

# **Mennonite Economic Development Associates**

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

**June 30, 2019**

(expressed in US dollars)

EIN#23-7398678



## *Independent auditor's report*

To the Board of Directors of Mennonite Economic Development Associates

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mennonite Economic Development Associates (the Organization) as at June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **What we have audited**

The Organization's consolidated financial statements comprise:

- the consolidated balance sheet as at June 30, 2019;
- the consolidated statement of operations and changes in unrestricted net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

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. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

PricewaterhouseCoopers LLP in Canada was responsible for the audit of the Organization for the year ended June 30, 2019. 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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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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Other matter*

In accordance with Government Auditing Standards, we have also issued our reports of independent auditors dated November 25, 2019 on 1) 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 and 2) Internal Control over Financial Reporting, Compliance and Other Matters, and Reports on the Schedule of Expenditures of Federal Awards and the Schedule of Indirect Cost Rate Based on an Audit of the consolidated financial statements Performed in Accordance with Government Auditing Standards for the year ended June 30, 2019. The purposes of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and to provide an opinion on the Schedule of Expenditures of Federal Awards and Schedule of Indirect Cost Rate in relation to the consolidated financial statements. These reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the Organization's internal control over financial reporting and compliance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
November 25, 2019

# Mennonite Economic Development Associates

## Consolidated Balance Sheet

As at June 30, 2019

(expressed in US dollars)

	2019 \$	2018 \$
<b>Assets</b> (note 14)		
<b>Current assets</b>		
Cash and short-term deposits (note 3)	17,892,517	17,990,922
Accounts receivable	1,300,888	1,119,731
Advances to MEDA Country Programs and partners (note 4)	1,327,725	2,104,386
Work in progress	14,982	11,301
Prepaid expenses	227,635	88,934
Current portion of loans receivable (note 5)	3,892,107	1,055,115
	<u>24,655,854</u>	<u>22,370,389</u>
<b>Non-current assets</b>		
Loans receivable (note 5)	3,682,839	5,452,897
Investments (note 6)	18,559,095	15,533,682
Capital assets (note 7)	1,406,657	854,561
	<u>23,648,591</u>	<u>21,841,140</u>
	<u>48,304,445</u>	<u>44,211,529</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 13)	1,458,749	1,360,497
Deferred contributions (note 8)	304,613	181,376
Deferred grants and contracts	11,909,361	13,364,522
Due to MEDA Country Programs and partners (note 4)	25,575	59,106
Current portion of notes payable (note 9)	3,738,515	3,053,881
	<u>17,436,813</u>	<u>18,019,382</u>
<b>Notes payable</b> (note 9)	<u>8,111,842</u>	<u>7,283,152</u>
	25,548,655	25,302,534
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>22,755,790</u>	<u>18,908,995</u>
	<u>48,304,445</u>	<u>44,211,529</u>
<b>Contingencies and commitments</b> (note 14)		

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

# Mennonite Economic Development Associates

## Consolidated Statement of Operations and Changes in Unrestricted Net Assets

For the year ended June 30, 2019

(expressed in US dollars)

	2019 \$	2018 \$
<b>Revenues</b>		
Grants and contracts	23,106,187	19,262,691
Contributions (note 8)	10,840,371	8,227,563
Consulting and program management fees	5,222,647	5,198,721
Realized investment income	387,781	347,583
Convention and tour fees	202,177	213,407
Other	109,771	322,976
	<u>39,868,934</u>	<u>33,572,941</u>
<b>Expenses</b>		
Development programs	30,900,360	26,650,567
Resource development	1,715,231	1,591,698
MEDA Risk Capital Fund	1,093,026	1,080,168
Constituency engagement	1,006,994	1,185,994
Unrealized investment loss (note 11)	1,199,860	159,656
Other (note 12)	106,668	72,689
	<u>36,022,139</u>	<u>30,740,772</u>
<b>Excess of revenues over expenses for the year</b>	3,846,795	2,832,169
<b>Unrestricted net assets – Beginning of year</b>	18,908,995	16,077,051
	22,755,790	18,909,220
<b>Subvention certificate payments</b> (note 10)	-	(225)
<b>Unrestricted net assets – End of year</b>	<u>22,755,790</u>	<u>18,908,995</u>

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

# Mennonite Economic Development Associates

## Consolidated Statement of Cash Flows

For the year ended June 30, 2019

(expressed in US dollars)

	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	3,846,795	2,832,169
Items not affecting cash		
Amortization of capital assets	247,054	129,089
Gain on sale of investments	-	(6,772)
Equity share of loss on investment	983,671	7,144
Loan loss provision	217,617	152,512
Unrealized foreign exchange gain on notes payable	(14,100)	(32,758)
Unrealized foreign exchange (gain) loss on loans receivable	(1,933)	8,379
	<u>5,279,104</u>	<u>3,089,763</u>
Net change in non-cash working capital items	<u>(1,557,211)</u>	<u>1,895,853</u>
	<u>3,721,893</u>	<u>4,985,616</u>
<b>Financing activities</b>		
Increase in notes payable	1,972,590	1,653,383
Repayments of notes payable	(445,166)	(674,638)
Repayments of subvention certificates	-	(10,000)
Subvention certificates payments	-	(225)
	<u>1,527,424</u>	<u>968,520</u>
<b>Investing activities</b>		
Decrease in due to MEDA Country Programs and partners	(33,531)	(766,260)
Decrease (increase) in advances to MEDA Country Programs and partners	776,661	(714,011)
Increase in loans receivable	(1,282,618)	(615,174)
Purchase of capital assets	(799,150)	(829,620)
Proceeds on sale and distributions from investments	251,104	295,590
Increase in investments	(4,260,188)	(1,151,006)
	<u>(5,347,722)</u>	<u>(3,780,481)</u>
<b>Changes in cash and short-term deposits</b>	<u>(98,405)</u>	<u>2,173,655</u>
<b>Cash and short-term deposits – Beginning of year</b>	<u>17,990,922</u>	<u>15,817,267</u>
<b>Cash and short-term deposits – End of year</b>	<u>17,892,517</u>	<u>17,990,922</u>
<b>Supplemental disclosure of cash flow information</b>		
Net interest received (paid)	12,169	(19,395)

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

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

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

The consolidated financial statements include the combined activities of Mennonite Economic Development Associates, Mennonite Economic Development Associates of Canada, MEDA Global Inc. and MEDA Europa, consolidated 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 Consolidated Financial Statements

June 30, 2019

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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 consolidated financial position and results of operations of the MEDA Country Programs is included in notes to these consolidated 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 consolidated 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 Consolidated Financial Statements**

**June 30, 2019**

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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 10 years.

### **Foreign currency translation**

Monetary assets and liabilities held in currencies other than the United States dollar are translated at the rate of exchange prevailing at the 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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **Mennonite Economic Development Associates**

## **Notes to Consolidated Financial Statements**

**June 30, 2019**

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(expressed in US dollars)

### **Allocation of expenses**

MEDA executes development programs, arranges programs and publications for its members, and operates the MEDA Risk Capital Fund. In the current year, Saronia Risk Capital Fund amended its name to MEDA 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 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 \$10,886,249 (2018 – \$11,441,512).

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

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(expressed in US dollars)

### 4 MEDA Country Programs and partners

Advances to MEDA Country Programs and partners are as follows:

	2019 \$	2018 \$
MEDA Libya	46,425	45,093
MEDA Ethiopia	122,366	84,373
MEDA Ghana	-	154,527
MEDA Jordan	291,375	246,562
MEDA Kenya	80,880	238,407
MEDA Myanmar	22,658	155,782
MEDA Nicaragua	106,916	-
MEDA Nigeria	5,639	32,493
MEDA Pakistan	-	159,272
MEDA Ukraine	133,288	269,792
MEDA Tanzania	287,826	626,482
Other partner agencies	230,352	91,603
	<hr/> 1,327,725	<hr/> 2,104,386

The advances are non-interest bearing and are unsecured.

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

	2019 \$	2018 \$
MEDA Ghana	25,575	48,717
MEDA Nicaragua	-	8,702
Other partner agencies	-	1,687
	<hr/> 25,575	<hr/> 59,106

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

(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, 2019 and results of operations for the year then ended are as follows:

																2019	2018
	Libya	Tanzania	Tanzania	Tanzania	Nicaragua	Nigeria	Pakistan	Pakistan	Ethiopia	Ukraine	Ghana	Ghana	Kenya	Myanmar	Jordan	Total	Total
	\$	\$	Cassava	SSBVC	\$	\$	\$	BPP	\$	\$	GROW	FEATS	\$	\$	\$	\$	\$
<b>Assets</b>																	
Current	46,723	13,422	172,609	305,489	160,848	74,748	-	-	169,260	185,905	32,248	44,019	262,110	62,540	382,954	1,912,875	2,672,069
Non-current	-	-	12,930	48,819	16,898	53,027	-	-	10,516	15,310	-	41,422	24,004	81,231	68,343	372,500	545,527
	46,723	13,422	185,539	354,308	177,746	127,775	-	-	179,776	201,215	32,248	85,441	286,114	143,771	451,297	2,285,375	3,217,596
<b>Liabilities</b>																	
Current	46,723	23,478	172,609	305,489	160,848	74,699	-	-	169,260	185,904	29,101	44,019	262,110	62,540	391,442	1,928,222	2,710,967
Non-current	-	-	12,930	-	-	20,698	-	-	10,516	15,311	-	8,027	24,004	4,821	23,260	119,567	168,876
	46,723	23,478	185,539	305,489	160,848	95,397	-	-	179,776	201,215	29,101	52,046	286,114	67,361	414,702	2,047,789	2,879,843
<b>Fund balance</b>	-	(10,056)	-	48,819	16,898	32,378	-	-	-	-	3,147	33,395	-	76,410	36,595	237,586	337,753
	46,723	13,422	185,539	354,308	177,746	127,775	-	-	179,776	201,215	32,248	85,441	286,114	143,771	451,297	2,285,375	3,217,596
<b>Results of operations</b>																	
Revenues	286,252	14,611	2,418,457	2,475,648	489,987	968,778	1,422	33,592	1,237,913	1,586,946	1,763,276	654,972	1,980,213	2,135,492	2,375,167	18,422,726	14,180,244
Expenses	286,252	18,968	2,418,457	2,505,070	492,317	966,015	2,671	11,022	1,237,913	1,605,602	1,759,355	672,414	1,980,213	2,170,086	2,396,537	18,522,892	14,231,352
Excess (deficiency) of revenue over expenses	-	(4,357)	-	(29,422)	(2,330)	2,763	(1,249)	22,570	-	(18,656)	3,921	(17,442)	-	(34,594)	(21,370)	(100,166)	(51,108)
<b>Cash flows provided by (used in) operating activities</b>	5,754	8,403	52,351	116,492	110,053	9,820	(21,729)	(169,727)	19,022	(104,117)	(105,533)	2,141	82,656	19,853	74,248	99,687	(46,356)

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

(expressed in US dollars)

### 5 Loans receivable

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

	2019 \$	2018 \$
Canada	207,235	232,205
Ghana	381,796	380,329
Nicaragua	3,092,492	1,697,490
Romania	200,000	200,000
Sierra Leone	891,114	891,114
Tanzania	775,000	775,000
Ukraine	1,514,334	1,514,334
United States	1,287,165	1,377,165
	<u>8,349,136</u>	<u>7,067,637</u>
Less: Provision for uncertainty of collection		
Canada	-	(3,054)
Ghana	(256,691)	(139,072)
Romania	(200,000)	(100,000)
Sierra Leone	(317,499)	(317,499)
	<u>(774,190)</u>	<u>(559,625)</u>
	7,574,946	6,508,012
Less: Current portion of loans receivable	<u>3,892,107</u>	<u>1,055,115</u>
Non-current portion of loans receivable	<u>3,682,839</u>	<u>5,452,897</u>

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:

	\$
2020	4,209,606
2021	746,795
2022	700,000
2023	325,000
2024 and thereafter	<u>2,367,735</u>
	<u>8,349,136</u>

# **Mennonite Economic Development Associates**

## Notes to Consolidated Financial Statements

**June 30, 2019**

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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 \$217,617 is included with respect to such provisions (2018 – \$152,512).

### **Related party balances**

Loans receivable include \$207,235 (\$271,395 CDN) (2018 – \$229,151 (\$301,254 CDN)) loaned to Sarona Asset Management, Inc. The loan is due in 2026 with 5% interest and 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, \$3,062,491 is loaned under those conditions (2018 – \$1,667,490). 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 Consolidated Financial Statements

June 30, 2019

(expressed in US dollars)

### 6 Investments

Investments consist of the following:

	2019 \$	2018 \$
Accounted for using the equity method:		
CODIP, S.A., Paraguay – 11.6% of issued and outstanding common shares	1,511,363	1,593,026
MicroVest General Partner and MicroVest Capital Management USA (combined) – 26.4% of outstanding common shares	366,734	381,499
IMON L.L.C., Tajikistan – 8.7% of issued and outstanding common shares	1,715,421	1,546,041
Sarona Frontier Markets Funds 1, L.P., Global – 22.9% (2018 – 15.6%) of contributed capital	3,671,663	3,100,401
Sarona Frontier Markets Funds 2, L.P., Global – 3.9% (2018 – 1.3%) of contributed capital	4,445,374	1,772,309
Sarona Risk Capital Fund 1, L.P., Global – 37.3% (2018 – 30.6%) of contributed capital	154,128	128,869
Sarona Asset Management Canada, 10% of issued and outstanding shares	1	28,200
MicroVest Short Duration Fund A, 0.5% of contributed capital	572,440	556,135
MicroVest Plus, L.P., 1.9% of contributed capital	259,820	246,380
MiCredito, Nicaragua, 33.6% (2018 – 30.0%) of issued and outstanding common shares	1,315,627	1,412,264
Access Africa Fund, LLC 9.09% of issued and outstanding common shares	278,340	243,064
Treetops Capital Agribusiness Fund, L.P., 39% of contributed capital	1	452,779
Sarona Trade Finance Fund – 12% of contributed capital	1,465,060	1,454,716
North Kenya Growth Fund – 42% of issued and outstanding shares	785	785
	15,756,757	12,916,468
Accounted for at cost:		
Sevis Finansye Fonkoze, Haiti – 2% of issued and outstanding common shares	77,930	1
MFX Solutions – 0.6% of issued and outstanding shares	104,315	104,315
Mobile Transactions International – 2.2% of issued and outstanding shares	108,740	240,085
Women's World Banking Capital Partners L.P. – 3.0% of contributed capital	1,108,726	1,134,985
Business Partners East Africa LLC. – 4.8% of issued and outstanding shares	1,266,037	910,828
SEAF Single Vintage Flex Fund	136,590	227,000
	2,802,338	2,617,214
Total investments	18,559,095	15,533,682

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

(expressed in US dollars)

### 7 Capital assets

	2019 \$	2018 \$
Office furniture, leasehold improvements and equipment	1,794,715	1,516,010
Less: Accumulated amortization	388,058	661,449
	<u>1,406,657</u>	<u>854,561</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.

	2019 \$	2018 \$
<b>Deferred contributions – Beginning of year</b>	181,376	313,910
Contributions received during year	10,968,196	8,093,532
Contributions recognized in revenue during year	(10,840,371)	(8,227,563)
Revaluation of foreign currency balances	(4,588)	1,497
	<u>304,613</u>	<u>181,376</u>

### 9 Notes payable

Notes payable consist of:

	2019 \$	2018 \$
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 (2018 – 600,000), interest at 2.5% and 4% per annum, due December 31, 2019 and December 31, 2021	458,155	456,395
Various promissory notes, interest at rates varying from 0% – 4.0%, with maturities at various dates from 30 days subsequent to demand to March 31, 2024		
US\$ denominated	3,676,561	2,205,783
CDN\$ denominated CDN \$7,614,291 (2018 – CDN \$7,383,112)	5,814,211	5,616,028
Euro denominated €1,231,857 (2018 – €1,333,857)	1,401,430	1,558,827
	<u>11,850,357</u>	<u>10,337,033</u>
Less: Current portion	3,738,515	3,053,881
	<u>8,111,842</u>	<u>7,283,152</u>

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

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(expressed in US dollars)

The notes payable are unsecured.

Scheduled repayment of notes payable is as follows:

	\$
2020 and open maturities	3,738,515
2021	1,915,419
2022	2,165,523
2023	2,262,006
2024 and thereafter	1,768,894
	<hr/>
	11,850,357

Expenses include interest paid on long-term notes payable of \$214,037 (2018 – \$220,489).

### 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, \$3,062,491 is payable under those conditions (2018 – \$1,484,490).

### Notes payable from MEDA Directors

Of the notes payable listed above \$1,527,184 is payable to MEDA Directors (2018 – \$1,521,317).

## 10 Subvention certificates

Subvention certificates were issued by Saron 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.

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

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(expressed in US dollars)

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. Subsequent to 2018, no subvention certificates have been issued or repurchased.

Periodic payments made on subvention certificates during the year amount to \$nil (2018 – \$225).

### 11 Unrealized investment loss

Unrealized investment loss includes the following:

	2019 \$	2018 \$
Provision for value of loans receivable	217,617	152,512
Equity share of loss on investments	983,671	7,144
Other	(1,428)	-
	<hr/> 1,199,860	<hr/> 159,656

### 12 Other expenses

Other expenses consist of:

	2019 \$	2018 \$
Recovery of uncollectable accounts receivable or advances to country programs	(16,890)	(50,000)
MEDA Trade Co. operating costs	-	116
Other	669	494
Foreign exchange losses	122,889	122,079
	<hr/> 106,668	<hr/> 72,689

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

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(expressed in US dollars)

### 13 Related party transactions and balances

MEDA holds a 10% ownership interest in Sarona Asset Management, Inc. Accounts payable include \$129,534 owing to Sarona Asset Management, Inc. as at year-end (2018 – \$131,602).

Expenses for the year include \$511,975 (2018 – \$519,075) in management fees paid to Sarona Asset Management, Inc.

### 14 Contingencies and commitments

#### Minimum lease commitments

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

	\$
2020	384,713
2021	350,148
2022	351,010
2023	363,798
2024 and thereafter	1,785,465

#### Commitments

MEDA has outstanding forward currency contracts for the purchase of \$7,000,000 CDN (2018 – \$7,000,000 CDN) between December 2019 and December 2020 and 1,135,857€ between 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.

#### Contingencies

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

### 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

# Mennonite Economic Development Associates

## Notes to Consolidated Financial Statements

June 30, 2019

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(expressed in US dollars)

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 5.

## 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 \$	2019 \$	2018 \$
Constituency engagement	60,429	12,261	77,640	161,334	311,664	296,460
Development programs	1,035,041	858,253	203,268	126,762	2,223,324	2,127,036
Resource development	163,749	36,782	127,358	288,096	615,985	518,325
MEDA Risk Capital Fund	-	73,565	135,664	-	209,229	198,215
	<u>1,259,219</u>	<u>980,861</u>	<u>543,930</u>	<u>576,192</u>	<u>3,360,202</u>	<u>3,140,036</u>

## 17 Government remittances

MEDA had \$nil outstanding government remittances as at June 30, 2019 (2018 – \$nil).

# Menonite Economic Development Associates

## Supplementary Consolidating Schedules

For the year ended June 30, 2019

(expressed in US dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europa \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
Cash and short-term deposits (note 3)	11,370,138	6,500,602	21,777	-	-	-	-	17,892,517
Accounts receivable	906,303	394,585	-	-	-	-	-	1,300,888
Advances to MEDA Country Programs and partners (note 4)	1,075,785	251,940	-	-	-	-	-	1,327,725
Work-in-progress	7,737	7,245	-	-	-	-	-	14,982
Prepaid expenses	108,337	119,298	-	-	-	-	-	227,635
Due from related parties	-	3,983,181	267,957	-	-	-	(4,251,138)	-
Current portion of loans receivable (note 5)	775,000	3,117,107	-	-	-	-	-	3,892,107
Loans receivable (note 5)	332,340	3,350,499	-	-	-	-	-	3,682,839
Loans receivable from related parties	15,353,029	-	-	-	-	-	(15,353,029)	-
Investments (note 6)	2,731,882	15,827,313	-	-	-	-	(100)	18,559,095
Capital assets (note 7)	1,404,942	1,715	-	-	-	-	-	1,406,657
<b>Total assets</b>	<b>34,065,493</b>	<b>33,553,485</b>	<b>289,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,604,267)</b>	<b>48,304,445</b>
Accounts payable and accrued liabilities (note 14)	993,896	464,853	-	-	-	-	-	1,458,749
Deferred contributions (note 8)	222,942	81,671	-	-	-	-	-	304,613
Deferred grants and contracts	8,070,714	3,838,647	-	-	-	-	-	11,909,361
Due to related parties (note 14)	3,984,066	-	167,072	-	-	100,000	(4,251,138)	-
Due to MEDA Country Programs and partners (note 4)	25,575	-	-	-	-	-	-	25,575
Current portion of notes payable (note 9)	2,608,515	1,130,000	-	-	-	-	-	3,738,515
Notes payable to related parties	-	15,353,029	-	-	-	-	(15,353,029)	-
Notes payable (note 9)	6,781,841	1,330,001	-	-	-	-	-	8,111,842
<b>Total liabilities</b>	<b>22,687,549</b>	<b>22,198,201</b>	<b>167,072</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>(19,604,167)</b>	<b>25,548,655</b>
<b>Unrestricted net assets</b>	<b>11,377,944</b>	<b>11,355,284</b>	<b>122,662</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>(100)</b>	<b>22,755,790</b>
<b>Total liabilities and equity</b>	<b>34,065,493</b>	<b>33,553,485</b>	<b>289,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,604,267)</b>	<b>48,304,445</b>

# Mennonite Economic Development Associates

Supplementary Consolidating Schedules ...continued

For the year ended June 30, 2019

(expressed in US dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europa \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
<b>Revenues</b>								
Grants and contracts	18,256,469	4,849,718	-	-	-	-	-	23,106,187
Contributions (note 8)	3,384,268	6,994,566	462,726	-	-	-	(1,189)	10,840,371
Contributions from related organizations	1,925,785	-	-	-	-	-	(1,925,785)	-
Consulting and program management fees	4,552,320	1,580,760	-	-	-	-	(910,433)	5,222,647
Realized investment income	389,541	264,022	-	-	-	-	(265,782)	387,781
Convention and tour fees	-	202,177	-	-	-	-	-	202,177
Other	31,239	191,643	-	-	-	-	(113,111)	109,771
	<u>28,539,622</u>	<u>14,082,886</u>	<u>462,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,216,300)</u>	<u>39,868,934</u>
<b>Expenses</b>								
Development programs	24,848,444	8,126,267	-	-	-	-	(2,074,351)	30,900,360
Resource development	809,454	905,777	-	-	-	-	-	1,715,231
MEDA Risk Capital Fund	277,469	1,081,172	-	-	167	-	(265,782)	1,093,026
Constituency engagement	232,198	774,796	-	-	-	-	-	1,006,994
Unrealized investment loss (note 11)	107,274	1,092,586	-	-	-	-	-	1,199,860
Other (note 12)	494,642	-	488,193	-	-	-	(876,167)	106,668
	<u>26,769,481</u>	<u>11,980,598</u>	<u>488,193</u>	<u>-</u>	<u>167</u>	<u>-</u>	<u>(3,216,300)</u>	<u>36,022,139</u>
Excess of revenues over expenses (expenses over revenues) for the year	<u>1,770,141</u>	<u>2,102,288</u>	<u>(25,467)</u>	<u>-</u>	<u>(167)</u>	<u>-</u>	<u>-</u>	<u>3,846,795</u>

# **Mennonite Economic Development Associates**

Supplemental Information  
**June 30, 2019**  
(expressed in US dollars)

# Mennonite Economic Development Associates

## Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

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(expressed in US dollars)

<b>Awarding Agency/ PassThrough Entity</b>	<b>CFDA Number</b>	<b>Grant Name</b>	<b>Grant/ Pass-Through Number</b>	<b>2019 Federal Expenditures \$</b>	<b>Passed to sub- recipients \$</b>
USAID	98.001	Libya Women's Economic Empowering Program	AID-OAA-A-12-00074	937,064	-
USAID	98.001	ENGINE	IESC 165001	665,871	-
USAID	98.001	Jordan Local Enterprise Support	AID-278-LA-14-00001	1,088,164	326,091
USAID	98.001	Invest East Africa	AID-623-A-15-00002	64,347	-
		Total Federal Expenditures		<u>2,755,446</u>	<u>326,091</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, 2019**

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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 consolidated 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 March 2020. 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 ended in 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 ended in August 2018. The aim of the program was 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, 2019**

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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.

# Mennonite Economic Development Associates

## Schedule of Indirect Cost Rate

For the year ended June 30, 2019

(expressed in US dollars)

	Total expenditures \$	Unallowable cost \$	Allowable cost \$	Direct cost \$	Distorting items \$	Net direct costs \$	Indirect costs \$
HQ salaries and benefits	6,831,849	-	6,831,849	3,550,182	-	3,550,182	3,281,667
Travel	640,871	-	640,871	213,593	-	213,593	427,278
Telephone, fax, e-mail, postage, courier	52,941	-	52,941	15,383	-	15,383	37,558
Rent, office costs, office supplies, printing	799,052	-	799,052	50,379	-	50,379	748,673
Audit, legal and consulting fees	816,058	-	816,058	547,623	511,975	35,648	268,435
Variable program costs	25,009,519	359,010	24,650,509	24,578,623	11,709,286	12,869,337	71,886
Promotion and advertising	121,834	121,834	-	-	-	-	-
Seminars, meetings, publications, training	427,267	8,537	418,730	78,113	-	78,113	340,617
Foreign exchange losses	122,889	122,889	-	-	-	-	-
Loss on investments	1,199,860	1,199,860	-	-	-	-	-
Total	<u>36,022,140</u>	<u>1,812,130</u>	<u>34,210,010</u>	<u>29,033,896</u>	<u>12,221,261</u>	<u>16,812,635</u>	<u>5,176,114</u>
Indirect cost rate	<u>5,176,114</u>	30.79%					
	16,812,635						

The accompanying notes are an integral part of this schedule.

# **Mennonite Economic Development Associates**

## Notes to Schedule of Indirect Cost Rate

**June 30, 2019**

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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.



November 25, 2019

**Report of Independent Auditors on Internal Control over Financial Reporting, Compliance and Other Matters, and Reports on the Schedule of Expenditures of Federal Awards and the Schedule of Indirect Cost Rate Based on an Audit of the consolidated financial statements Performed in Accordance with Government Auditing Standards**

**To the Members of  
Mennonite Economic Development Associates**

We have audited the consolidated financial statements for Mennonite Economic Development Associates (MEDA), which comprise the balance sheet as at June 30, 2019 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 consolidated financial statements dated November 25, 2019. We conducted our audit in accordance with, 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, 2019. 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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### **Internal control over financial reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.



### **Schedule of Expenditure of Federal Awards**

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditure of federal awards for the year ended June 30, 2019 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Schedule of Indirect Cost Rate**

The accompanying schedule of indirect cost rate for the year ended June 30, 2019 is also provided for additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. In our opinion, the schedule of indirect cost rate is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants



November 25, 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 Members 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, 2019. 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 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 in Canada was responsible for the audit of MEDA for the year ended June 30, 2019. 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, 2019.

#### **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, 2019**

**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

AID-OAA-A-12-00074

Name of Federal Program or Cluster

Jordan Local Enterprise Support

Libya Women's Economic Empowering

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, 2019**

There are no prior year findings.