

MULTIPLY NETWORK - CANADIAN SECTION

Financial Statements

(Stated in Canadian Dollars)

May 31, 2020

MULTIPLY NETWORK - CANADIAN SECTION

Index to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of MULTIPLY Network - Canadian Section

Report on the Financial Statements

Opinion

We have audited the financial statements of MULTIPLY Network - Canadian Section (the Organization), which comprise the statement of financial position as at May 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Financial Statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Burnaby, British Columbia
November 9, 2020

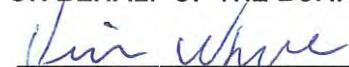


Chartered Professional Accountants

MULTIPLY NETWORK - CANADIAN SECTION**Statement of Financial Position****(Stated in Canadian Dollars)****May 31, 2020**

	2020	2019 (Note 15)
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,297,607	\$ 2,128,439
Cash on deposit with related party (Note 3)	2,240,964	2,285,416
Investments	438,403	587,637
Accounts receivable and accrued	52,418	58,110
Due from government authorities (Note 4)	625,431	17,705
Prepaid expenses and deposits	189,494	332,997
	5,844,317	5,410,304
INVESTMENTS	487,102	302,303
LOAN RECEIVABLE (Note 6)	1,124,253	1,191,023
PREPAID RENT (Note 6)	67,947	107,844
CAPITAL ASSETS (Note 5)	25,223	17,255
CASH ON DEPOSIT WITH RELATED PARTY (Note 3)	227,614	227,614
	\$ 7,776,456	\$ 7,256,343
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 385,841	\$ 458,150
Payable to government authorities - payroll taxes	25,936	-
Deferred contributions (Notes 7, 8)	3,502,542	2,732,543
Due to related agency (Note 3)	268,430	128,501
	4,182,749	3,319,194
NET ASSETS		
Unrestricted fund	1,463,086	929,162
Capital assets fund	25,223	17,255
Internally restricted fund (Note 8)	1,877,784	2,763,118
Endowment fund (Note 8)	227,614	227,614
	3,593,707	3,937,149
	\$ 7,776,456	\$ 7,256,343

CONTINGENT LIABILITIES (Note 9)

ON BEHALF OF THE BOARD

Director



Director

See notes to financial statements

MULTIPLY NETWORK - CANADIAN SECTION

Statement of Changes in Net Assets

(Stated in Canadian Dollars)

Year Ended May 31, 2020

	Capital Assets Fund	Internally Restricted Fund	Endowment Fund	Unrestricted Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 17,255	\$ 2,763,118	\$ 227,614	\$ 929,162	\$ 3,937,149	\$ 4,579,121
Deficiency of revenue over expenses	(4,950)	-	-	(303,159)	(308,109)	(545,832)
Net assets transfers (<i>Note 10</i>)	12,918	(894,359)	-	881,441	-	-
Adjustment of foreign exchange movement during the year	-	9,025	-	(44,358)	(35,333)	(96,140)
NET ASSETS - END OF YEAR	\$ 25,223	\$ 1,877,784	\$ 227,614	\$ 1,463,086	\$ 3,593,707	\$ 3,937,149

See notes to financial statements

MULTIPLY NETWORK - CANADIAN SECTION

Statement of Operations

(Stated in Canadian Dollars)

Year Ended May 31, 2020

	2020	2019 (Note 15)
REVENUE		
Donations - restricted (Note 7)	\$ 6,065,962	\$ 6,674,841
Donations - unrestricted	878,946	1,859,589
Government grants	614,651	-
Unrestricted estate gifts	519,849	576,273
Interest, investment and other income	164,070	147,132
	8,243,478	9,257,835
EXPENSES		
North America:		
Mission mobilization and short term programs (Schedule 1)	1,794,444	2,209,358
Capacity building	127,977	223,454
Holistic church planting	95,720	40,127
Leadership training and team health	95,030	363,506
Administration	46,302	39,177
	2,159,473	2,875,622
Sub-Saharan Africa:		
Capacity building	243,460	425,539
Leadership training and team health	2,557	634
	246,017	426,173
South Asia:		
Holistic church planting	162,242	139,998
Capacity building	85,397	163,186
Leadership	608	-
Administration	287	-
	248,534	303,184
SE & East Asia:		
Holistic church planting	1,162,275	1,269,267
Capacity building	357,480	324,923
Leadership training and team health	37,527	24,345
Administration	2,248	2,182
	1,559,530	1,620,717
Europe and Central Asia:		
Holistic church planting	732,340	677,977
Capacity building	370,212	514,765
Leadership training and team health	15,612	24,070
Administration	200	48
	1,118,364	1,216,860

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See notes to financial statements

MULTIPLY NETWORK - CANADIAN SECTION**Statement of Operations (continued)****(Stated in Canadian Dollars)****Year Ended May 31, 2020**

	2020	2019 (Note 15)
Latin America:		
Capacity building	552,960	561,106
Holistic church planting	161,288	165,442
Leadership training and team health	8,273	6,821
Administration	1,072	859
	<u>723,593</u>	<u>734,228</u>
Middle East and North Africa:		
Holistic church planting	305,104	393,874
Leadership training and team health	-	470
Administration	-	104
	<u>305,104</u>	<u>394,448</u>
Worldwide:		
Administration (Schedule 2)	702,344	739,006
Leadership training and team health	410,122	5,770
Holistic church planting	317,290	368,579
Mission mobilization and short term programs	253,723	-
Capacity building	108,785	113,294
	<u>1,792,264</u>	<u>1,226,649</u>
Total expenses before capital projects	<u>8,152,879</u>	<u>8,797,881</u>
Capital projects:		
Europe and Central Asia	56,222	16,734
Sub-Saharan Africa	24,817	-
South Asia	13,218	79,675
Latin America	1,950	57,043
	<u>96,207</u>	<u>153,452</u>
	<u>8,249,086</u>	<u>8,951,333</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(5,608)	306,502
DISCONTINUED OPERATIONS (Note 11)	(302,501)	(852,334)
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (308,109)	\$ (545,832)

See notes to financial statements

MULTIPLY NETWORK - CANADIAN SECTION**Statement of Cash Flows****(Stated in Canadian Dollars)****Year Ended May 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (308,109)	\$ (545,832)
Items not affecting cash:		
Amortization	4,950	3,118
Loss on disposal of capital assets	-	6,466
	<u>(303,159)</u>	<u>(536,248)</u>
Changes in non-cash working capital:		
Accounts receivable and accrued - (increase) decrease	5,692	(1,021)
Due from government authorities - (increase)	(607,726)	(3,066)
Prepaid expenses and deposits - (increase) decrease	143,503	(25,495)
Prepaid rent - decrease	39,897	45,157
Accounts payable and accrued liabilities - increase (decrease)	(72,309)	1,809
Payable to government authorities - payroll taxes increase	25,936	-
Deferred contributions - increase (decrease)	769,999	(104,431)
	<u>304,992</u>	<u>(87,047)</u>
Cash flow from (used by) operating activities	<u>1,833</u>	<u>(623,295)</u>
FINANCING ACTIVITY		
Repayments from (advances to) related agency	<u>139,929</u>	<u>(14,710)</u>
INVESTING ACTIVITIES		
Decrease (increase) in investments	(35,565)	282,627
Decrease in loan receivable	66,770	282,843
Purchase of capital assets	<u>(12,918)</u>	<u>(12,940)</u>
Cash flow from investing activities	<u>18,287</u>	<u>552,530</u>
OTHER CASH FLOW ITEMS		
Adjustment of foreign exchange movement during the year	<u>(35,333)</u>	<u>(96,140)</u>
INCREASE (DECREASE) IN CASH FLOW	<u>124,716</u>	<u>(181,615)</u>
Cash and cash equivalents - beginning of year	<u>4,413,855</u>	<u>4,595,470</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,538,571</u>	<u>\$ 4,413,855</u>
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash - unrestricted	\$ 1,275,950	\$ 1,107,001
High interest savings mutual fund units - restricted (Note 8)	1,021,657	1,021,438
Cash on deposit with related party - restricted (Note 8)	<u>2,240,964</u>	<u>2,285,416</u>
	<u>\$ 4,538,571</u>	<u>\$ 4,413,855</u>

See notes to financial statements

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

1. DESCRIPTION OF ORGANIZATION OPERATIONS

MULTIPLY Network (the "Organization") is the global mission agency of the Canadian and United States Conferences of the Mennonite Brethren Churches, which is comprised of two distinct, separately incorporated, divisions: a Canadian Section and a United States Section. The Organization shares the Gospel through church planting, leadership training and social action and operates its programs throughout the world. The purpose of the Organization is to participate in making disciples of all people groups, sharing the Gospel of Jesus Christ cross culturally and globally, in word and in deed, in Spirit-empowered obedience to Christ's commission and in partnership with local Mennonite Brethren churches.

The headquarters of the Canadian Section (the "Corporation") is located in Abbotsford, British Columbia. The Corporation was incorporated under the Canada Corporations Act by Letters Patent on August 17, 2007, as Mennonite Brethren Mission and Service International, also operating as MBMS International or simply "MBMSI". On June 3, 2011 the name was formally changed to MB Mission. On June 10, 2014, it was 'continued' under the Canada Not-for-Profit Corporations Act as required by legislation. On March 7, 2019 the name was formally changed to MULTIPLY Network, also operating as "MULTIPLY". The Corporation's Board of Directors has four members elected by the Canadian Conference of Mennonite Brethren Churches ("CCMBC") and four members elected by the United States Conference of Mennonite Brethren Churches ("USMB"), plus up to four more members appointed by the board. The Corporation is a registered charity under the Income Tax Act and as such it is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

These financial statements present the financial position, changes in net assets, and the results of operations and changes in cash flows of MULTIPLY Network - Canadian Section.

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MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Accounting

Resources for various purposes and projects are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. Assets, liabilities and net assets of the Organization are reported in the following self-balancing funds:

The **Unrestricted fund** is the general operating fund of the Organization. Unrestricted fund programs are preplanned and budgeted, as approved by the Board of Directors, on an annual basis. This fund is used to account for those economic resources of the Organization which are expendable for any purpose in performing the charitable objectives of the Organization. It includes both administrative and mission activities.

The **Restricted fund** accounts for contributions that have been externally restricted by donors for specific purposes and projects. Revenue is recognized at the time that the matching expenses are incurred. Any unspent restricted funds are deferred on the statement of financial position with the corresponding cash reflected as restricted. Therefore, the Restricted fund net asset balance is always \$NIL.

The **Endowment fund** consists of gift instruments requiring (in perpetuity) that the principal and its unrealized gains/losses be invested and that only the related investment income be utilized in operations. During the year, the Organization received \$NIL in endowment contributions and earned \$6,316 of income on its endowment funds. Disbursements were \$6,316 resulting in a net excess of \$NIL.

The **Internally Restricted fund** has been established by the governing board. Related investment income is available to be utilized in operations. Any portion of the principal and its unrealized gains/losses may be expended upon board approval. The Organization records all income and approved disbursements in the Unrestricted fund and transfers any excess or deficiency of these amounts to the Internally Restricted fund balance at year-end for use in future years. The Internally Restricted fund consists of the following as at May 31, 2020:

Northview fund - designated for the loan to Northview Community Church

Operating Contingency fund - approximates 3 months of expenses in case of adverse operating results

The **Capital Assets fund** reports the internally restricted assets and expenses related to the Organization's capital assets.

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MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

In order to ensure observance of limitations and restrictions placed on the use of the resources available, the Organization follows the deferral method of accounting for contributions.

Unrestricted contributions, including government grants, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred, except the portion applied to general ministry and administration (2020 - 15%; 2019 - 7.5% -15%) that is recognized when received. For the current year, that portion totaled \$989,252 (2019 - \$831,095).

Endowment contributions are recognized as direct increases in net assets.

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

Financial instruments

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess (deficiency) of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess (deficiency) of revenue over expenses.

Cash Equivalents

The Organization classifies its investment instruments as cash equivalents if the investment is cashable and has a maturity term of three months or less. In addition, fixed income securities matching these characteristics are classified as cash equivalents only if they are intended to be held temporarily before use in operating activities.

Investments

Investments consist of fixed guaranteed investment certificates ("GICs"). The GICs have various maturity dates up to April 2022 that bear interest at rates between 2.10% and 2.75% per annum. These investments have been classified as current assets as they are capable of prompt liquidation and will mature within the next fiscal year. Any GICs that do not mature within the next fiscal year have been classified as long term assets. Interest accrued to May 31 is included in accounts receivable and accrued on the Statement of Financial Position.

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MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets contributed are recorded at the fair value as of the date of receipt. Amortization is provided annually on a straight-line basis at rates calculated to write-off the assets over their estimated useful lives as follows:

Computers and equipment	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

In accordance with Handbook Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations, the Organization has changed its accounting policy with respect to capital assets, specifically adopting componentization whereby significant, separable component parts are allocated when practicable. Due to the nature and composition of the Organization's capital assets, no adjustments were required to the current or prior years' figures.

Contributed Goods and Services

Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed goods or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant. During the year, the Organization received \$NIL (2019 - \$NIL) gifts-in-kind.

Foreign Currency Translation

The financial statements are presented in Canadian dollars, whereas the functional currency of the Organization is US dollars. For the financial statement presentation, all assets, liabilities and net assets, with the exception of deferred contributions, are translated to Canadian dollars using the exchange rate in effect at the Statement of Financial Position date which was 1.38 as at May 31, 2020 (1.35 for May 31, 2019). Deferred contributions, revenue and expenses are translated to Canadian dollars using an average of the 12 month-end rates (exchange rate for the last working day of each month) for the year, which was 1.34 for the 2020 fiscal year (1.32 for the 2019 fiscal year). The resulting foreign exchange gains and losses from translation are included as an adjustment to net assets.

Measurement Uncertainty

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. A significant area requiring the use of management estimates relates to the determination of the loan receivable discount rate (*Note 6*).

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

3. DUE FROM RELATED PARTIES AND AGENCY

	2020	2019
Cash on deposit with CCMBC Legacy Fund	\$ 2,468,578	\$ 2,513,030
Due to MB Mission - United States Section	(268,430)	(128,501)
	<u>\$ 2,200,148</u>	<u>\$ 2,384,529</u>

Income is received from funds on deposit with related party as disclosed in *Note 13*. The amounts due to MB Mission - United States Section are unsecured, bear interest at a monthly variable rate, and have no specific terms of repayment.

4. DUE FROM GOVERNMENT AUTHORITIES

	2020	2019
Canada Emergency Wage Subsidy	\$ 617,953	\$ -
GST	7,478	17,705
	<u>\$ 625,431</u>	<u>\$ 17,705</u>

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computers and equipment	\$ 63,259	\$ 48,977	\$ 14,282	\$ 3,450
Furniture and fixtures	133,907	132,813	1,094	2,288
Leasehold improvements	16,692	6,845	9,847	11,517
	<u>\$ 213,858</u>	<u>\$ 188,635</u>	<u>\$ 25,223</u>	<u>\$ 17,255</u>

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

6. LOAN RECEIVABLE

The Organization has collaborated with a CCMBC affiliate church to provide facilities for its main office. Under this arrangement, Northview Community Church ("NCC") added a third story to the new ministry facility it was building, and made that entire floor available to MULTIPLY Network, rent free, except for incremental common costs such as utilities and property taxes, for a minimum period of 10 years, with the option to extend the lease for an additional 4 periods of 10 years each for a total of 50 years.

In return, MULTIPLY Network offered to loan \$2 million interest-free to help with the construction financing. The \$2 million is secured by a second mortgage (CCMBC holds the first mortgage) over the land and building at 32040 Downes Road, Abbotsford BC, and will be returned to MULTIPLY Network as Northview is able. Any remaining amount unpaid becomes due and payable in full when the lease terminates. Starting in July 2015, NCC began repaying the loan at CAD \$10,650 and later CAD \$10,667 per month.

Both parties are committed for the first 10 years, which started on March 6, 2013. Subsequent renewal options require 180 days written notice by MULTIPLY Network. However, after the first 10 years either party can terminate at any time with 730 days advance notice.

Per Canadian accounting standards for not-for-profit organizations, the financial statement presentation requires two imputed adjustments. Due to its non-interest-bearing nature, the carrying amount of the loan receivable is below its face value. As such it was discounted upon initial recognition using a rate of 2.3% over the 10 year minimum term. The initial discount has been recorded in prepaid rent on the Statement of Financial Position and subsequent reductions to the allowance are recorded as reductions to the prepaid rent. Each year over the minimum term of the loan, interest income and rent expense are imputed and recorded at a rate of 2.3% on the outstanding loan balance prior to any discount.

Any repayments made by NCC to the Organization reduce both the original principal portion of the loan and any unamortized balance of discount attributable to the amounts repaid. During the year a total of \$106,670 (2019 - \$328,000) of repayments were received, reducing the original balance of the loan to \$1,192,197.

The actual balance outstanding and discount allowance are as follows:

	2020	2019
Actual amount receivable	\$ 1,192,200	\$ 1,298,867
Discount allowance	(67,947)	(107,844)
Discounted balance receivable	\$ 1,124,253	\$ 1,191,023

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

7. DEFERRED CONTRIBUTIONS

Deferred contributions are donations received during the current or prior years which are restricted by the donor for various projects and are unspent at year-end. These contributions will be recognized as revenue in the year when the Organization is able to deploy them.

	2020	2019
BALANCE, beginning of year	\$ 2,732,543	\$ 2,836,974
Restricted donations received during the current year	6,835,961	6,570,410
Restricted donations recognized as revenue during the year	(6,065,962)	(6,674,841)
BALANCE, end of year	\$ 3,502,542	\$ 2,732,543

8. RESTRICTED BALANCES

	2020	2019
Internally restricted:		
Northview fund	\$ 1,192,200	\$ 1,298,867
Operating Contingency fund	685,584	1,464,251
	1,877,784	2,763,118
Externally restricted:		
Deferred contributions	3,502,542	2,732,543
Endowment fund	227,614	227,614
	\$ 5,607,940	\$ 5,723,275
Represented by:		
Current assets		
Cash and cash equivalents	\$ 1,021,657	\$ 1,021,438
Cash on deposit with related party	2,240,964	2,285,416
Investments	438,403	587,637
	3,701,024	3,894,491
Long term assets		
Investments	487,102	302,303
Loan receivable	1,124,253	1,191,023
Prepaid rent	67,947	107,844
Cash on deposit with related party	227,614	227,614
	1,906,916	1,828,784
	\$ 5,607,940	\$ 5,723,275

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

9. CONTINGENT LIABILITIES

The Organization's missionaries are covered by a group medical plan which is self-insured up to USD \$20,000 per incident. Incidents over USD \$20,000 are covered by a third-party policy through the Mutual Aid Sharing Plan. Premiums are deducted from missionary projects to cover the actual costs of these self-insured medical expenses and as well as the costs related to the Mutual Aid Sharing Plan. Medical claims are expensed as they occur. The costs of claims and reinsurance premiums in 2020 was \$168,613 (2019 – \$140,355). Any excess of premiums over expenses remaining at year-end is refunded to the various projects of the missionaries on a pro-rata basis. As the amount of possible future medical claims is not determinable at this time, no liability has been accrued.

The Organization has guaranteed credit cards available for use by employees through the Bank of Montreal using a hold on its chequing account in the amount of \$100,000.

The Organization has partnered with International Community of Mennonite Brethren ("ICOMB") in regard to the disbursement of scholarships through the use of endowment funds. ICOMB is a related party due to the Organization's significant influence over ICOMB's strategic decision making process. Once ICOMB has incorporated as a charity and can function independently of the Organization's assistance, the Mama (Tillie) Wall Scholarship endowment fund of \$52,567 currently held by the Organization and any similar future endowment funds will be donated to ICOMB.

10. NET ASSETS TRANSFERS

During the year, the following net assets transfers occurred:

\$106,667 was transferred from the Internally Restricted Northview fund to the Unrestricted fund for repayments on the loan receivable as the related cash received was unrestricted.

\$787,692 was transferred, at the discretion of the Board of Directors, from the Internally Restricted Operating Contingency fund to the Unrestricted fund as a result of restructuring operations in order to decrease the operating reserve.

\$12,918 was transferred from the Unrestricted fund to the Capital Assets fund for the purchase of capital assets.

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

11. DISCONTINUED OPERATIONS

Over the course of the fiscal year, the Organization restructured its operations to reflect a shift in mission strategy for North American church planting. The multi-denominational aspect of North American church planting was released from the Organization and will operate as its own separate entity, C2C Collective. Management of the Mennonite Brethren aspect of North American church planting has been transferred over to the Canadian provincial conferences and USMB districts. The Organization is continuing to pursue intercultural ministries in North America including work with indigenous and diaspora communities.

	<u>2020</u>	<u>2019</u>
Revenue	\$ 506,817	\$ 2,099,824
Expenses	<u>(809,318)</u>	<u>(2,952,158)</u>
Net discontinued operations	<u>\$ (302,501)</u>	<u>\$ (852,334)</u>

As part of the internal restructuring that took place during the year, the Organization paid \$501,496 of termination benefits.

12. PENSION PLAN

The Organization contributes to a retirement plan covering all salaried missionary staff and full-time office staff working a minimum of twenty-two hours per week. Employees may contribute from five to thirteen percent of their gross salary to the plan with the Organization matching five percent for each participating employee. Contributions made to the plan are immediately vested by the employee. Contributions made by the Organization for the year amounted to \$207,900 (2019 – \$260,601).

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

13. RELATED PARTY REVENUE (EXPENSE) TRANSACTIONS

	2020	2019
Donations and interest received from CCMBC Legacy Fund (related to the Organization as both are controlled or subject to significant influence by CCMBC)	\$ 106,978	\$ 95,360
Donations from CCMBC controls the Organization as it and USMB elect the majority of the Organization's directors)	140,000	283,838
Amounts purchased from CCMBC (controls the Organization as it and USMB elect the majority of the Organization's directors)	(20,688)	(11,374)
Amounts purchased from Christian Press (related to the Organization as both are controlled or subject to significant influence by the CCMBC)	(12,811)	(17,372)
Amounts purchased from MB Herald (related to the Organization as both are controlled or subject to significant influence by the CCMBC)	(6,834)	(4,795)
Administration and project expenses reimbursed from MB Mission - United States Section (related as both MULTIPLY Network - Canada and MB Mission - US are subject to common control)	951,685	1,744,767
	<u>\$ 1,158,330</u>	<u>\$ 2,090,424</u>

The transactions related to entities incorporated outside of Canada and the United States that are subject to significant influence, but that exist only as administrative mechanisms to coordinate project activities and manage project funds, are not disclosed in this note as they would not provide any additional useful information.

As at year-end, \$3,146 (2019 – \$2,279) of the accounts payable and accrued liabilities is due to related parties and \$30,953 (2019 – \$24,746) of the accounts receivable and accrued is due from related parties. The related revenue and expenses have already been included in the amounts above.

Beginning on December 1, 2014, the Organization rented office space and received various office-related services from CCMBC for consideration of \$1 per month. The fair value assigned by both parties to the transaction was \$3,000 per month, for a total of \$36,000 for this fiscal year. The arrangement's initial term ended December 31, 2015 and automatically renews annually, subject to 180 days notice. This non-cash transaction has not been recorded in the financial statements in accordance with the Organization's accounting policy regarding contributed services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

14. FINANCIAL INSTRUMENT RISKS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk for its accounts receivable and accrued, cash on deposit with a related party, and loan receivable. The majority of accounts receivable and accrued consists of accrued investment income due from deposit accounts and fixed income securities. Except for its loan receivable (*Note 6*), the Organization does not directly hold any collateral as security for its receivables. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- Cash on deposit with related party of \$2,468,578 (*Note 3*) is unsecured, as is the related accrued investment income.
- The loan receivable is secured as outlined in *Note 6* and repayment is only required upon a two year notice of lease termination or normal expiry of the lease term. The amounts and frequencies of loan repayments remained at \$10,667 per month during the year, with the exception of two months whereby the Organization voluntarily offered a deferral due to COVID-19. There has been no change to credit risk exposure.

Concentrations of credit risk include:

- \$2,468,578 of the cash on deposit with a related party, plus the related accrued investment income, are due from one investee and are unsecured. Therefore, any financial difficulties encountered by the related party that are attributable to unfavourable investment decisions could adversely affect the collectability and valuation of the investments and amounts due to the Organization.
- The loan receivable is due from NCC, a not-for-profit organization that relies upon donations as its principal source of revenue. Therefore, future constraints on NCC's cash resources could adversely affect the collectability of the loan. Management regularly monitors the financial condition of NCC.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Organization is exposed to interest rate risk for its investments and cash on deposit with a related party. Exposures to interest rate risk and significant changes to the risk exposure from the prior year are as follows:

- Investments consist of fixed guaranteed investment certificates issued by financial institutions, all of which are tied to set interest rates, minimizing the risk of significant reductions to interest revenue.
- Cash on deposit with a related party of \$2,468,578 bears interest at a variable rate of interest, therefore fluctuations in market rates will affect investment revenue.

(continues)

MULTIPLY NETWORK - CANADIAN SECTION

Notes to Financial Statements

(Stated in Canadian Dollars)

Year Ended May 31, 2020

14. FINANCIAL INSTRUMENT RISKS *(continued)*

Currency Risk

Currency risk is the risk that the Organization's fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates due to volatility caused by external factors. The Organization is exposed to currency risk and its effect on the exchange gain or loss for the year on cash held in US dollar bank accounts and amounts due to MB Mission - United States Section.

Minimal amounts are held in US dollar bank accounts and the balance of amounts due to MB Mission - United States Section can vary significantly month to month and includes advances in US dollars. Foreign currency forward contracts are not used to manage exposure to currency risk.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation, as well as the changes related to the discontinued operations (*Note 11*). Specifically, the regional expense category groupings have increased and changed along with the allocation of individual projects within the various regions on the Statement of Operations, the due to related agency balance has been reclassified as a current liability on the Statement of Financial Position, and certain investments have been reclassified as long term assets on the Statement of Financial Position based on maturity dates.

MULTIPLY NETWORK - CANADIAN SECTION**Schedule of North America****Mission Mobilization and Short Term Programs Expenses****(Schedule 1)****(Stated in Canadian Dollars)****Year Ended May 31, 2020**

	2020	2019
Salaries, wages and benefits	\$ 1,176,036	\$ 1,175,198
Travel	385,759	715,454
Advertising and promotion	78,342	85,140
Office supplies and expenses	44,888	42,756
Professional fees	41,266	114,990
Ministry materials	29,393	38,129
Occupancy costs	25,586	26,562
Interest and bank charges	12,077	10,468
Amortization	1,097	661
	\$ 1,794,444	\$ 2,209,358

MULTIPLY NETWORK - CANADIAN SECTION
Schedule of Worldwide Administration Expenses
(Stated in Canadian Dollars)
Year Ended May 31, 2020

(Schedule 2)

	2020	2019
Salaries, wages and benefits	\$ 489,228	\$ 447,837
Professional fees	65,329	117,105
Office supplies and expenses	51,977	60,749
Occupancy costs	47,257	43,854
Interest and bank charges	25,077	16,790
Travel	13,792	8,619
Gain on foreign exchange	4,369	6,658
Licenses, memberships and dues	3,451	3,204
Amortization	1,864	958
Advertising and promotion	-	33,232
	\$ 702,344	\$ 739,006