

# **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, 2018**

(expressed in US dollars)

EIN#23-7398678



February 15, 2019

## **Report of Independent Auditor**

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

We have audited the accompanying financial statements of Mennonite Economic Development Associates (MEDA), which comprise the balance sheet as at June 30, 2018 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, 2018. 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.

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*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, 2018 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, 2018 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, 2018 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 15, 2019 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, 2018. 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, 2018

(expressed in US dollars)

	2018 \$	2017 \$
<b>Assets</b> (note 15)		
<b>Current assets</b>		
Cash and short-term deposits (note 3)	17,990,922	15,817,267
Accounts receivable	1,119,731	1,153,020
Advances to MEDA Country Programs and partners (note 4)	2,104,386	1,390,375
Work in progress	11,301	19,455
Prepaid expenses	88,934	24,883
Current portion of loans receivable (note 5)	1,055,115	1,115,623
	<u>22,370,389</u>	<u>19,520,623</u>
<b>Non-current assets</b>		
Loans receivable (note 5)	5,452,897	4,938,106
Investments (note 6)	15,533,682	14,678,638
Capital assets (note 7)	854,561	154,030
	<u>21,841,140</u>	<u>19,770,774</u>
	<u>44,211,529</u>	<u>39,291,397</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 14)	1,360,497	820,738
Deferred contributions (note 8)	181,376	313,910
Deferred grants and contracts	13,364,522	11,853,286
Due to MEDA Country Programs and partners (note 4)	59,106	825,366
Current portion of notes payable (note 9)	3,053,881	3,199,361
	<u>18,019,382</u>	<u>17,012,661</u>
<b>Notes payable</b> (note 9)	<u>7,283,152</u>	<u>6,191,685</u>
	<u>25,302,534</u>	<u>23,204,346</u>
<b>Net Assets</b>		
<b>Subvention certificates</b> (note 10)	-	10,000
<b>Unrestricted</b>	<u>18,908,995</u>	<u>16,077,051</u>
	<u>18,908,995</u>	<u>16,087,051</u>
	<u>44,211,529</u>	<u>39,291,397</u>
<b>Contingencies and commitments</b> (note 15)		

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, 2018**

(expressed in US dollars)

	2018 \$	2017 \$
<b>Revenues</b>		
Grants and contracts	19,262,691	13,836,400
Contributions (note 8)	8,227,563	6,262,701
Consulting and program management fees	5,198,721	4,486,052
Realized investment income	347,583	2,030,180
Convention and tour fees	213,407	217,089
Other (note 12)	322,976	374,965
	<u>33,572,941</u>	<u>27,207,387</u>
<b>Expenses</b>		
Development programs	26,650,567	20,119,453
Resource development	1,591,698	1,622,147
Sarona Risk Capital Fund	1,080,168	1,167,299
Constituency engagement	1,185,994	1,094,841
Unrealized investment loss (note 11)	159,656	446,650
Other (notes 12 and 13)	72,689	139,980
	<u>30,740,772</u>	<u>24,590,370</u>
<b>Excess of revenues over expenses for the year</b>	2,832,169	2,617,017
<b>Unrestricted net assets - Beginning of year</b>	<u>16,077,051</u>	<u>13,460,334</u>
	18,909,220	16,077,351
<b>Subvention certificate payments</b> (note 10)	<u>(225)</u>	<u>(300)</u>
<b>Unrestricted net assets - End of year</b>	<u>18,908,995</u>	<u>16,077,051</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, 2018

(expressed in US dollars)

	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	2,832,169	2,617,017
Items not affecting cash		
Amortization of capital assets	129,089	101,439
Gain on sale of investments	(6,772)	(1,687,849)
Equity share of loss on investment	7,144	21,497
Loan loss provision	152,512	425,153
Unrealized foreign exchange loss on investments	-	630
Unrealized foreign exchange (gain) loss on notes payable	(32,758)	35,481
Unrealized foreign exchange loss on loans receivable	8,379	2,961
	<u>3,089,763</u>	<u>1,516,329</u>
Net change in non-cash working capital items	<u>1,895,853</u>	<u>1,401,225</u>
	<u>4,985,616</u>	<u>2,917,554</u>
<b>Financing activities</b>		
Increase in notes payable	1,653,383	530,523
Repayments of notes payable	(674,638)	(1,253,448)
Repayments of subvention certificates	(10,000)	-
Subvention certificates payments	(225)	(300)
	<u>968,520</u>	<u>(723,225)</u>
<b>Investing activities</b>		
(Decrease) increase in due to MEDA Country Programs and partners	(766,260)	223,580
Increase in advances to MEDA Country Programs and partners	(714,011)	(38,791)
Increase in loans receivable	(615,174)	(2,212,179)
Purchase of capital assets	(829,620)	(54,185)
Proceeds on sale and distributions from investments	295,590	5,415,521
Increase in investments	(1,151,006)	(2,801,895)
	<u>(3,780,481)</u>	<u>532,051</u>
<b>Changes in cash and short-term deposits</b>	<u>2,173,655</u>	<u>2,726,380</u>
<b>Cash and short-term deposits - Beginning of year</b>	<u>15,817,267</u>	<u>13,090,887</u>
<b>Cash and short-term deposits - End of year</b>	<u>17,990,922</u>	<u>15,817,267</u>
<b>Supplemental disclosure of cash flow information</b>		
Net interest received (paid)	(19,395)	6,011

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

# **Mennonite Economic Development Associates**

## Notes to Financial Statements

**June 30, 2018**

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(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. "Sarona MEDA Investments, Inc." is a for-profit subsidiary of Mennonite Economic Development Associates, incorporated under the state laws of Pennsylvania. "Sarona 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 Sarona MEDA Investments, Inc., MEDA Trade Company Inc., and Sarona 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.

- **Sarona MEDA Investments, Inc.**

Sarona 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, 2018**

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(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 4).

### **Revenue recognition**

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

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

Grants received for program purposes are recorded as revenue by MEDA and expensed when disbursed to the various Country Programs based upon relevant criteria. Program-specific grants and contracts signed and executed by a MEDA Country Program are recognized in income by the relevant MEDA Country Program and, as such, are not recorded as revenue by MEDA in these 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, 2018**

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(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 16. The financial instruments are measured at amortized cost, apart from investments in equity instruments that are quoted in an active market.

# **Mennonite Economic Development Associates**

## **Notes to Financial Statements**

**June 30, 2018**

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(expressed in US dollars)

### **Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Allocation of expenses**

MEDA executes development programs, arranges programs and publications for its members, and operates the 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 17.

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

Certain balances included in cash and short-term deposits are advances received from donors to fund specific projects and therefore, they cannot be used for other purposes. Current year balances under such conditions are \$11,441,512 (2017 - \$10,776,821).

# Mennonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

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(expressed in US dollars)

### 4 MEDA Country Programs and partners

Advances to MEDA Country Programs and partners are as follows:

	2018 \$	2017 \$
MEDA Libya	45,093	16,101
MEDA Ethiopia	84,373	12,711
MEDA Ghana	154,527	287,112
MEDA Jordan	246,562	-
MEDA Kenya	238,407	71,280
MEDA Myanmar	155,782	131,829
MEDA Nigeria	32,493	-
MEDA Pakistan	159,272	183,958
MEDA Ukraine	269,792	207,075
MEDA Tanzania	626,482	286,925
Other partner agencies	91,603	193,384
	<hr/> 2,104,386	<hr/> 1,390,375

The advances are non-interest bearing and are unsecured.

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

	2018 \$	2017 \$
MEDA Ghana	48,717	40,295
MEDA Jordan	-	6,230
MEDA Nicaragua	8,702	-
MEDA Tanzania	-	778,841
Other partner agencies	1,687	-
	<hr/> 59,106	<hr/> 825,366

# Menonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

(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, 2018 and results of operations for the year then ended are as follows:

																	2018	2017	
	Libya	Tanzania	Tanzania	Tanzania	Tanzania	Nicaragua	Nigeria	Pakistan	Pakistan	Ethiopia	Ukraine	Ghana	Ghana	Kenya	Myanmar	Jordan	Total	Total	
	\$	\$	Cassava	Masava	SSBVC	\$	\$	\$	BPP	\$	\$	GROW	FEATS	\$	\$	\$	\$	\$	
<b>Assets</b>																			
Current	45,093	6,324	280,353	-	390,889	29,364	48,379	21,729	169,727	121,625	371,019	181,215	63,141	363,980	205,027	374,204	2,672,069	2,591,890	
Non-current	-	14,612	16,226	-	78,242	19,228	60,111	-	-	6,012	20,331	23,457	66,273	52,121	117,425	71,489	545,527	581,412	
	45,093	20,936	296,579	-	469,131	48,592	108,490	21,729	169,727	127,637	391,350	204,672	129,414	416,101	322,452	445,693	3,217,596	3,173,302	
<b>Liabilities</b>																			
Current	45,093	26,634	280,353	-	390,889	29,364	48,379	20,481	192,298	121,625	371,018	178,067	63,141	363,980	205,441	374,204	2,710,967	2,608,830	
Non-current	-	-	16,226	-	-	-	30,496	-	-	6,012	1,676	27,379	15,436	52,121	6,007	13,523	168,876	175,611	
	45,093	26,634	296,579	-	390,889	29,364	78,875	20,481	192,298	127,637	372,694	205,446	78,577	416,101	211,448	387,727	2,879,843	2,784,441	
<b>Fund balance</b>																			
	-	(5,698)	-	-	78,242	19,228	29,615	1,248	(22,571)	-	18,656	(774)	50,837	-	111,004	57,966	337,753	388,861	
	45,093	20,936	296,579	-	469,131	48,592	108,490	21,729	169,727	127,637	391,350	204,672	129,414	416,101	322,452	445,693	3,217,596	3,173,302	
<b>Results of operations</b>																			
Revenues	48,262	33,953	2,100,506	96,554	1,617,786	323,894	408,472	1,248	8,502	960,221	1,419,009	2,236,492	397,644	1,347,940	1,944,438	1,235,323	14,180,244	9,544,937	
Expenses	48,262	70,081	2,100,506	96,554	1,650,756	304,667	378,857	-	31,073	960,221	1,428,743	2,295,630	415,086	1,347,940	1,925,619	1,177,357	14,231,352	9,672,688	
Excess (deficiency) of revenue over expenses	-	(36,128)	-	-	(32,970)	19,227	29,615	1,248	(22,571)	-	(9,734)	(59,138)	(17,442)	-	18,819	57,966	(51,108)	(127,751)	
<b>Cash flows provided by (used in) operating activities</b>																			
	24,868	(116,984)	13,614	(18,027)	(71,008)	17,985	42,635	1,248	(97,257)	144,369	26,911	(117,853)	(285)	(51,206)	8,652	145,982	(46,356)	(146,647)	

# Mennonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

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(expressed in US dollars)

### 5 Loans receivable

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

	2018 \$	2017 \$
Canada	232,205	257,368
Ghana	380,329	476,432
Haiti	-	410,932
Nicaragua	1,697,490	1,259,490
Romania	200,000	200,000
Sierra Leone	891,114	891,114
Tanzania	775,000	
Ukraine	1,514,334	1,514,334
United States	1,377,165	1,457,164
	<hr/> 7,067,637	<hr/> 6,466,834
Less: Provision for uncertainty of collection:		
Canada	(3,054)	(3,096)
Ghana	(139,072)	(96,866)
Romania	(100,000)	-
Sierra Leone	(317,499)	(313,143)
	<hr/> 6,508,012	<hr/> 6,053,729
Less: Current portion of loans receivable	<hr/> 1,055,115	<hr/> 1,115,623
Non-current portion of loans receivable	<hr/> 5,452,897	<hr/> 4,938,106

Loans receivable bear interest rates from 0-12% with maturity dates varying from on demand to 2023 and thereafter.

Scheduled repayments of loans receivable are as follows:

	\$
2019	1,055,115
2020	3,527,545
2021	645,329
2022	75,000
2023 and thereafter	1,764,648
	<hr/> 7,067,637

# **Mennonite Economic Development Associates**

## **Notes to Financial Statements**

**June 30, 2018**

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(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 of \$152,512 is included with respect to such provisions (2017 - \$425,153).

### **Related party balances**

Loans receivable include \$229,151 (\$301,254 CDN) (2017 - \$254,272 (\$329,740 CDN) loaned to Sarona Asset Management, Inc. The loan is due in 2026 with 5% interest principal payments due quarterly.

### **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, \$1,667,490 is loaned under those conditions (2017 - \$1,229,490). 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, 2018

(expressed in US dollars)

### 6 Investments

Investments consist of the following:

	2018 \$	2017 \$
Accounted for using the equity method:		
CODIP, S.A., Paraguay - 11.6% of issued and outstanding common shares	1,593,026	1,559,614
MicroVest General Partner and MicroVest Capital Management USA (combined) - 26.4% of outstanding common shares	381,499	448,511
IMON L.L.C., Tajikistan - 8.7% (2017 - 9.7%) of issued and outstanding common shares	1,546,041	1,509,560
Sarona Frontier Markets Funds 1, L.P., Global - 15.6% (2017 - 14.6%) of contributed capital	3,100,401	3,016,093
Sarona Frontier Markets Funds 2, L.P., Global - 1.3% (2017 - 1.3%) of contributed capital	1,772,309	1,133,632
Sarona Risk Capital Fund 1, L.P., Global - 30.6% (2017 - 13.6%) of contributed capital	128,869	54,487
Sarona Asset Management Canada, 10% of issued and outstanding shares	28,200	35,215
MicroVest Short Duration Fund A, 0.5% of contributed capital	556,135	547,833
MicroVest Plus, L.P., 1.9% of contributed capital	246,380	218,658
MiCredito, Nicaragua, 30% (2017 - 29.8%) of issued and outstanding common shares	1,412,264	1,309,825
Access Africa Fund, LLC 9.09% of issued and outstanding common shares	243,064	253,822
Treetops Capital Agribusiness Fund, L.P., 39% of contributed capital	452,779	898,182
Sarona Trade Finance Fund - 12% of contributed capital	1,454,716	1,433,501
North Kenya Growth Fund - 42% of issued and outstanding shares	785	-
	12,916,468	12,418,933
	2018 \$	2017 \$
Accounted for at cost:		
Sevis Finansye Fonkoze, Haiti - 2% of issued and outstanding common shares	1	1
MFX Solutions - 0.6% of issued and outstanding shares	104,315	104,315
Mobile Transactions International - 2.2% of issued and outstanding shares	240,085	240,085
Women's World Banking Capital Partners L.P. - 3.0% of contributed capital	1,134,985	976,552
Business Partners East Africa LLC. - 4.8% of issued and outstanding shares	910,828	688,752
SEAF Single Vintage Flex Fund	227,000	250,000
	2,617,214	2,259,705
Total investments	15,533,682	14,678,638

# Mennonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

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(expressed in US dollars)

### 7 Capital assets

	2018 \$	2017 \$
Office furniture, leasehold improvements and equipment	1,516,010	780,729
Less: Accumulated amortization	661,449	626,699
	<u>854,561</u>	<u>154,030</u>

### 8 Deferred contributions

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

	2018 \$	2017 \$
<b>Deferred contributions - Beginning of year</b>	313,910	48,817
Contributions received during year	8,093,532	6,520,950
Contributions recognized in revenue during year	(8,227,563)	(6,262,701)
Revaluation of foreign currency balances	1,497	6,844
	<u>181,376</u>	<u>313,910</u>

# Mennonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

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(expressed in US dollars)

### 9 Notes payable

Notes payable consist of:

	2018 \$	2017 \$
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 (2017 - \$600,000), interest at 2.5% and 4% per annum, due December 31, 2019 and December 31, 2021	456,395	462,677
Various promissory notes, interest at rates varying from 0% - 4%, with maturities at various dates from 30 days subsequent to demand to March 31, 2024		
- US\$ denominated	2,205,783	1,674,490
- CDN\$ denominated CDN \$7,383,112 (2017 - CDN \$6,675,799)	5,616,028	5,147,902
- Euro denominated €1,333,857 (2017 - €1,411,357)	1,558,827	1,605,977
	<hr/> 10,337,033	<hr/> 9,391,046
Less: Current portion	3,053,881	3,199,361
	<hr/> 7,283,152	<hr/> 6,191,685

The notes payable are unsecured.

Scheduled repayment of notes payable is as follows:

	\$
2019 and open maturities	3,053,881
2020	2,153,373
2021	2,089,489
2022	770,108
2023 and thereafter	2,270,182
	<hr/> 10,337,033

Expenses include interest paid on long-term notes payable of \$220,489 (2017 - \$213,309).

### 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, \$1,484,490 is payable under those conditions (2017 - \$1,229,490).

# Mennonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

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(expressed in US dollars)

### Notes payable from MEDA Directors

Of the notes payable listed above \$1,521,317 is payable to MEDA Directors (2017 - \$1,542,258).

## 10 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.

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.

Periodic payments made on subvention certificates during the year amount to \$225 (2017 - \$300).

## 11 Unrealized investment loss

Unrealized investment loss includes the following:

	2018 \$	2017 \$
Provision for value of loans receivable	152,512	425,153
Equity share of loss on investments	7,144	21,497
	<hr/> 159,656	<hr/> 446,650

# Mennonite Economic Development Associates

## Notes to Financial Statements

June 30, 2018

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(expressed in US dollars)

### 12 Foreign exchange gains and losses

Other expenses includes foreign exchange losses of \$122,079 (2017 - other income includes gains of \$114,793).

### 13 Other expenses

Other expenses consist of:

	2018	2017
	\$	\$
(Recovery of) provision for uncollectable accounts receivable or advances to country programs	(50,000)	48,724
MEDA Trade Co. operating costs	116	90,945
Other	494	311
Foreign exchange losses	122,079	-
	<u>72,689</u>	<u>139,980</u>

### 14 Related party transactions and balances

MEDA holds a 10% ownership interest in Sarona Asset Management, Inc. Accounts payable include \$131,602 owing to Sarona Asset Management, Inc. as at year-end (2017 - \$169,785).

Expenses for the year include \$519,075 (2017 - \$635,370) in management fees paid to Sarona Asset Management, Inc.

### 15 Contingencies and commitments

#### a) Minimum lease commitments

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

	\$
2019	409,450
2020	344,971
2021	310,798
2022	310,798
2023 and thereafter	1,971,920

#### b) Commitments

MEDA has outstanding forward currency contracts for the purchase of \$7,000,000 CDN (2017 - \$7,000,000 CDN) between January, 2019 and December, 2019 and 1,135,857€ between

# **Mennonite Economic Development Associates**

## **Notes to Financial Statements**

**June 30, 2018**

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(expressed in US dollars)

March, 2020 and May, 2020. 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.

## **16 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, 2018

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(expressed in US dollars)

### 17 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 \$	2018 \$	2017 \$
Constituency engagement	48,811	12,446	75,997	159,206	296,460	266,851
Development programs	880,669	833,427	228,034	184,906	2,127,036	1,697,222
Resource development	146,596	38,430	76,010	257,289	518,325	466,173
Sarona Risk Capital Fund	-	71,530	126,685	-	198,215	182,597
	<u>1,076,076</u>	<u>955,833</u>	<u>506,726</u>	<u>601,401</u>	<u>3,140,036</u>	<u>2,612,843</u>

### 18 Government remittances

MEDA had no outstanding government remittances as at June 30, 2018 (2017 - \$nil).

**Mennonite Economic Development Associates**  
**Supplementary Consolidating Schedules**  
**For the year ended June 30, 2018**

(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 (note 3)	11,491,340	6,452,171	47,245	-	-	166	-	-	17,990,922
Accounts receivable	715,897	403,834	-	-	-	-	-	-	1,119,731
Advances to MEDA Country Programs and partners (note 4)	1,759,656	344,730	-	-	-	-	-	-	2,104,386
Work-in-progress	11,301	-	-	-	-	-	-	-	11,301
Prepaid expenses	62,663	26,271	-	-	-	-	-	-	88,934
Due from related parties	-	4,026,917	267,957	-	-	-	-	(4,294,874)	-
Current portion of loans receivable (note 5)	-	1,055,115	-	-	-	-	-	-	1,055,115
Loans receivable (note 5)	1,245,408	4,207,489	-	-	-	-	-	-	5,452,897
Loans receivable from related parties	14,549,706	-	-	-	-	-	-	(14,549,706)	-
Investments (note 6)	2,366,329	13,167,453	-	-	-	-	-	(100)	15,533,682
Capital assets (note 7)	849,000	5,561	-	-	-	-	-	-	854,561
<b>Total assets</b>	<b>33,051,300</b>	<b>29,689,541</b>	<b>315,202</b>	<b>-</b>	<b>-</b>	<b>166</b>	<b>-</b>	<b>(18,844,680)</b>	<b>44,211,529</b>
Accounts payable and accrued liabilities (note 14)	934,386	426,111	-	-	-	-	-	-	1,360,497
Deferred contributions (note 8)	88,034	93,342	-	-	-	-	-	-	181,376
Deferred grants and contracts	9,748,822	3,615,700	-	-	-	-	-	-	13,364,522
Due to related parties (note 14)	4,027,802	-	167,072	-	-	-	100,000	(4,294,874)	-
Due to MEDA Country Programs and partners (note 4)	57,419	1,687	-	-	-	-	-	-	59,106
Current portion of notes payable (note 9)	2,346,881	707,000	-	-	-	-	-	-	3,053,881
Notes payable to related parties (note 9)	-	14,549,706	-	-	-	-	-	(14,549,706)	-
Notes payable (note 9)	6,240,152	1,043,000	-	-	-	-	-	-	7,283,152
<b>Total liabilities</b>	<b>23,443,496</b>	<b>20,436,546</b>	<b>167,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>(18,844,580)</b>	<b>25,302,534</b>
Unrestricted net assets	9,607,804	9,252,995	148,130	-	-	166	(100,000)	(100)	18,908,995
<b>Total liabilities and equity</b>	<b>33,051,300</b>	<b>29,689,541</b>	<b>315,202</b>	<b>-</b>	<b>-</b>	<b>166</b>	<b>-</b>	<b>(18,844,680)</b>	<b>44,211,529</b>

# Menonite Economic Development Associates

## Supplementary Consolidating Schedules ...continued

For the year ended June 30, 2018

(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 \$
<b>Revenues</b>									
Grants and contracts	15,274,512	3,988,179	-	-	-	-	-	-	19,262,691
Contributions (note 8)	3,363,345	4,289,999	576,451	-	-	-	-	(2,232)	8,227,563
Contributions from related organizations	884,252	-	-	-	-	-	-	(884,252)	-
Consulting and program management fees	4,547,902	1,630,315	-	-	-	-	-	(979,496)	5,198,721
Realized investment income	349,822	264,981	-	8	-	225	-	(267,453)	347,583
Convention and tour fees	213,407	-	-	-	-	-	-	-	213,407
Other (note 12)	284,620	238,868	6,525	-	-	-	-	(207,037)	322,976
	24,917,860	10,412,342	582,976	8	-	225	-	(2,340,470)	33,572,941
<b>Expenses</b>									
Development programs	21,560,311	6,331,667	7,053	-	-	-	-	(1,248,464)	26,650,567
Resource development	693,827	857,249	40,622	-	-	-	-	-	1,591,698
Sarona Risk Capital Fund	281,106	1,066,500	-	-	-	15	-	(267,453)	1,080,168
Constituency engagement	608,861	528,417	48,716	-	-	-	-	-	1,185,994
Unrealized investment loss (note 11)	78,331	81,325	-	-	-	-	-	-	159,656
Other (note 13)	123,855	317,290	453,749	2,348	-	-	-	(824,553)	72,689
	23,346,291	9,182,448	550,140	2,348	-	15	-	(2,340,470)	30,740,772
Excess of revenues over expenses (expenses over revenues) for the year	1,571,569	1,229,894	32,836	(2,340)	-	210	-	-	2,832,169

# **Mennonite Economic Development Associates**

Supplemental Information  
**June 30, 2018**  
(expressed in US dollars)

# Mennonite Economic Development Associates

## Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

(expressed in US dollars)

Awarding Agency/ PassThrough Entity	CFDA Number	Grant Name	Grant/ Pass-Through Number	2018 Federal Expenditures \$	Passed to sub- recipients \$
USAID	98.001	Libya Women's Economic Empowering Program	AID-OAA-A-12-00074	468,909	-
USAID	98.001	ENGINE	IESC 165001	637,948	30,448
USAID	98.001	Jordan Local Enterprise Support	AID-278-LA-14-00001	933,598	201,023
USAID	98.001	Gendered ESG Framework	2016-AMEG-005	219,093	144,720
USAID	98.001	Invest East Africa	AID-623-A-15-00002	329,459	129,216
Total Federal Expenditures				<u>2,589,007</u>	<u>505,407</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, 2018**

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(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 June 2019. 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 2018. 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, 2018**

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(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 ended in 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, 2018

(expressed in US dollars)

	Total expenditures \$	Unallowable cost \$	Allowable cost \$	Direct cost \$	Distorting items \$	Net direct costs \$	Indirect costs \$
HQ salaries, benefits, recruitment	6,870,799	-	6,870,799	3,805,388	-	3,805,388	3,065,411
Travel	525,380	-	525,380	219,840	-	219,840	305,540
Telephone, fax, e-mail, postage, courier	63,572	-	63,572	22,948	-	22,948	40,624
Rent, office costs, office supplies, printing	584,083	-	584,083	41,741	-	41,741	542,342
Audit, legal and consulting fees	804,916	-	804,916	564,177	519,075	45,102	240,739
Variable program costs	21,111,010	80,703	21,030,307	21,011,210	8,864,090	12,147,120	19,097
Promotion and advertising	153,024	153,024	-	-	-	-	-
Seminars, meetings, publications, training	346,255	(29,112)	375,367	90,010	-	90,010	285,357
Foreign exchange losses	122,079	122,079	-	-	-	-	-
Loss on investments	159,654	159,654	-	-	-	-	-
Total	30,740,772	486,348	30,254,424	25,755,314	9,383,165	16,372,149	4,499,110
Indirect cost rate	<u>4,499,110</u>	27.48%					
	16,372,149						

The accompanying notes are an integral part of this schedule.

# **Mennonite Economic Development Associates**

## **Notes to Schedule of Indirect Cost Rate**

**June 30, 2018**

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(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 15, 2019

**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, 2018 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 15, 2019. 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, 2018. 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).

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*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 15, 2019

**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, 2018. 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.

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*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, 2018. 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, 2018.

#### **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, 2018**

**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

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**Mennonite Economic Development Associates  
Schedule of Status of Prior Year Findings  
for the Year Ended June 30, 2018**

There are no prior year findings.