

Mennonite Heritage Village (Canada) Inc.
Financial Statements
December 31, 2021

To the Members of Mennonite Heritage Village (Canada) Inc.:

Qualified Opinion

We have audited the financial statements of Mennonite Heritage Village (Canada) Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of revenue was limited to the amounts recorded in the records of the Organization and were not able to determine whether any adjustments might be necessary to revenue, current assets, excess of revenue over expenses, and net assets.

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 Financial Statements Section of our report. We are independent of the Organization 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 qualified opinion.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another firm of public accountants, who expressed a qualified opinion on those statements in their report dated March 30, 2021 for the reasons described in the Basis for Qualified Opinion paragraph.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated 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 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 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 Organization'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 Organization'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 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 Organization 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.

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.

Winnipeg, Manitoba

June 24, 2022

MNP LLP

Chartered Professional Accountants

MNP

Mennonite Heritage Village (Canada) Inc.
Statement of Financial Position

As at December 31, 2021

	<i>Operating Fund</i>	<i>Cultural Properties and Antiquities Fund</i>	<i>Capital Fund</i>	<i>Endowment Fund</i>	2021	2020
Assets						
Current						
Cash	50,269	19,571	-	29	69,869	105,730
Accounts receivable	45,916	-	-	-	45,916	14,634
Inventory (Note 3)	32,272	-	-	-	32,272	42,800
Prepaid expenses	2,907	-	-	-	2,907	2,907
	131,364	19,571	-	29	150,964	166,071
Capital assets (Note 4)	-	-	2,930,642	-	2,930,642	2,894,680
Cultural properties and antiquities (Note 5)	-	1,948,406	-	-	1,948,406	1,948,406
	131,364	1,967,977	2,930,642	29	5,030,012	5,009,157

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Mennonite Heritage Village (Canada) Inc.

Statement of Financial Position

As at December 31, 2021

	<i>Operating Fund</i>	<i>Cultural Properties and Antiquities Fund</i>	<i>Capital Fund</i>	<i>Endowment Fund</i>	2021	2020
Liabilities						
Current						
Bank indebtedness (Note 6)	70,218	-	-	-	70,218	80,483
Accounts payable and accruals (Note 7)	85,697	-	-	-	85,697	45,549
Deferred contributions (Note 8)	13,805	-	-	-	13,805	7,312
Current portion of capital lease obligation (Note 10)	-	-	9,797	-	9,797	-
	169,720	-	9,797	-	179,517	133,344
Term loan due on demand (Note 9)	-	-	300,000	-	300,000	300,000
	169,720	-	309,797	-	479,517	433,344
Capital lease obligation (Note 10)	-	-	38,464	-	38,464	-
Deferred contributions (Note 8)	-	17,500	1,061,779	-	1,079,279	1,027,936
Canada Emergency Business Account (Note 11)	40,000	-	-	-	40,000	40,000
Interfund balances	600,282	-	(600,282)	-	-	-
	810,002	17,500	809,758	-	1,637,260	1,501,280
Fund balances						
Invested in cultural property and antiquities	-	1,950,477	-	-	1,950,477	1,953,781
Invested in capital assets	-	-	2,120,884	-	2,120,884	2,158,000
Externally restricted endowments	-	-	-	29	29	18,325
Unrestricted	(678,638)	-	-	-	(678,638)	(622,229)
	(678,638)	1,950,477	2,120,884	29	3,392,752	3,507,877
	131,364	1,967,977	2,930,642	29	5,030,012	5,009,157

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Mennonite Heritage Village (Canada) Inc.

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2021

	Operating Fund	Cultural Properties and Antiquities Fund	Capital Fund	Endowment Fund	2021	2020
Revenues						
Development						
Donations and fundraising	314,172	10	-	14,000	328,182	327,861
Grants	359,490	-	-	-	359,490	249,246
Sponsorship	18,600	-	-	-	18,600	28,700
Amortization of deferred contributions	895	13,475	39,532	-	53,902	28,770
Admissions	55,010	-	-	-	55,010	65,569
Sales, net - Schedule	(20,733)	-	-	-	(20,733)	(53,693)
Other revenue						
Miscellaneous	28,081	-	-	-	28,081	12,324
Canada Emergency Wage Subsidy	219,975	-	-	-	219,975	290,134
Canada Emergency Business Account forgiveness (Note 11)	20,000	-	-	-	20,000	-
Interest	583	22	-	42	647	1,968
Total revenues	996,073	13,507	39,532	14,042	1,063,154	950,879
Expenses						
Amortization	-	-	132,623	-	132,623	131,307
Bad debts	3,469	-	-	-	3,469	1,695
Bank charges and interest	22,103	-	-	-	22,103	30,296
Endowment	-	-	-	32,338	32,338	-
Equipment lease	5,394	-	-	-	5,394	5,556
Fundraising	72,408	10	-	-	72,418	31,026
Insurance	24,568	-	-	-	24,568	22,588
Marketing & Advertising	17,947	-	-	-	17,947	25,141
Memberships	5,173	-	-	-	5,173	3,034
Office and supplies	68,061	-	-	-	68,061	38,423
Professional development	8,119	-	-	-	8,119	2,630
Professional fees	12,543	-	-	-	12,543	9,091
Property expense	30,740	-	-	-	30,740	30,634
Repairs and maintenance	98,569	891	-	-	99,460	49,406
Salaries and benefits	486,579	-	-	-	486,579	420,504
Special events	43,856	-	-	-	43,856	39,469
Supplies	37,105	-	-	-	37,105	7,513
Utilities	64,289	-	-	-	64,289	66,928
Volunteer meals	11,494	-	-	-	11,494	18,899
Total expenses	1,012,417	901	132,623	32,338	1,178,279	934,140
Excess (deficiency) of revenue over expenses	(16,344)	12,606	(93,091)	(18,296)	(115,125)	16,739
Fund balances, beginning of year	(662,294)	1,937,871	2,213,975	18,325	3,507,877	3,491,138
Fund balances, end of year	(678,638)	1,950,477	2,120,884	29	3,392,752	3,507,877

The accompanying notes are an integral part of these financial statements

Mennonite Heritage Village (Canada) Inc.

Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	(115,125)	16,739
Amortization	132,623	131,307
Amortization of deferred contributions	(53,902)	(28,770)
Canada Emergency Business Account forgiveness	(20,000)	-
	(56,404)	119,276
Changes in working capital accounts		
Accounts receivable	(31,282)	16,548
Inventory	10,528	3,227
Accounts payable and accruals	40,148	13,425
	(37,010)	152,476
Financing		
Change in bank indebtedness - net	(10,265)	(280,353)
Deferred contributions	111,738	67,914
Proceeds from Canada Emergency Business Account	20,000	40,000
Repayments of capital lease obligations	(7,225)	-
	114,248	(172,439)
Investing		
Purchase of capital assets	(113,099)	(22,761)
Decrease in cash resources	(35,861)	(42,724)
Cash resources, beginning of year	105,730	148,454
Cash resources, end of year	69,869	105,730

1. Incorporation and nature of the Organization

The Mennonite Heritage Village (Canada) Inc. (the "Organization") exists to collect, preserve, and display the pioneer history of the Mennonite settlements in Southern Manitoba. The Organization operates a large heritage-oriented facility and historic village site in Steinbach, Manitoba.

The Organization is a registered charity and thus is exempt from income taxes under the Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The Organization follows the deferral method of accounting for contributions and reports using fund accounting, and maintains four funds: Operating Fund, Cultural Properties and Antiquities Fund, Capital Asset Fund and Endowment Fund.

The Operating Fund reports the Organization's unrestricted revenues and expenses related to program delivery and administrative activities.

The Cultural Properties and Antiquities Fund reports the Organization's assets, liabilities, revenues and expenses related to the Organization's cultural properties and antiquities.

The Capital Fund reports the Organization's assets, liabilities, revenues and expenses related to the Organization's fixed assets.

The Endowment Fund reports the Organization's endowment contributions. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund.

Revenue recognition

The Organization follows the deferral method of accounting for contributions and reports using fund accounting. Restricted capital contributions are recognized in the Capital Fund as revenue in the year in which the related expenses are incurred. Restricted cultural properties and antiquities contributions are recognized in the Cultural Properties and Antiquities Fund as revenue in the year in which the related expenses are incurred. 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 the fund balances of the Endowment Fund.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Government assistance

Government assistance includes all funding received from the federal and provincial government. The Organization recognizes government assistance received as earned revenue in the period for which all obligations in relation to the assistance have been satisfied.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	30, 40, or 50 years
Equipment	declining balance	20 %
Ground enhancements	straight-line	10 years
Summer pavilion	straight-line	50 years
Peace monument	straight-line	50 years

Cultural properties and antiquities

Cultural properties and antiquities gifted to the Organization are recorded at their appraised fair market values at the date of the gift. Cultural properties and antiquities that are purchased by the Organization are recorded at the cost of the purchase. The cultural properties and antiquities are capitalized on the statement of financial position within the Cultural Properties and Antiquities Fund and no amortization is recorded.

Proceeds from the sale of cultural properties and antiquities would be used either to acquire new items for the collection or for the direct care of the collection.

Contributed materials

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Measurement uncertainty (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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. No allowance has been recorded as at December 31, 2021 (2020 - \$nil). Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published prices. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant, etc. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments; etc. in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

3. Inventory

	2021	2020
Books and souvenirs	31,632	41,682
Food	640	1,118
	32,272	42,800

The cost of inventories expensed in the year was \$81,373 (2020 - \$73,013).

Mennonite Heritage Village (Canada) Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

4. Capital assets

	Cost	Accumulated amortization	2021 Net book value
Land	39,706	-	39,706
Buildings	3,768,542	2,399,296	1,369,246
Equipment	583,925	505,207	78,718
Ground enhancements	151,621	67,891	83,730
Summer pavilion	1,289,501	124,136	1,165,365
Peace monument	150,698	10,457	140,241
Assets under capital lease			
Equipment under capital lease	55,486	1,850	53,636
	6,039,479	3,108,837	2,930,642

	Cost	Accumulated amortization	2020 Net book value
Land	39,706	-	39,706
Buildings	3,768,540	2,321,784	1,446,756
Equipment	544,214	490,241	53,973
Leasehold improvements	93,597	59,096	34,501
Summer pavilion	1,289,501	97,496	1,192,005
Peace monument	135,336	7,597	127,739
	5,870,894	2,976,214	2,894,680

5. Cultural properties and antiquities

At December 31, 2021, the Organization's cultural properties and antiquities primarily consists of over 30 heritage buildings and monuments and over 16,000 artifacts. These items are all held for public exhibition and cultural purposes. During the year, expenditures directly related to maintaining cultural properties and antiquities were \$47,703 (2020 - \$9,973). There were no significant changes, additions, disposals or write-downs to the collection.

6. Bank indebtedness

The Organization has a line of credit with Steinbach Credit Union ("SCU") to a maximum of \$500,000. The line of credit bears interest at the credit union's prime rate of 2.45% (2020 - 2.45%) and is secured by a general security agreement as well as property located at 231 PTH #12 North in Steinbach, Manitoba. At December 31, 2021 the Organization had used \$31,904 (2020 - \$52,560) of the line of credit, the difference being the net of outstanding cheques and deposits.

7. Accounts payable and accruals

	2021	2020
Accounts payable and accruals	38,033	23,175
Accrued wages	47,125	21,748
Government remittances payable	539	626
	85,697	45,549

Mennonite Heritage Village (Canada) Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

8. Deferred contributions

Deferred contributions consist of unspent contributions that are externally restricted. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	<i>Operating Fund</i>	<i>Cultural Properties and Antiquities Fund</i>	<i>Capital Fund</i>	<i>Endowment Fund</i>	2021	2020
Balance, beginning of year	7,312	15,975	1,011,961	-	1,035,248	996,104
Amounts received during the year	7,387	15,000	89,350	-	111,738	67,914
Less: Amount recognized as revenue during the year	(894)	(13,475)	(39,532)	-	(53,902)	(28,770)
Balance, end of year	13,805	17,500	1,061,779	-	1,093,084	1,035,248

9. Term loan due on demand

	2021	2020
Term loan due on demand with Steinbach Credit Union, bearing interest at the credit union's prime rate plus 0.5%, with interest only payments until January 1, 2022, when principal and interest payments begin, in monthly instalments of \$1,700, maturing June 1, 2036.	300,000	300,000

During the year, an extension was reached with Steinbach Credit Union to extend the interest-only period of the term loan due on demand from June 1, 2021 to January 1, 2022. The loan is secured by a \$1,200,000 multi-purpose mortgage creating a first charge on property located at Lot 3 Plan 14671 and S1/2 of NW 1/4 11-7-6E, a general security agreement providing a first security interest in all present and after acquired assets, and an assignment of insurance coverage naming Steinbach Credit Union as first loss payable.

Principal repayments on term loans due on demand in each of the next five years, assuming demand is not made, are estimated as follows:

2022	11,100
2023	11,300
2024	11,700
2025	12,000
2026	12,500

Mennonite Heritage Village (Canada) Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

10. Capital lease obligation

	2021	2020
Kubota equipment lease, payable in equal monthly instalments of \$870 including interest at 0.99%, due October 2026, secured by a Kubota cab tractor with a net book value of \$52,636.	48,261	-
Less: current portion	9,797	-
	<u>38,464</u>	<u>-</u>

Future minimum lease payments related to the obligations under capital lease are as follows:

2022	10,229
2023	10,229
2024	10,229
2025	10,229
2026	8,524
	<u>49,440</u>
	49,440
Less: imputed interest	<u>(1,179)</u>
	48,261
Less: current portion	<u>(9,797)</u>
	<u>38,464</u>

11. Canada Emergency Business Account

During the year, the Organization received \$20,000 (2020 - \$40,000) of Canada Emergency Business Account (CEBA) line of credit funded by the Government of Canada. Until December 31, 2023, no repayment is required and the annual interest rate is 0%. If repayment of the total debt is made on or before December 31, 2023, the repayment of the remaining 33% of such term debt shall be forgiven. \$20,000 related to loan forgiveness has been included in revenue in the year. In the event the total debt is not paid by this date, the total debt has an interest rate of 5% and must be repaid in total.

12. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate risk related to its bank indebtedness and term loan due on demand as they are based on the prime interest rate.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

14. Significant event

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations, and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus.