

Mennonite Economic Development Associates

Report of Independent Auditors on Financial
Statements and Schedule of Expenditure of
Federal Awards and Reports Required Under
Uniform Guidance

June 30, 2017

(expressed in US dollars)

EIN#23-7398678



February 8, 2018

Report of Independent Auditor

**To the Board of Directors of
Mennonite Economic Development Associates**

Report on the financial statements

We have audited the accompanying financial statements of Mennonite Economic Development Associates (MEDA), which comprise the balance sheet as at June 30, 2017 and the statements of operations and changes in unrestricted net assets, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards and, except as noted in the following two paragraphs, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

PricewaterhouseCoopers LLP in Canada was responsible for the audit of MEDA for the year ended June 30, 2017. Personnel of this firm do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of Government Auditing Standards. However, the firm does participate in continuing education programs applicable in Canada.

*PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730*



Further, PricewaterhouseCoopers LLP in Canada does not have an external quality review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.82 of Government Auditing Standards, since no such program is offered by professional organizations in Canada. However, the firm does participate in the internal control review program applied to the worldwide network of PricewaterhouseCoopers firms, which requires firms to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers network firms. In addition, PricewaterhouseCoopers LLP in Canada is subject to periodic quality reviews by the Audit Inspection Unit of the Canadian Public Accountability Board (a body established to provide independent oversight of the regulation of the accountancy profession in Canada).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mennonite Economic Development Associates, as at June 30, 2017 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.

Other Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditure of federal awards for the year ended June 30, 2017 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling of such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with Canadian generally accepted auditing standards. In our opinion, the schedule of



expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying schedule of indirect cost rate for the year ended June 30, 2017 is also provided for additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling of such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with Canadian generally accepted auditing standards. In our opinion, the schedule of indirect cost rate is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2018 on our consideration of MEDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2017. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing MEDA's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Mennonite Economic Development Associates

Balance Sheet

As at June 30, 2017

(expressed in US dollars)

	2017 \$	2016 \$
Assets (note 14)		
Current assets		
Cash and short-term deposits	15,817,267	13,090,887
Accounts receivable	1,153,020	1,418,627
Advances to MEDA Country Programs and partners (note 3)	1,390,375	1,351,584
Work in progress	19,455	5,980
Prepaid expenses	24,883	23,622
Current portion of loans receivable (note 4)	1,115,623	1,085,279
	<u>19,520,623</u>	<u>16,975,979</u>
Non-current assets		
Loans receivable (note 4)	4,938,106	3,184,385
Investments (note 5)	14,678,638	15,626,542
Capital assets (note 6)	154,030	201,284
	<u>19,770,774</u>	<u>19,012,211</u>
	<u>39,291,397</u>	<u>35,988,190</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	829,738	1,006,822
Deferred contributions (note 7)	313,910	48,817
Deferred grants and contracts	11,853,286	10,781,941
Due to MEDA Country Programs and partners (note 3)	825,366	601,786
Current portion of notes payable (note 8)	3,199,361	2,470,162
	<u>17,012,661</u>	<u>14,909,528</u>
Notes payable (note 8)	<u>6,191,685</u>	<u>7,608,328</u>
	<u>23,204,346</u>	<u>22,517,856</u>
Net Assets		
Subvention certificates (note 9)	10,000	10,000
Unrestricted	<u>16,077,051</u>	<u>13,460,334</u>
	<u>16,087,051</u>	<u>13,470,334</u>
	<u>39,291,397</u>	<u>35,988,190</u>
Contingencies and commitments (note 14)		

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

Mennonite Economic Development Associates
Statement of Operations and Changes in Unrestricted Net Assets
For the year ended June 30, 2017

(expressed in US dollars)

	2017	2016
	\$	\$
Revenues		
Grants and contracts	13,836,400	10,815,754
Contributions (note 7)	6,262,701	6,354,887
Consulting and program management fees	4,486,052	3,956,950
Realized investment income	2,030,180	321,646
Convention and tour fees	217,089	190,921
Other (note 11)	374,965	208,725
	<u>27,207,387</u>	<u>21,848,883</u>
Expenses		
Development programs	20,119,453	16,881,525
Resource development	1,622,147	1,850,734
Sarona Risk Capital Fund	1,167,299	1,034,570
Constituency engagement	1,094,841	1,020,429
Unrealized investment loss (note 10)	446,650	536,768
Other (note 12)	139,980	113,411
	<u>24,590,370</u>	<u>21,437,437</u>
Excess of revenues over expenses for the year	2,617,017	411,446
Unrestricted net assets - Beginning of year	<u>13,460,334</u>	<u>13,049,188</u>
	16,077,351	13,460,634
Subvention certificate payments (note 9)	<u>(300)</u>	<u>(300)</u>
Unrestricted net assets - End of year	<u>16,077,051</u>	<u>13,460,334</u>

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

Mennonite Economic Development Associates

Statement of Cash Flows

For the year ended June 30, 2017

(expressed in US dollars)

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	2,617,017	411,446
Items not affecting cash		
Amortization of capital assets	101,439	111,283
Gain on sale of investments	(1,687,849)	(62,725)
Equity share of loss on investment	21,497	536,768
Loan loss provision	425,153	-
Unrealized foreign exchange loss (gain) on investments	630	-
Unrealized foreign exchange loss (gain) on notes payable	35,481	(182,410)
Unrealized foreign exchange loss (gain) on notes receivable and investments	2,961	(10,786)
	<u>1,516,329</u>	<u>803,576</u>
Net change in non-cash working capital items	1,401,225	2,933,899
	<u>2,917,554</u>	<u>3,737,475</u>
Financing activities		
Increase in notes payable	530,523	1,578,409
Repayments of notes payable	(1,253,448)	(520,735)
Subvention certificates payments	(300)	(300)
	<u>(723,225)</u>	<u>1,057,374</u>
Investing activities		
Increase (decrease) in due to MEDA Country Programs and partners	223,580	(23,674)
Increase in advances to MEDA Country Programs and partners	(38,791)	(568,800)
Increase in loans receivable	(2,212,179)	(576,440)
Purchase of capital assets	(54,185)	(85,415)
Proceeds on sale and distributions from investments	5,415,521	407,710
Increase in investments	(2,801,895)	(1,768,614)
	<u>532,051</u>	<u>(2,615,233)</u>
Changes in cash and short-term deposits	2,726,380	2,179,616
Cash and short-term deposits - Beginning of year	<u>13,090,887</u>	<u>10,911,271</u>
Cash and short-term deposits - End of year	<u>15,817,267</u>	<u>13,090,887</u>
Supplemental disclosure of cash flow information		
Net interest received (paid)	6,011	(51,789)

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

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

1 Purpose of the organization

Mennonite Economic Development Associates (MEDA) is an association of Christians who firmly believe that unleashing entrepreneurship is the best way to alleviate poverty.

MEDA, a not-for-profit corporation without share capital, is incorporated as "Mennonite Economic Development Associates" under the state laws of Pennsylvania, "Mennonite Economic Development Associates of Canada" under the federal laws of Canada, "MEDA Global Inc." under the federal laws of Canada and "MEDA Europa" under the laws of Germany. "MEDA Trade Company Inc.", a for-profit subsidiary of Mennonite Economic Development Associates of Canada, is incorporated as a taxable corporation under the provincial laws of Ontario. "Saron MEDA Investments, Inc." is a for-profit subsidiary of Mennonite Economic Development Associates, incorporated under the state laws of Pennsylvania. "Saron Global Investment Fund, Inc." is a not-for-profit subsidiary of Mennonite Economic Development Associates, incorporated under the state laws of Pennsylvania.

MEDA operates programs through its offices and partners in Canada, United States, Ghana, Tanzania, Ethiopia, Pakistan, Ukraine, Libya, Yemen, Jordan, Myanmar, Nicaragua, Nigeria and Kenya.

2 Significant accounting policies

Basis of presentation

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

The financial statements include the combined activities of Mennonite Economic Development Associates, Mennonite Economic Development Associates of Canada, MEDA Global Inc. and MEDA Europa, with Saron MEDA Investments, Inc., MEDA Trade Company Inc., and Saron Global Investment Fund, Inc. For the purposes of financial statement presentation, the following operations have been consolidated:

- **Mennonite Economic Development Associates**

General operations comprise the combined operations of Mennonite Economic Development Associates, MEDA Global Inc., MEDA Europa and Mennonite Economic Development Associates of Canada operated on a not-for-profit basis.

- **Saron MEDA Investments, Inc.**

Saron MEDA Investments, Inc. is an asset management company.

- **MEDA Trade Company Inc.**

MEDA Trade Company Inc. is a controlled profit-oriented enterprise, which provided foreign exchange trading services to organizations involved in economic and social programming. Its operations ceased on May 31, 2017.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

- **Sarona Global Investment Fund, Inc.**

Sarona Global Investment Fund, Inc. assists the poor through raising and investing capital in ventures that strengthen the economic prospects of certain countries while ensuring modest financial return.

Excluded from consolidation in the financial statements are:

- **MEDA Country Programs**

MEDA Country Programs are not-for-profit operations based in Ghana, Ethiopia, Ukraine, Libya, Yemen, Jordan, Myanmar, Kenya, Tanzania, Nicaragua, Nigeria and Pakistan. MEDA 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 Country Programs is included in notes to these financial statements (note 3).

Revenue recognition

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

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

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

Cash and short-term deposits

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

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.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

Investments

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

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

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

Capital assets

Capital assets consist of assets for use at administrative offices and are recorded at cost. Amortization is calculated using the straight-line method over the estimated useful lives of the assets. All asset classes are amortized using varying straight-line rates of 3 to 5 years.

Foreign currency translation

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

Financial instruments

The organization's financial instruments consist of cash and short term deposits, accounts receivable, advances to and due to MEDA Country Programs and partners, loans receivable, investments, accounts payable and accrued liabilities, due to related parties and notes payable. Currency and credit risk arising from these financial instruments is disclosed in note 15. The financial instruments are measured at amortized cost, apart from investments in equity instruments that are quoted in an active market.

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

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of expenses

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

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

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

Advances to MEDA Country Programs and partners are as follows:

	2017 \$	2016 \$
MEDA Libya	16,101	39,714
MEDA Ethiopia	12,711	67,155
MEDA Ghana	287,112	321,088
MEDA Jordan	-	73,118
MEDA Kenya	71,280	123,319
MEDA Myanmar	131,829	292,079
MEDA Pakistan	183,958	183,958
MEDA Ukraine	207,075	145,028
MEDA Tanzania	286,925	89,839
Other partner agencies	193,384	16,286
	<hr/> 1,390,375	<hr/> 1,351,584

The advances are non-interest bearing and are unsecured.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

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

	2017	2016
	\$	\$
MEDA Ghana	40,295	-
MEDA Ethiopia	-	43,235
MEDA Tanzania	6,230	555,780
Other partner agencies	778,841	2,771
	<hr/>	<hr/>
	825,366	601,786
	<hr/>	<hr/>

Menonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

MEDA Country Programs are not-for-profit organizations with a similar purpose to MEDA and exist to carry out MEDA's purpose in the country in which they are operating. The following Country Programs' financial results have not been consolidated in MEDA's financial statements. Financial statements for each Country Program are prepared separately. A financial summary (obtained from unaudited, internally prepared financial information) of each non-consolidated Country Program at June 30, 2017 and results of operations for the year then ended are as follows:

																2017	2016
	Libya	Tanzania	Tanzania	Tanzania	Tanzania	Pakistan	Pakistan	Ethiopia	Ukraine	Ghana	Ghana	Kenya	Myanmar	Jordan	Total	Total	
	\$	\$	Cassava	HASA	Masava	SSBVC	JICA	\$	\$	GROW	FEATS	\$	\$	\$	\$	\$	
Assets																	
Current	16,101	697,814	230,908	82,042	25,470	219,898	20,481	266,984	54,228	213,204	363,714	59,908	181,471	135,085	24,582	2,591,890	2,405,391
Non-current	-	78,492	21,610	-	-	111,212	-	-	10,863	24,286	55,218	92,436	88,585	95,607	3,103	581,412	787,218
	16,101	776,306	252,518	82,042	25,470	331,110	20,481	266,984	65,091	237,490	418,932	152,344	270,056	230,692	27,685	3,173,302	3,192,609
Liabilities																	
Current	16,101	723,957	230,908	82,042	25,470	219,898	20,481	266,984	54,228	207,075	360,567	59,908	181,544	135,085	24,582	2,608,830	2,426,456
Non-current	-	21,919	21,610	-	-	-	-	-	10,863	2,025	-	24,157	88,512	3,422	3,103	175,611	249,542
	16,101	745,876	252,518	82,042	25,470	219,898	20,481	266,984	65,091	209,100	360,567	84,065	270,056	138,507	27,685	2,784,441	2,675,998
Fund balance	-	30,430	-	-	-	111,212	-	-	-	28,390	58,365	68,279	-	92,185	-	388,861	516,611
	16,101	776,306	252,518	82,042	25,470	331,110	20,481	266,984	65,091	237,490	418,932	152,344	270,056	230,692	27,685	3,173,302	3,192,609
Results of operations																	
Revenues	226,906	47,078	1,347,060	5,301	109,915	836,050	-	-	1,075,738	1,269,807	1,758,988	438,144	677,020	1,136,121	616,809	9,544,937	6,873,190
Expenses	226,906	118,600	1,376,453	5,301	109,915	830,446	-	-	1,075,738	1,279,541	1,771,199	422,240	677,020	1,162,520	616,809	9,672,688	6,622,898
Excess (deficiency) of revenue over expenses	-	(71,522)	(29,393)	-	-	5,604	-	-	-	(9,734)	(12,211)	15,904	-	(26,399)	-	(127,751)	250,292
Cash flows provided by (used in)																	
Operating activities	(23,613)	(59,701)	(26,921)	(2,272)	16,824	85,504	-	-	31,641	118,211	(91,520)	(13,791)	(25,449)	(98,559)	(57,001)	(146,647)	437,508

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

4 Loans receivable

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

	2017 \$	2016 \$
Canada	257,368	274,069
Ghana	476,432	387,087
Haiti	410,932	-
Nicaragua	1,259,490	1,154,042
Romania	200,000	-
Sierra Leone	891,114	950,000
Ukraine	1,514,334	-
United States	1,457,164	1,506,341
	<u>6,466,834</u>	<u>4,271,539</u>
Less: Provision for uncertainty of collection:		
Canada	(3,096)	(1,875)
Ghana	(96,866)	-
Sierra Leone	(313,143)	-
	<u>(413,105)</u>	<u>(1,875)</u>
	6,053,729	4,269,664
Less: Current portion of loans receivable	<u>1,115,623</u>	<u>1,085,279</u>
Non-current portion of loans receivable	<u>4,938,106</u>	<u>3,184,385</u>

Loans receivable bear interest rates from 0-12% with maturity dates varying from on demand to 2022 and thereafter.

Scheduled repayments of loans receivable are as follows:

	\$
2018	1,115,623
2019	455,000
2010	2,680,878
2021	650,564
2022 and thereafter	<u>1,564,769</u>
	<u>6,466,834</u>

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

Uncertainty of collection

The provision is based on management's best estimate of loan losses to be incurred in future periods and purchase discounts applied to certain investments. Management reviews each loan individually and applies a loan loss provision based on the investee's repayment history and management's knowledge of the investee's operations. During the current year a loan provision (recovery) of \$425,153 is included in income with respect to such provisions (2016 - recovery of \$4,045).

Related party balances

Loans receivable include \$254,272 (\$329,740 CDN) (2016 - \$270,961 (\$350,000 CDN)) loaned to Saronia Asset Management, Inc. The loan is due in 2026 with 0% interest and scheduled repayments beginning in 2016.

Direct loans by MEDA members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be loaned to specified MEDA related projects or companies. Of the loans receivable shown above, \$1,229,490 is loaned under those conditions (2016 - \$1,474,042). In such cases MEDA acts as a trustee for the lenders and bears no risk for loss on the loans.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

5 Investments

Investments consist of the following:

	2017	2016
	\$	\$
Accounted for using the equity method:		
CHISPA, Nicaragua - 81.6% of contributed capital	1	1
CODIP, S.A., Paraguay - 11.6% of issued and outstanding common shares	1,559,613	1,380,396
MicroVest General Partner and MicroVest Capital Management USA (combined) - 26.4% of outstanding common shares	448,511	294,829
IMON L.L.C., Tajikistan - 9.7% of issued and outstanding common shares	1,509,560	2,011,803
Sarona Frontier Markets Funds 1, L.P., Global - 14.6% (2016 - 13.7%) of contributed capital	3,016,093	3,253,603
Sarona Frontier Markets Funds 2, L.P., Global - 1.3% (2016 - 1.3%) of contributed capital	1,133,632	781,747
Sarona Risk Capital Fund 1, L.P., Global - 13.6% (2016 - 13.6%) of contributed capital	54,487	57,607
Sarona Asset Management Canada, 10% of issued and outstanding shares	35,215	16,516
MicroVest Short Duration Fund A, 0.5% of contributed capital	547,833	533,059
MicroVest Plus, L.P., 1.9% of contributed capital	218,658	217,433
MiCredito, Nicaragua, 29.8% (2016 - 44%) of issued and outstanding common shares	1,309,825	1,614,918
Access Africa Fund, LLC 9.09% of issued and outstanding common shares	253,822	348,148
Treetops Capital Agribusiness Fund, L.P., 39% of contributed capital	898,182	893,197
Sarona Trade Finance Fund - 12% of contributed capital	1,433,501	-
	<hr/>	<hr/>
	12,418,933	11,403,257
Accounted for at fair value:		
Barak Structured Trade Finance Co., Africa - 0% (2016 - 1%) of issued and outstanding shares reported at fair value	-	1,322,449
	<hr/>	<hr/>

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

	2017 \$	2016 \$
Accounted for at cost:		
Sevis Finansye Fonkoze, Haiti - 2% of issued and outstanding common shares	1	1
MFX Solutions - 0.6% (2016 - 0.8%) of issued and outstanding shares	104,315	104,315
Alternative Insurance Company - 0% (2016 - 6.3%) of issued and outstanding shares	-	1,000,000
Mobile Transactions International - 2.2% (2016 - 6.4%) of issued and outstanding shares	240,085	480,171
Women's World Banking Capital Partners L.P. - 3.0% of contributed capital	976,552	890,094
Business Partners East Africa LLC. - 4.8% of issued and outstanding shares	688,752	396,255
SEAF Signle Vintage Flex Fund	250,000	-
	<hr/> 2,259,705	<hr/> 2,870,836
Held by MEDA acting as trustee for MEDA members at cost:		
DIRSSA, Paraguay - 0% (2016 - 17.9%) of outstanding common shares	-	30,000
	<hr/>	<hr/>
Total investments	<hr/> 14,678,638	<hr/> 15,626,542

Direct investment by MEDA members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be used to purchase shares in specified MEDA related companies. Of the investments shown above, \$30,000 is invested under those conditions. In such cases MEDA acts as a trustee for the investors and bears no risk for loss or benefit of gains on the investments made.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

A financial summary (obtained from unaudited internally prepared financial information) CHISPA which is controlled by MEDA but not consolidated in these financial statements is as follows:

	CHISPA 2017 \$	CHISPA 2016 \$
Assets	121,717	125,142
Liabilities	125,495	111,317
Net assets	<u>(3,778)</u>	<u>13,825</u>
Operations		
Revenue	19,332	19,799
Expenses	<u>44,761</u>	<u>33,871</u>
Net loss	<u>(25,429)</u>	<u>(14,072)</u>
Cash flow from (used in)		
Operations	(17,791)	(606)
Financing activities	-	-
Investing activities	17,791	606

While the unaudited assets, liabilities and results of operations noted above are not reflected in these financial statements directly, the investment in CHISPA has been accounted for using the equity method, as disclosed above.

6 Capital assets

	2017 \$	2016 \$
Office furniture, leasehold improvements and equipment	780,729	778,122
Less: Accumulated amortization	<u>626,699</u>	<u>576,838</u>
	<u>154,030</u>	<u>201,284</u>

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

7 Deferred contributions

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

	2017 \$	2016 \$
Deferred contributions - Beginning of year	48,817	70,568
Contributions received during year	6,520,950	6,332,819
Contributions recognized in revenue during year	(6,262,701)	(6,354,887)
Revaluation of foreign currency balances	6,844	317
Deferred contributions - End of year	<u>313,910</u>	<u>48,817</u>

8 Notes payable

Notes payable consist of:

	2017 \$	2016 \$
Mennonite Mutual Aid Association, interest at 3%, adjustable to a rate not to exceed the one year treasury bill rate, due December 31, 2019	500,000	500,000
Kindred Savings & Credit Union, CDN \$600,000 (2016 - \$500,000), interest at 2.5% and 4% per annum, due December 31, 2019 and December 31, 2021	462,677	387,087
Various promissory notes, interest at rates varying from 0% - 4.5% and at prime minus 2%, with maturities at various dates from 30 days subsequent to demand to March 31, 2024		
- US\$ denominated	1,674,490	1,951,997
- CDN\$ denominated CDN \$6,675,799 (2016 - CDN \$6,507,299)	5,147,902	5,037,778
- Euro denominated €1,411,357 (2016 - €1,982,500)	1,605,977	2,201,628
	<u>9,391,046</u>	<u>10,078,490</u>
Less: Current portion	<u>3,199,361</u>	<u>2,470,162</u>
	<u>6,191,685</u>	<u>7,608,328</u>

The notes payable are unsecured.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

Scheduled repayment of notes payable is as follows:

	\$
2018 and open maturities	3,199,361
2019	1,715,045
2010	2,113,506
2021	1,531,905
2022 and thereafter	831,229
	<hr/>
	9,391,046
	<hr/>

Expenses include interest paid on long-term notes payable of \$213,309 (2016 - \$209,450).

Direct investment by MEDA members

Certain MEDA members have chosen to loan funds to MEDA with the condition that those funds be loaned to, or used to purchase shares in, specified MEDA related projects or companies. MEDA is obligated to repay the funds only to the extent that MEDA is repaid by the investee or is able to sell the respective investment. Of the notes payable shown above, \$1,229,490 is payable under those conditions (2016 - \$1,502,480).

Notes payable from MEDA Directors

Of the notes payable listed above \$1,542,258 is payable to MEDA Directors (2016 - \$nil).

9 Subvention certificates

Subvention certificates are issued by Sarona Global Investment Fund, Inc. pursuant to Section 5542 of the Pennsylvania Non-Profit Corporation Law. A subvention consists of money or other property received by a non-profit corporation. While the purchaser may select a subvention certificate based upon a contingent repurchase date and a contingent periodic payment, there is no legally binding obligation on the part of the fund to repurchase the subvention certificate or to make contingent periodic payments on such subvention certificate. The rights of the subvention certificate holders are at all times subordinate to the rights of creditors of MEDA. Upon liquidation or winding up, subvention certificate holders may receive no payment with respect to the subvention certificates until all creditors have been paid in full. Thereafter subvention certificate holders would be entitled to receive only such amount, up to the face value of the subvention certificates, as is available from the remaining assets.

Subvention certificates are not evidence of indebtedness and are not legally binding obligations of MEDA. Subvention certificates represent subventions made to MEDA to support the not-for-profit purpose of economic development to aid the poor in low income countries.

Subvention certificates are non-negotiable and are not transferable except at the time of the holder's death. MEDA reserves the right to repurchase any or all subvention certificates at any time. Subvention certificate holders may request early repayment, and while MEDA is not required to honour these requests, it is its intent to do so when practical, however, there is no assurance that this practice will continue in the future.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

Subvention certificates have contingent repurchase dates of 1, 3, 5 and 10 years from their date of issue and have contingent periodic payments of \$15 - \$37.50, \$20 - \$45, \$25 - \$50 and \$30 - \$52.50 per \$1,000 respectively. The Board of Directors will determine if funds are available to make contingent periodic payments or to repurchase subvention certificates.

As a result, subvention certificates are classified as equity instruments.

Scheduled contingent repurchase dates of the subvention certificates are as follows:

	\$
2018	-
2019	10,000
2020 and thereafter	-
	<hr/>
	10,000
	<hr/>

Periodic payments made on subvention certificates during the year amount to \$300 (2016 - \$300).

Under the terms of the subvention certificates \$500 in cash is restricted with respect to contingent repurchases.

10 Unrealized investment income

Unrealized investment income includes the following:

	2017 \$	2016 \$
Provision for (recovery in) value of loans receivable	425,153	(4,045)
Equity share of loss on investments	21,497	540,813
	<hr/>	<hr/>
	446,650	536,768
	<hr/>	<hr/>

11 Foreign exchange gains and losses

Other income includes foreign exchange gains of \$114,793 (2016 - \$107,541).

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

12 Other expenses

Other expenses consist of:

	2017 \$	2016 \$
Provision for uncollectable accounts receivable or advances to country programs	48,724	50,000
MEDA Trade Co. operating costs	90,945	63,411
Other	311	-
	139,980	113,411

13 Related party transactions and balances

MEDA holds a 10% ownership interest in Sarona Asset Management, Inc. Accounts payable include \$169,785 owing to Sarona Asset Management, Inc. as at year-end (2016 - \$140,849).

Expenses for the year include \$635,370 (2016 - \$564,538) in management fees paid to Sarona Asset Management, Inc.

14 Contingencies and commitments

a) Minimum lease commitments

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

	\$
2018	129,264
2019	41,481

b) Commitments

MEDA has guaranteed a loan payable of MiCredito to Sarona Frontier Markets Fund 1, L.P. in the amount of \$75,000.

MEDA has outstanding forward currency contracts for the purchase of \$7,000,000 CDN (2016 - \$6,149,300 CDN) between August, 2017 and June, 2018. MEDA has provided a general security agreement and restricted \$250,000 CDN in cash and short-term deposits as security against the forward currency contracts.

c) Contingencies

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

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

15 Financial instruments

Fair value

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

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

Currency risk

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

Credit risk

Consistent with the purpose of the organization, the lending of monies internationally and in areas with less stable political and economic climates exposes the organization to increased credit risk. The organization establishes provisions for uncertainty of collectability as disclosed in note 4.

Mennonite Economic Development Associates

Notes to Financial Statements

June 30, 2017

(expressed in US dollars)

16 Allocation of expenses

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

	Human resource, premises, admin and IT \$	Finance and accounting \$	Executive management \$	Marketing \$	2017 \$	2016 \$
Constituency engagement	37,944	12,587	66,593	149,727	266,851	133,444
Development programs	704,782	650,157	199,808	142,475	1,697,222	1,419,308
Resource development	114,201	38,974	66,603	246,395	466,173	241,531
Sarona Risk Capital Fund	-	71,593	111,004	-	182,597	165,634
	<u>856,927</u>	<u>773,311</u>	<u>444,008</u>	<u>538,597</u>	<u>2,612,843</u>	<u>1,959,917</u>

17 Government remittances

MEDA had no outstanding government remittances as at June 30, 2017 (2016 - \$nil).

Mennonite Economic Development Associates
Supplementary Consolidating Schedules
For the year ended June 30, 2017

(expressed in US dollars)

	MEDA Canada	MEDA (US)	MEDA Europa	MEDA Trade	MEDA Global Inc.	Sarona Global Investment Fund	Sarona MEDA Investments Inc.	Intercompany Eliminations	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and short-term deposits	11,335,134	4,443,179	31,338	6,897	-	719	-	-	15,817,267
Accounts receivable	464,048	688,972	-	-	-	-	-	-	1,153,020
Advances to MEDA Country Programs and partners (note 3)	1,160,409	229,966	-	-	-	-	-	-	1,390,375
Work-in-progress	19,014	441	-	-	-	-	-	-	19,455
Prepaid expenses	15,112	9,771	-	-	-	-	-	-	24,883
Due from related parties	2,950	4,226,990	-	-	-	-	-	(4,229,940)	-
Current portion of loans receivable (note 4)	90,868	1,024,755	-	-	-	-	-	-	1,115,623
Loans receivable (note 4)	288,698	4,395,136	-	-	-	10,000	-	244,272	4,938,106
Loans receivable from related parties	14,067,331	-	-	-	-	-	-	(14,067,331)	-
Investments (note 5)	2,122,253	12,556,485	-	-	-	-	(100)	-	14,678,638
Capital assets (note 6)	140,818	13,212	-	-	-	-	-	-	154,030
Total assets	29,706,635	27,588,907	31,338	6,897	-	10,719	(100)	(18,052,999)	39,291,397
Accounts payable and accrued liabilities (note 13)	554,347	264,784	-	1,607	-	-	-	-	820,738
Deferred contributions (note 7)	86,679	227,231	-	-	-	-	-	-	313,910
Deferred grants and contracts	8,268,266	3,585,020	-	-	-	-	-	-	11,853,286
Due to related parties (note 13)	4,210,408	-	(83,955)	2,950	-	537	100,000	(4,229,940)	-
Due to MEDA Country Programs and partners (note 3)	706,654	118,712	-	-	-	-	-	-	825,366
Current portion of notes payable (note 8)	2,815,361	384,000	-	-	-	-	-	-	3,199,361
Notes payable to related parties (note 8)	-	13,823,059	-	-	-	-	-	(13,823,059)	-
Notes payable (note 8)	5,028,685	1,163,000	-	-	-	-	-	-	6,191,685
Total liabilities	21,670,400	19,565,806	(83,955)	4,557	-	537	100,000	(18,052,999)	23,204,346
Subvention certificates (note 9)	-	-	-	-	-	10,000	-	-	10,000
Unrestricted net assets	8,036,235	8,023,101	115,293	2,340	-	182	(100,100)	-	16,077,051
Total liabilities and equity	29,706,635	27,588,907	31,338	6,897	-	10,719	(100)	(18,052,999)	39,291,397

Mennonite Economic Development Associates

Supplementary Consolidating Schedules ...continued

For the year ended June 30, 2017

(expressed in US dollars)

	MEDA Canada	MEDA (US)	MEDA Europa	MEDA Trade	MEDA Global Inc.	Sarona Global Investment Fund	Sarona MEDA Investments Inc.	Intercompany Eliminations	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Grants and contracts	11,171,572	2,664,828	-	-	-	-	-	-	13,836,400
Contributions (note 7)	2,138,752	3,768,446	355,503	-	-	-	-	-	6,262,701
Contributions from related organizations	1,720,795	-	-	-	-	-	-	(1,720,795)	-
Consulting and program management fees	3,989,311	1,455,899	-	83,232	-	-	-	(1,042,390)	4,486,052
Realized investment income	789,598	1,983,089	-	115	-	400	-	(743,022)	2,030,180
Convention and tour fees	-	217,089	-	-	-	-	-	-	217,089
Other (note 11)	30,772	247,582	6,057	90,554	-	-	-	-	374,965
	<u>19,840,800</u>	<u>10,336,933</u>	<u>361,560</u>	<u>173,901</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>(3,506,207)</u>	<u>27,207,387</u>
Development programs	16,707,028	5,339,808	267,071	-	-	-	-	(2,194,454)	20,119,453
Resource development	562,294	1,021,633	38,220	-	-	-	-	-	1,622,147
Sarona Risk Capital Fund	248,539	1,661,727	-	-	-	55	-	(743,022)	1,167,299
Constituency engagement	251,621	815,953	27,267	-	-	-	-	-	1,094,841
Unrealized investment loss (note 10)	234,894	211,756	-	-	-	-	-	-	446,650
Other (note 12)	288,248	-	310	420,153	-	-	-	(568,731)	139,980
	<u>18,292,624</u>	<u>9,050,877</u>	<u>332,868</u>	<u>420,153</u>	<u>-</u>	<u>55</u>	<u>-</u>	<u>(3,506,207)</u>	<u>24,590,370</u>
Excess of revenues over expenses (expenses over revenues) for the year	1,548,176	1,286,056	28,692	(246,252)	-	345	-	-	2,617,017

Mennonite Economic Development Associates

Supplemental Information
June 30, 2017
(expressed in US dollars)

Mennonite Economic Development Associates

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2017

(expressed in US dollars)

Awarding Agency/ PassThrough Entity	CFDA Number	Grant Name	Grant/ Pass-Through Number	2017 Federal Expenditures \$	Passed to sub- recipients \$
USAID	98.001	Libya Women's Economic Empowering Program	AID-OAA-A-12-00074	507,598	-
USAID	98.001	ENGINE	IESC 165001	275,902	-
USAID	98.001	Jordan Local Enterprise Support	AID-278-LA-14-00001	717,461	-
USAID	98.001	Gendered ESG Framework	2016-AMEG-005	86,432	-
USAID	98.001	Invest East Africa	AID-623-A-15-00002	306,398	100,709
Total Federal Expenditures				<u>1,893,791</u>	<u>100,709</u>

The accompanying notes are an integral part of this schedule.

Mennonite Economic Development Associates

Notes to Schedule of Expenditure of Federal Awards

June 30, 2017

(expressed in US dollars)

1 Purpose of the organization

Mennonite Economic Development Associates (MEDA) is an association of Christian business people that seeks to create business solutions to poverty.

MEDA, a not-for-profit corporation without share capital, is incorporated as “Mennonite Economic Development Associates” under the state laws of Pennsylvania, “Mennonite Economic Development Associates of Canada” under the federal laws of Canada and “MEDA Europa” under the laws of Germany.

2 Basis of presentation

The Schedule of Expenditure of Federal Awards includes the federal grant activity of MEDA and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of MEDA’s financial statements. The expenditure of federal awards is not intended to be a complete presentation of financial position or results of operation of MEDA.

3 Summary of Federal Awards

U. S. Agency for International Development

Libya Women's Economic Empowering Program, Award Number, AID-OAA-A-12-00074

This program began in October 2012 and continues until September, 2019. The purpose of the program is to strengthen Libyan women’s entrepreneurship, small and medium female-owned enterprise development and business training.

FHI Development 360 LLC - Local Enterprise Support Activity - Jordan, Award Number AID-278-LA-14-00001

This program began in January 2014 and has an estimated completion date of September 2018. The program aims to provide technical support for selected Financial Institutions and Micro and Small-scale Enterprises.

Invest East Africa, Award Number AID-623-A-15-00002

This program began in September 2015 and continues until August 2019. The aim of the program is to facilitate economic growth in East Africa by attracting investment to small and medium enterprises that contribute to cross border trade amongst East African Community members.

Mennonite Economic Development Associates

Notes to Schedule of Expenditure of Federal Awards

June 30, 2017

(expressed in US dollars)

Feed the Future Tanzania Enabling Growth through Investment and Enterprise (ENGINE), Award Number AID-621-LA-16-00002, Sub-Award Number IESC 165001.

This program began in September 2016 and continues until July 2020. The aim of the program is: to build the capacity of the private sector to effectively dialogue with the government to set the policy agenda and improve the capacity of the public sector to develop and implement policies which promote and enabling business environment; to foster the development of a sustainable market for business development services in Tanzania; and to broaden access to finance for small and medium enterprises, and women and youth entrepreneurs to enable increased investment and growth.

Asia and Middle East Economic Growth Best Practices, Award Number AID-OAA-M-12-00008, Sub-Award Number 2016-AMEG-005.

This program began in December 2016 and continues until September 2017. The aim of the program is to pilot a gendered environmental, social and governance framework and methodology to mainstream the inclusion of women in business policies and practices for small and medium enterprises in South and South East Asia.

Mennonite Economic Development Associates

Schedule of Indirect Cost Rate

For the year ended June 30, 2017

(expressed in US dollars)

	Total expenditures \$	Unallowable cost \$	Allowable cost \$	Direct cost \$	Distorting items \$	Net direct costs \$	Indirect costs \$
HQ salaries, benefits, recruitment, training	6,010,510	-	6,010,510	3,962,130	-	3,962,130	2,048,380
Travel	460,053	-	460,053	207,978	-	207,978	252,075
Telephone, fax, e-mail, postage, courier	63,619	-	63,619	27,738	-	27,738	35,881
Rent, office costs, office supplies, printing	501,079	-	501,079	59,043	-	59,043	442,036
Audit, legal and consulting fees	851,053	-	851,053	667,693	635,370	32,323	183,360
Variable program costs	15,759,429	340,034	15,419,395	15,416,737	4,759,619	10,657,118	2,658
Promotion and advertising	104,506	104,506	-	-	-	-	-
Seminars, meetings, publications	393,471	69,128	324,343	114,401	-	114,401	209,942
Investment loan losses	446,650	446,650	-	-	-	-	-
Total	24,590,370	960,318	23,630,052	20,455,720	5,394,989	15,060,731	3,174,332
Indirect cost rate	<u>3,174,332</u>	21.08%				<u>15,060,731</u>	

The accompanying notes are an integral part of this schedule.

Mennonite Economic Development Associates

Notes to Schedule of Indirect Cost Rate

June 30, 2017

(expressed in US dollars)

1 Basis of presentation

The indirect cost rate schedule is prepared in accordance with guidelines established by the Office of Management and Budget in the Circular A-122 entitled “*Cost Principles for Non-profit Organizations*” and guidelines established by US Agency for International Development.

2 Negotiated indirect cost rate

In connection with its ongoing relationship with USAID, MEDA works with a provisional negotiated indirect cost rates until an actual rate is calculated subsequent to year-end. At that time, MEDA adjusts its claim based on the actual rate. This process has been completed for the current year.



February 8, 2018

**Report of Independent Auditors on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

**To the Board of Directors of
Mennonite Economic Development Associates**

We have audited the financial statements for Mennonite Economic Development Associates (MEDA), which comprise the balance sheet as at June 30, 2017 and the statements of operations and changes in unrestricted net assets, and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information, and have issued our audit report on those financial statements dated February 8, 2018. We conducted our audit in accordance with Canadian generally accepted auditing standards and, except as noted in the following two paragraphs, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. PricewaterhouseCoopers LLP in Canada was responsible for the audit of MEDA for the year ended June 30, 2017. Personnel of this firm do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of Government Auditing Standards. However, the firm does participate in continuing education programs applicable in Canada.

Further, PricewaterhouseCoopers LLP in Canada does not have an external quality review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.82 of Government Auditing Standards, since no such program is offered by professional organizations in Canada. However, the firm does participate in the internal control review program applied to the worldwide network of PricewaterhouseCoopers firms, which requires firms to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers network firms. In addition, PricewaterhouseCoopers LLP in Canada is subject to periodic quality reviews by the Audit Inspection Unit of the Canadian Public Accountability Board (a body established to provide independent oversight of the regulation of the accountancy profession in Canada).

*PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730*



Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered MEDA's internal control over financial reporting (Internal Control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MEDA's internal control. Accordingly, we do not express an opinion on the effectiveness of MEDA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether MEDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants



February 8, 2018

Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance

**To the Board of Directors of
Mennonite Economic Development Associates**

Report on compliance for each major federal program

We have audited Mennonite Economic Development Associates (MEDA's) compliance with the types of requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of MEDA's major federal programs for the year ended June 30, 2017. MEDA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of MEDA's major federal programs based on our audit of the types of compliance requirements referred to above. Except as noted in the following two paragraphs, we conducted our audit of compliance in accordance with auditing standards generally accepted in Canada; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MEDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

*PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730*



PricewaterhouseCoopers LLP in Canada was responsible for the audit of MEDA for the year ended June 30, 2017. Personnel of this firm do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of Government Auditing Standards. However, the firm does participate in continuing education programs applicable in Canada.

Further, PricewaterhouseCoopers LLP in Canada does not have an external quality review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.82 of Government Auditing Standards, since no such program is offered by professional organizations in Canada. However, the firm does participate in the internal control review program applied to the worldwide network of PricewaterhouseCoopers firms, which requires firms to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers network firms. In addition, PricewaterhouseCoopers LLP in Canada is subject to periodic quality reviews by the Audit Inspection Unit of the Canadian Public Accountability Board (a body established to provide independent oversight of the regulation of the accountancy profession in Canada).

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MEDA's compliance.

Opinion on each major federal program

In our opinion, MEDA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on internal control over compliance

Management of MEDA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MEDA's internal control over compliance with the types of requirements that could have a direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MEDA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with



a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

**Mennonite Economic Development Associates
Schedule of Findings and Questioned Costs
for the Year Ended June 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on MEDA's financial statements:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? _____ Yes None reported

Noncompliance material to financial statements noted: _____ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ Yes No

Reportable condition(s) identified not considered to be material weaknesses? _____ Yes None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)?

_____ Yes No

Identification of major programs:

CFDA Number(s)
USAID98
AID-278-LA-14-00001

Name of Federal Program or Cluster
Jordan Local Enterprise Support

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes _____ No

Section II - Financial Statement Findings
None

Section III - Federal Award Findings and Questioned Costs
None _____

**Mennonite Economic Development Associates
Schedule of Status of Prior Year Findings
for the Year Ended June 30, 2017**

There are no prior year findings.