handbook for not-for-profit organizations Section 4450, MEDA Canada Country Programs for not-for profit organizations are not consolidated within these financial statements.

- **MEDA Trade Company Inc.**

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

- **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.

- **MEDA Canada Country Programs**

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



# **Mennonite Economic Development Associates of Canada**

## **Notes to Non-consolidated Financial Statements**

**June 30, 2022**

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(expressed in U.S. dollars)

### **Revenue recognition**

MEDA Canada 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 non-consolidated 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 Canada and expensed when disbursed to the various Country Programs based on relevant criteria. Program-specific grants and contracts signed and executed by a MEDA Canada Country Program are recognized in income by the relevant MEDA Canada Country Program and, as such, are not recorded as revenue by MEDA Canada in these non-consolidated financial statements.

### **Cash and short-term deposits**

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

### **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 Canada 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 Canada 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 non-consolidated balance sheet. The cost method is used to account for investments that MEDA Canada does not control or significantly influence.

# **Mennonite Economic Development Associates of Canada**

## **Notes to Non-consolidated Financial Statements**

**June 30, 2022**

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(expressed in U.S. dollars)

### **Capital assets**

Capital assets consist of assets purchased 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 three 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 non-consolidated balance sheet date. Non-monetary assets and liabilities are recorded at historical rates of exchange. Exchange differences are recorded in the non-consolidated statement of operations and changes in unrestricted net assets as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

### **Financial instruments**

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

### **Use of estimates**

The preparation of non-consolidated 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 non-consolidated 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 Canada executes in development programs, association engagement and finances the MEDA Risk Capital Fund. The costs of each function include the costs of personnel, travel, communication and other expenses that are directly related to providing the program. MEDA Canada also incurs costs for the shared management and support of all programs.

MEDA Canada annually allocates shared support and management costs on an appropriate basis for each cost 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.

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

- 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 16.

### 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.

In April 2022, a cash advance of \$50,000,000 was received from the Mastercard Foundation to fund project costs and initial investments in Africa. As at June 30, 2022, the breakdown of balances was as follows:

	2022 \$	2021 \$
Restricted	54,820,245	5,728,241
Unrestricted	465,292	5,253,493
	<hr/> 55,285,537	<hr/> 10,981,734

### 4 MEDA Canada Country Programs and partners

Advances to MEDA Canada Country Programs and partners are as follows:

	2022 \$	2021 \$
MEDA Ethiopia	31,868	53,733
MEDA Ghana	16,558	-
MEDA Jordan	-	90,245
MEDA Kenya	-	399,740
MEDA Myanmar	-	14,171
MEDA Nicaragua	478,729	109,196
MEDA Nigeria	126,212	425,007
MEDA Philippines	15,019	-
MEDA Senegal	503,407	319,917
MEDA Tanzania	-	70,354
MEDA Ukraine	-	335,348
Other	258,490	171,511
	<hr/> 1,430,283	<hr/> 1,989,222

The advances are non-interest bearing and are unsecured.

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

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

	2022 \$	2021 \$
MEDA Ghana	41,893	38,266
MEDA Kenya	180,636	-
MEDA Tanzania	35,911	-
MEDA Senegal	8,840	-
Other	131,112	59,243
	<hr/> 398,392	<hr/> 97,509

# Menonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

(expressed in U.S. dollars)

MEDA Canada Country Programs are not-for-profit organizations with a similar purpose to MEDA Canada and exist to carry out MEDA Canada's purpose in the country in which they are operating. The following Country Programs' financial results have not been consolidated in MEDA Canada's non-consolidated financial statements. Financial statements for each Country Program are prepared separately. A financial summary (obtained from unaudited, internally prepared financial information) of each Country Program as at June 30, 2022 and results of operations for the year then ended are as follows:

	Tanzania \$	Ethiopia \$	Ukraine \$	Ghana FEATS \$	Kenya \$	Philippines \$	Ghana GROW II \$	Nicaragua \$	Nigeria \$	Senegal \$	Total \$	Total \$
<b>Assets</b>												
Current	80,022	113,636	30,225	154,696	39,393	300,999	606,992	124,822	516,088	1,966,873	3,933,746	2,254,312
Non-current	24,714	2,774	7,787	98,288	76,210	102,559	17,771	85,243	172,540	587,886	1,175,772	381,407
	104,736	116,410	38,012	252,984	115,603	403,558	624,763	210,065	688,628	2,554,759	5,109,518	2,635,719
<b>Liabilities</b>												
Current	94,553	113,063	32,501	154,696	39,411	301,045	606,992	126,912	354,297	1,823,470	3,646,940	2,272,764
Non-current	10,183	3,347	2,364	116,644	76,192	102,513	14,806	20,171	135,409	481,629	963,258	165,800
	104,736	116,410	34,865	271,340	115,603	403,558	621,798	147,083	489,706	2,305,099	4,610,198	2,438,564
<b>Fund balance</b>	-	-	3,147	(18,356)	-	-	2,965	62,982	198,922	249,660	499,320	197,155
	104,736	116,410	38,012	252,984	115,603	403,558	624,763	210,065	688,628	2,554,759	5,109,518	2,635,719
<b>Results of operations</b>												
Revenues	737,049	680,045	848,054	2,790,053	219,079	503,392	1,450,259	1,828,585	564,675	9,621,191	19,242,382	14,855,608
Expenses	737,049	680,045	849,130	2,808,409	219,079	503,392	1,456,409	1,795,821	527,544	9,576,878	19,153,756	14,802,250
<b>(Deficiency) excess of revenues over expenses</b>	-	-	(1,076)	(18,356)	-	-	(6,150)	32,764	37,131	44,313	88,626	53,358
<b>Cash flows provided by (used in) operating activities</b>	5,368	95,792	15,377	99,860	23,154	177,347	427,313	(209,776)	188,745	823,181	1,646,361	96,050

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

### 5 Loans receivable

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

	2022 \$	2021 \$
Canada	126,382	159,784
Senegal	500,000	-
Nicaragua	-	670,000
	<hr/>	<hr/>
	626,382	829,784
Less: Current portion of loans receivable	28,724	698,406
	<hr/>	<hr/>
Non-current portion of loans receivable	597,658	131,378
	<hr/>	<hr/>

The loans receivable bear interest at 5% – 8% with maturity dates varying from on demand to 2025 and thereafter, with full payment of principal due at that time.

Scheduled repayments of loans receivable are as follows:

	\$
2023	28,724
2024	30,182
2025	531,737
2026	33,361
2027 and thereafter	2,378
	<hr/>
	626,382
	<hr/>

### 6 Receivables from related parties

	2022 \$	2021 \$
Promissory notes receivable from MEDA (US)	5,248,348	-
	<hr/>	<hr/>

Promissory notes issued to MEDA (US) have no specific terms of repayment and bear interest at a rate of 6%.

	2022 \$	2021 \$
Loans receivable from MEDA (US)	-	14,592,878
	<hr/>	<hr/>

Loans receivable issued to MEDA (US) have no specific terms of repayment and bear interest at rates ranging from nil% – 15%.

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

### Direct loans by MEDA Canada members

Certain MEDA Canada members have chosen to loan funds to MEDA Canada with the condition that those funds be loaned to specified MEDA Canada related projects or companies. Of the loans receivable shown above, \$nil is loaned under those conditions (2021 – \$nil). In such cases, MEDA Canada acts as a trustee for the lenders and bears no risk for loss on the loans.

## 7 Investments

Investments consist of the following:

	2022 \$	2021 \$
Accounted for at cost:		
EFAfrica Group Ltd. – 7.7% (2021 – 8.5%) of issued and outstanding common shares	710,409	663,895
Business Partners East Africa LLC – 4.9% (2021 – 4.8%) of issued and outstanding shares	1,526,403	1,250,020
Accounted for using the equity method:		
Saronas Asset Management, Inc. – 9.9% (2021 – 9.9%) of issued and outstanding shares	18,130	7,365
Saronas Trade Finance Fund – 11.8% (2021 – 12%) of contributed capital	1,298,978	1,377,625
	<u>3,553,920</u>	<u>3,298,905</u>

## 8 Capital assets

	2022 \$	2021 \$
Office furniture, leasehold improvements and equipment	1,784,010	1,764,156
Less: Accumulated amortization	<u>1,041,842</u>	<u>868,880</u>
	<u>742,168</u>	<u>895,276</u>

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

(expressed in U.S. dollars)

### 9 Deferred contributions

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

	2022 \$	2021 \$
<b>Deferred contributions – Beginning of year</b>	143,266	175,688
Contributions received during year	3,290,328	2,574,325
Contributions recognized in revenue during year	(3,268,119)	(2,616,795)
Revaluation of foreign currency balances	(3,078)	10,048
<b>Deferred contributions – End of year</b>	<u>162,397</u>	<u>143,266</u>

### 10 Notes payable

Notes payable consist of:

	2022 \$	2021 \$
Kindred Credit Union, CDN\$600,000 (2021 – \$600,000), interest at 3% per annum, due December 31, 2022	465,622	484,027
Various promissory notes, interest at rates varying from nil% – 4%, with maturities at various dates from 30 days subsequent to demand to March 31, 2031		
US\$ denominated	-	531,892
CDN\$ denominated CDN\$0; (2021 – \$7,629,105)	-	6,154,488
Euro denominated €0 (2021 – €1,212,857)	-	1,459,797
	<u>465,622</u>	<u>8,630,204</u>
Less: Current portion	465,622	3,331,961
	<u>-</u>	<u>5,298,243</u>

The notes payable are unsecured.

Scheduled repayment of notes payable is as follows:

	\$
Year ending June 30, 2023 and open maturities	465,622
2024	-
2025	-
2026	-
2027 and thereafter	-
	<u>465,622</u>

Expenses include interest paid on long-term notes payable of \$nil (2021 – \$110,266).



# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

### Direct investment by MEDA Canada members

MEDA Canada is obligated to repay the funds only to the extent that MEDA Canada 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 (2021 – \$nil).

### Notes payable from MEDA Canada directors

Of the notes payable listed above, \$nil is payable to MEDA directors (2021 – \$1,210,068).

## 11 Related party transactions and balances

The balances due from related parties are due from MEDA Europa. MEDA Canada has its own membership, board structure and governance.

The balances represent current funds advanced to MEDA Canada for operations.

Income for the year includes \$430,164 (2021 – \$284,713) charged to MEDA (US). Income for the year also includes \$467,485 (2021 – \$1,346,259) in contributions from MEDA (US) and MEDA Europa. Realized investment income for the year includes \$195,811 (2021 – \$227,609) of interest charged to MEDA (US).

## 12 Contingencies and commitments

### Minimum lease commitments

MEDA Canada has minimum lease commitments for Canadian office premises of:

	\$
2023	327,956
2024	327,956
2025	328,965
2026	340,062
2027 and thereafter	662,974

### Contingencies

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

# **Mennonite Economic Development Associates of Canada**

## **Notes to Non-consolidated Financial Statements**

**June 30, 2022**

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(expressed in U.S. dollars)

### **13 Financial instruments**

#### **Fair value**

The fair values of MEDA Canada's financial instruments recorded as current on the non-consolidated 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. It is also not 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 not practicable to determine the fair value of notes payable given that MEDA Canada receives funds at below market rates, and because repayment requirements for some notes are limited by the amount MEDA Canada receives from the related investments.

#### **Currency risk**

MEDA Canada's assets and liabilities include balances that are denominated in foreign currencies consistent with the purpose of MEDA Canada. This exposes MEDA Canada to significant currency risk.

#### **Credit risk**

Consistent with the purpose of MEDA Canada, the lending and investing of monies internationally and in areas with differing political and economic climates exposes MEDA Canada, indirectly, to increased credit risk.

#### **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 requirements of MEDA Canada'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 Canada maintains a cash balance to meet liquidity requirements. As at June 30, 2022, MEDA Canada has cash of \$55,285,537 (2021 – \$10,981,734).

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(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 Canada's operations in various ways, including halting global travel and requiring its workforce to work remotely. Although the current impacts of the pandemic have not significantly impacted the operational results of MEDA Canada, 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 Canada's investment portfolio and its future ability to deliver the various Country Programs.

### 14 Government remittances

MEDA Canada had \$nil outstanding government remittances as at June 30, 2022 (2021 – \$1,154).

### 15 Other revenue and expenses

Other revenue includes:

	2022 \$	2021 \$
Foreign currency exchange gains	-	553,207
Other	14,331	74,607
	<u>14,331</u>	<u>627,814</u>

Other expenses include:

	2022 \$	2021 \$
Foreign currency exchange losses	172,375	-
Other	430,165	284,713
	<u>602,540</u>	<u>284,713</u>

# Mennonite Economic Development Associates of Canada

## Notes to Non-consolidated Financial Statements

June 30, 2022

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(expressed in U.S. dollars)

### 16 Allocation of expenses

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

	Human resources, premises, admin and IT \$	Finance, accounting and legal \$	Executive management \$	Marketing \$	2022 \$	2021 \$
Constituency engagement	97,852	7,262	87,036	92,680	284,830	307,619
Development programs	922,337	1,176,484	284,282	165,848	2,548,951	1,983,535
Resource development	176,877	43,573	229,282	180,482	630,214	531,090
	<u>1,197,066</u>	<u>1,227,319</u>	<u>600,600</u>	<u>439,010</u>	<u>3,463,995</u>	<u>2,822,244</u>