

# **Mennonite Economic Development Associates**

Combined Financial Statements

**June 30, 2021**

(expressed in U.S. dollars)



## 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 combined financial statements present fairly, in all material respects, the financial position of Mennonite Economic Development Associates (the Organization) as at June 30, 2021 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 combined financial statements comprise:

- the combined balance sheet as at June 30, 2021;
- the combined statement of operations and changes in unrestricted net assets for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

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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 combined financial statements* section of our report.

PricewaterhouseCoopers LLP in Canada was responsible for the audit of the Organization for the year ended June 30, 2021. Personnel of this firm do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of Government Auditing Standards. However, the firm does participate in continuing education programs applicable in Canada.

*PricewaterhouseCoopers LLP*  
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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 combined 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 December 16, 2021 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 Expenditure of Federal Awards and the Schedule of Indirect Cost Rate Based on an Audit of the Combined Financial Statements Performed in Accordance with Government Auditing Standards for the year ended June 30, 2021. 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 Expenditure of Federal Awards and Schedule of Indirect Cost Rate in relation to the combined 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 combined financial statements**

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the combined 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 combined financial statements**

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 combined financial statements, including the disclosures, and whether the combined 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 combined 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  
December 16, 2021

# Mennonite Economic Development Associates

## Combined Balance Sheet

As at June 30, 2021

(expressed in U.S. dollars)

	2021 \$	2020 \$
<b>Assets</b> (note 13)		
<b>Current assets</b>		
Cash and short-term deposits (note 3)	16,197,528	18,817,259
Accounts receivable	2,178,465	699,922
Advances to MEDA Country Programs and partners (note 4)	2,622,067	878,229
Work in progress	36,117	127,331
Prepaid expenses	181,219	149,170
Current portion of loans receivable (note 5)	1,023,462	396,441
	<u>22,238,858</u>	<u>21,068,352</u>
<b>Non-current assets</b>		
Loans receivable (note 5)	1,254,948	2,546,913
Investments (note 6)	19,415,776	18,119,534
Capital assets (note 7)	1,628,412	1,234,289
	<u>22,299,136</u>	<u>21,900,736</u>
	<u>44,537,994</u>	<u>42,969,088</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 15)	1,328,513	861,831
Deferred contributions (note 8)	153,284	264,941
Deferred grants and contracts	10,947,661	10,865,616
Due to MEDA Country Programs and partners (note 4)	97,509	88,770
Current portion of notes payable (note 9)	3,381,961	3,081,672
	<u>15,908,928</u>	<u>15,162,830</u>
<b>Notes payable</b> (note 9)	<u>5,898,243</u>	<u>6,152,125</u>
	21,807,171	21,314,955
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>22,730,823</u>	<u>21,654,133</u>
	<u>44,537,994</u>	<u>42,969,088</u>
<b>Contingencies and commitments</b> (note 12)		

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

# Mennonite Economic Development Associates

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

For the year ended June 30, 2021

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(expressed in U.S. dollars)

	2021 \$	2020 \$
<b>Revenues</b>		
Grants and contracts	19,434,474	21,985,911
Contributions (note 8)	6,253,904	6,485,104
Consulting and program management fees	3,909,762	4,920,514
Unrealized investment gain (note 10)	1,008,028	-
Realized investment income	312,088	591,924
Convention and tour fees	24,192	179,280
Other (note 11)	114,111	260,296
	<hr/> 31,056,559	<hr/> 34,423,029
<b>Expenses</b>		
Development programs	26,371,495	29,768,957
Resource development	1,613,381	1,765,301
MEDA Risk Capital Fund	1,085,862	1,084,682
Constituency engagement	886,551	1,187,792
Unrealized investment loss (note 10)	-	1,431,921
Other (note 11)	22,580	286,033
	<hr/> 29,979,869	<hr/> 35,524,686
<b>Excess of revenues over expenses (expenses over revenues) for the year</b>	1,076,690	(1,101,657)
<b>Unrestricted net assets – Beginning of year</b>	<hr/> 21,654,133	<hr/> 22,755,790
<b>Unrestricted net assets – End of year</b>	<hr/> <hr/> 22,730,823	<hr/> <hr/> 21,654,133

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

# Mennonite Economic Development Associates

## Combined Statement of Cash Flows

For the year ended June 30, 2021

(expressed in U.S. dollars)

	2021 \$	2020 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses (expenses over revenues) for the year	1,076,690	(1,101,657)
Items not affecting cash		
Amortization of capital assets	288,914	289,861
Gain on sale of investments	(114,871)	(96,942)
Equity share of (gain) loss on investment	(1,008,028)	1,749,419
Loan recovery provision	-	(317,498)
Unrealized foreign exchange loss (gain) on notes payable	684,410	(239,867)
Unrealized foreign exchange (gain) loss on loans receivable	(13,899)	35,178
	913,216	318,494
Net change in non-cash working capital items	(982,308)	(1,113,253)
	(69,092)	(794,759)
<b>Financing activities</b>		
Advances of notes payable	353,184	655,205
Repayments of notes payable	(991,187)	(3,031,898)
Increase in due to MEDA Country Programs and partners	8,739	63,195
	(629,264)	(2,313,498)
<b>Investing activities</b>		
(Increase) decrease in advances to MEDA Country Programs and partners	(1,743,838)	449,496
Issuance of new loans	(597,893)	(1,858,118)
Payment of loans	1,276,736	6,772,030
Purchase of capital assets	(683,037)	(117,493)
Proceeds on sale and distributions from investments	1,045,278	1,381,836
Purchase of investments	(1,218,621)	(2,594,752)
	(1,921,375)	4,032,999
<b>Changes in cash and short-term deposits</b>	(2,619,731)	924,742
<b>Cash and short-term deposits – Beginning of year</b>	18,817,259	17,892,517
<b>Cash and short-term deposits – End of year</b>	16,197,528	18,817,259
<b>Supplemental disclosure of cash flow information</b>		
Net interest (paid) received	(116,708)	67,731

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

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

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(expressed in U.S. dollars)

### 1 Purpose of the organization

Mennonite Economic Development Associates (MEDA) is an international economic development organization that creates business solutions to the relief of poverty.

### 2 Significant accounting policies

#### Basis of presentation

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

For the purposes of financial statement presentation, the following operations have been combined:

- Mennonite Economic Development Associates

Mennonite Economic Development Associates, a non-for-profit corporation without share capital, is incorporated under the state laws of Pennsylvania.

- Mennonite Economic Development Associates of Canada

MEDA Canada, a not-for-profit corporation without share capital, is incorporated as Mennonite Economic Development Associates of Canada under the federal laws of Canada and is a registered charity under the Income Tax Act.

- MEDA Europa

MEDA Europa, a not-for-profit corporation fully owned by MEDA, is incorporated under the federal laws of Germany.

- Sarona MEDA Investments, Inc.

Sarona MEDA Investments, Inc. is an asset management company. Sarona MEDA Investments, Inc. is a for-profit subsidiary of MEDA incorporated under the state laws of Pennsylvania. Sarona MEDA Investments, Inc. had no financial activity in the year.

- MEDA Trade Company Inc.

MEDA Trade Company Inc. is a controlled for-profit subsidiary of MEDA Canada, incorporated as a taxable corporation under the provincial laws of Ontario. MEDA Trade Company Inc. had no financial activity in the year.

# **Mennonite Economic Development Associates**

## **Notes to Combined Financial Statements**

**June 30, 2021**

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(expressed in U.S. dollars)

- MEDA Global Inc.

MEDA Global Inc. is a not-for-profit corporation based in Canada. MEDA Canada exercises control over MEDA Global Inc. as it manages and oversees its operations. MEDA Global Inc. had no financial activity in the year.

- 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. Sarona Global Investment Fund, Inc. is a not-for-profit subsidiary of MEDA, incorporated under the state laws of Pennsylvania. Sarona Global Investment Fund, Inc. had no financial activity in the year.

Excluded from combination in the financial statements are:

- MEDA Country Programs

MEDA Country Programs are not-for-profit operations based in Ghana, Tanzania, Ethiopia, Ukraine, Jordan, Myanmar, Nicaragua, Nigeria, Kenya, Senegal and Haiti. MEDA exercises control over these Country Programs as it manages and oversees their operations. A summary of the combined financial position and results of operations of the MEDA Country Programs is included in notes to these combined 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 combined 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.

# **Mennonite Economic Development Associates**

## **Notes to Combined Financial Statements**

**June 30, 2021**

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(expressed in U.S. dollars)

### **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.

### **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**

MEDA's financial instruments consist of cash and short term deposits, accounts receivable, advances to and due to MEDA Country Programs and partners, loans receivable, accounts payable and accrued liabilities and notes payable. Currency, liquidity and credit risk arising from these financial instruments is disclosed in note 13. The financial instruments are measured at amortized cost.

# **Mennonite Economic Development Associates**

## **Notes to Combined Financial Statements**

**June 30, 2021**

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(expressed in U.S. 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 combined 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 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, legal and marketing costs are allocated proportionately based on time spent by respective staff on each program area.
- Executive management and board 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 14.

### **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 \$8,478,879 (2020 – \$10,252,328).

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

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(expressed in U.S. dollars)

### 4 MEDA Country Programs and partners

Advances to MEDA Country Programs and partners are as follows:

	2021 \$	2020 \$
MEDA Libya	-	16
MEDA Ethiopia	53,733	-
MEDA Ghana	-	111,912
MEDA Haiti	205,427	-
MEDA Jordan	90,245	8,508
MEDA Kenya	400,886	200,550
MEDA Myanmar	14,171	29,846
MEDA Nicaragua	109,196	12,413
MEDA Nigeria	425,007	117,315
MEDA Senegal	319,916	32,347
MEDA Ukraine	335,348	177,736
MEDA Tanzania	356,403	53,659
Other partner agencies	311,735	133,927
	<hr/> 2,622,067	<hr/> 878,229

The advances are non-interest bearing and are unsecured.

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

	2021 \$	2020 \$
MEDA Ghana	38,266	-
MEDA Ethiopia	-	29,609
MEDA Tanzania	-	49,490
Other partner agencies	59,243	9,671
	<hr/> 97,509	<hr/> 88,770

## Mennonite Economic Development Associates

### Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. 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 combined 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-combined Country Program as at June 30, 2021 and results of operations for the year then ended are as follows:

											2021	2020	
	Tanzania	Tanzania	Ethiopia	Ukraine	Ghana	Kenya	Myanmar	Jordan	Nicaragua	Nigeria	Senegal	Total	Total
	\$	\$	\$	\$	FEATS	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>													
Current	323,828	45,272	106,759	403,249	12,704	462,392	12,620	143,167	199,076	536,301	332,772	2,578,140	1,618,376
Non-current	2,208	1,867	5,656	7,911	15,381	79,932	611	2	29,652	42,685	197,710	383,615	399,876
	326,036	47,139	112,415	411,160	28,085	542,324	13,231	143,169	228,728	578,986	530,482	2,961,755	2,018,252
<b>Liabilities</b>													
Current	323,828	55,329	106,763	403,249	21,145	462,392	12,620	143,166	199,077	536,251	332,772	2,596,592	1,625,239
Non-current	2,208	-	5,652	7,911	2,717	79,932	611	3	20,538	12,517	35,919	168,008	249,215
	326,036	55,329	112,415	411,160	23,862	542,324	13,231	143,169	219,615	548,768	368,691	2,764,600	1,874,454
<b>Fund balance</b>	-	(8,190)	-	-	4,223	-	-	-	9,113	30,218	161,791	197,155	143,798
	326,036	47,139	112,415	411,160	28,085	542,324	13,231	143,169	228,728	578,986	530,482	2,961,755	2,018,252
<b>Results of operations</b>													
Revenues	1,940,742	1,886,299	1,109,128	1,490,191	1,497,563	1,680,677	1,199,410	2,251,751	1,256,177	1,743,992	740,420	16,796,350	18,420,323
Expenses	1,940,742	1,901,897	1,109,128	1,490,191	1,512,440	1,680,677	1,238,214	2,283,954	1,260,805	1,737,601	587,343	16,742,992	18,514,112
Excess (deficiency) of revenue over expenses	-	(15,598)	-	-	(14,877)	-	(38,804)	(32,203)	(4,628)	6,391	153,077	53,358	(93,789)
<b>Cash flows provided by (used in) operating activities</b>	123,056	(34,463)	46,373	80,123	(149,854)	(49,813)	(117,104)	15,321	6,739	194,958	(19,286)	96,050	(97,665)

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

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(expressed in U.S. dollars)

### 5 Loans receivable

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

	2021 \$	2020 \$
Canada	159,784	176,555
Nicaragua	968,947	1,060,781
Sierra Leone	208,879	208,879
United States	940,800	1,497,139
	<hr/>	<hr/>
	2,278,410	2,943,354
Less: Current portion of loans receivable	1,023,462	396,441
	<hr/>	<hr/>
Non-current portion of loans receivable	1,254,948	2,546,913
	<hr/>	<hr/>

Loans receivable bear interest rates from 4% - 8.5% with maturity dates varying from on demand to 2026 and thereafter.

Scheduled repayments of loans receivable are as follows:

	\$
2022	1,023,462
2023	82,079
2024	370,236
2025	85,212
2026 and thereafter	717,421
	<hr/>
	2,278,410
	<hr/>

### 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 \$nil (2020 - \$nil) is included with respect to such provisions and reversal of provision is \$nil (2020 - \$317,498).

### 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, \$nil is loaned under those conditions (2020 - \$75,000). 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 Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

### 6 Investments

Investments consist of the following:

	2021 \$	2020 \$
Accounted for using the equity method		
CODIP, S.A., Paraguay – 11.6% (2020 – 11.6%) of issued and outstanding common shares	1,129,522	1,494,232
MiCredito, Nicaragua – 33.6% (2020 – 33.6%) of issued and outstanding common shares	1,771,463	1,351,213
Sarona Asset Management Inc., Canada – 9.9% (2020 – 10.0%) of issued and outstanding shares	7,365	1
Sarona Frontier Markets Fund 1, L.P., Global – 24.7% (2020 – 24.5%) of contributed capital	2,379,821	2,647,278
Sarona Frontier Markets International Fund 2, L.P., Global – 4.0% (2020 – 4.0%) of contributed capital	4,639,218	3,673,152
SGGM International 2 L.P., Global – 4.2% (2020 – 7.6%) of contributed capital	1,736,067	1,101,212
Sarona Risk Capital Fund 1, L.P., Global – 45.8% (2020 – 38.9%) of contributed capital	153,827	163,662
Sarona Trade Finance Fund – 11.8% (2020 – 12.0%) of contributed capital	1,377,624	1,501,773
MicroVest General Partner and MicroVest Capital Management USA (combined) – 26.4% (2020 – 26.4%) of outstanding common shares	1	152,899
MicroVest Short Duration Fund A – 0.3% (2020 – 0.5%) of contributed capital	122,027	590,280
MicroVest Plus, L.P. – 2.1% (2020 – 1.9%) of contributed capital	78,027	175,322
MicroVest Enhanced Debt Fund – 5.9% (2020 – 0%) of contributed capital	992,341	-
Access Africa Fund, LLC – 9.09% (2020 – 9.09%) of issued and outstanding common shares	27,144	117,623
Mountain Lion Agriculture (SL) Limited, Sierra Leone – 12.7% (2020 – 12.7%) of issued and outstanding common shares; 34.4% (2020 – 34.4%) of issued and outstanding preferred shares	584,861	584,861
	<u>14,999,308</u>	<u>13,553,508</u>
Accounted for at cost		
Fonkoze, S.A., Haiti – 1.7% (2020 – 1.7%) of issued and outstanding common shares	122,873	80,436
IMON L.L.C., Tajikistan – 8.7% (2020 – 8.7%) of issued and outstanding common shares	1,180,328	1,157,462
EFAfrica Group Ltd. – 8.5% (2020 – 11.7%) of issued and outstanding common shares	663,895	906,679
Women's World Banking Capital Partners L.P. – 3.1% (2020 – 3.1%) of contributed capital	807,946	1,052,115
Women's World Banking Capital Partners II L.P. – 1.0% (2020 – 1.0%) of contributed capital	266,406	-
Business Partners East Africa LLC – 4.8% (2020 – 4.8%) of issued and outstanding shares	1,250,020	1,266,037
SEAF Single Vintage Flex Fund	125,000	103,297
	<u>4,416,468</u>	<u>4,566,026</u>
Total investments	<u>19,415,776</u>	<u>18,119,534</u>

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

(expressed in U.S. dollars)

### 7 Capital assets

	2021 \$	2020 \$
Office furniture, leasehold improvements, land and equipment	2,533,974	1,875,829
Less: Accumulated amortization	905,562	641,540
	<u>1,628,412</u>	<u>1,234,289</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.

	2021 \$	2020 \$
<b>Deferred contributions – Beginning of year</b>	264,941	304,613
Contributions received during year	6,132,199	6,450,837
Contributions recognized in revenue during year	(6,253,904)	(6,485,104)
Revaluation of foreign currency balances	10,048	(5,405)
	<u>153,284</u>	<u>264,941</u>

### 9 Notes payable

Notes payable consist of:

	2021 \$	2020 \$
Everence Association, Inc., interest at 4%, due December 31, 2024	500,000	500,000
Kindred Credit Union, CDN \$600,000 (2020 – \$600,000), interest at 3% and 4% per annum, due December 31, 2021	484,027	441,956
Everence Federal Credit Union, interest at 1%, due May 5, 2022 administered under U.S. Small Business Administration Paycheck Protection Program	-	265,558
Various promissory notes, interest at rates varying from 0% – 4%, with maturities at various dates from 30 days subsequent to demand to March 31, 2031		
US\$ denominated	681,892	676,355
CDN\$ denominated CDN \$7,629,105 (2020 – CDN \$7,894,438)	6,154,488	5,814,996
Euro denominated €1,212,857 (2020 – €1,366,857)	1,459,797	1,534,932
	<u>9,280,204</u>	<u>9,233,797</u>
Less: Current portion	3,381,961	3,081,672
	<u>5,898,243</u>	<u>6,152,125</u>

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

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(expressed in U.S. dollars)

The notes payable are unsecured.

Scheduled repayment of notes payable is as follows:

	\$
2022 and open maturities	3,381,961
2023	2,395,050
2024	2,477,393
2025	554,181
2026 and thereafter	471,619
	<hr/>
	9,280,204
	<hr/>

Expenses include interest paid on long-term notes payable of \$134,422 (2020 – \$340,043).

### 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, \$nil is payable under those conditions (2020 – \$75,000).

### Notes payable from MEDA Directors

Of the notes payable listed above, \$1,210,068 is payable to MEDA Directors (2020 – \$1,473,188).

## 10 Unrealized investment (gain) loss

Unrealized investment (gain) loss includes the following:

	2021 \$	2020 \$
Recovery of value of loans receivable	-	(317,498)
Equity share of (gain) loss on investments	(1,008,028)	1,749,419
	<hr/>	<hr/>
	(1,008,028)	1,431,921
	<hr/>	<hr/>

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

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(expressed in U.S. dollars)

### 11 Other expenses

Other revenue includes:

	2021 \$	2020 \$
Foreign exchange gains	12,314	-
Other	101,797	260,296
	<hr/> 114,111	<hr/> 260,296

Other expenses consist of:

	2021 \$	2020 \$
Other	22,580	349
Foreign exchange losses	-	285,684
	<hr/> 22,580	<hr/> 286,033

### 12 Contingencies and commitments

#### Minimum lease commitments

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

	\$
2022	400,032
2023	381,092
2024	382,010
2025	384,002
2026 and thereafter	1,092,881

#### Commitments

MEDA has outstanding forward currency contracts for the purchase of \$3,000,000 CDN (2020 – \$3,000,000 CDN) in January to June 2022. 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.

# **Mennonite Economic Development Associates**

## **Notes to Combined Financial Statements**

**June 30, 2021**

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(expressed in U.S. dollars)

### **13 Financial instruments**

#### **Fair value**

The fair values of MEDA'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 MEDA 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**

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

#### **Credit risk**

Consistent with the purpose of MEDA, the lending of monies internationally and in areas with less stable political and economic climates exposes MEDA to increased credit risk. MEDA establishes provisions for uncertainty of collectability as disclosed in note 5.

#### **Liquidity risk**

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations as they fall due, without raising funds at unfavourable rates or selling assets on a forced basis. Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirement of MEDA's business have been met primarily by funds generated from operations. Cash provided from these sources is used primarily for payment of operating expenses. MEDA maintains a cash balance to meet liquidity requirements. As at June 30, 2021, MEDA has cash of \$16,197,528 (2020 – \$18,817,259).

# Mennonite Economic Development Associates

## Notes to Combined Financial Statements

June 30, 2021

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(expressed in U.S. dollars)

### Significant event

The impacts of COVID-19 in Canada continued to be felt during the fiscal year. The global pandemic has continued to impact MEDA's operations in various ways, including halting global travel and its workforce working remotely. Although the current impacts of the pandemic have not significantly impacted the operational results of MEDA, its investment portfolio or the operations of the various Country Programs, the full duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on MEDA's investment portfolio and its future ability to deliver the various Country Programs.

### 14 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, Accounting and legal \$	Executive management \$	Marketing \$	2021 \$	2020 \$
Constituency engagement	119,408	15,639	91,225	131,555	357,827	350,433
Development programs	954,097	827,770	174,108	154,111	2,110,086	2,092,571
Resource development	229,011	45,801	157,702	164,557	597,071	672,838
MEDA Risk Capital Fund	-	227,887	74,653	-	302,540	167,572
	<u>1,302,516</u>	<u>1,117,097</u>	<u>497,688</u>	<u>450,223</u>	<u>3,367,524</u>	<u>3,283,414</u>

### 15 Government remittances

MEDA had \$1,154 outstanding government remittances as at June 30, 2021 (2020 – \$nil).

# Mennonite Economic Development Associates

## Supplementary Combined Schedules

For the year ended June 30, 2021

(expressed in U.S. dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europe \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
Cash and short-term deposits (note 3)	10,981,734	5,168,576	47,218	-	-	-	-	16,197,528
Accounts receivable	1,546,953	631,512	-	-	-	-	-	2,178,465
Advances to MEDA Country Programs and partners (note 4)	1,989,222	632,845	-	-	-	-	-	2,622,067
Work-in-progress	36,117	-	-	-	-	-	-	36,117
Prepaid expenses	116,563	64,656	-	-	-	-	-	181,219
Due from related parties	-	5,700,921	264,363	-	-	-	(5,965,284)	-
Current portion of loans receivable (note 5)	698,406	325,056	-	-	-	-	-	1,023,462
Loans receivable (note 5)	131,378	1,123,570	-	-	-	-	-	1,254,948
Loans receivable from related parties	14,592,878	-	-	-	-	-	(14,592,878)	-
Investments (note 6)	3,298,905	16,116,971	-	-	-	-	(100)	19,415,776
Capital assets (note 7)	895,276	733,136	-	-	-	-	-	1,628,412
<b>Total assets</b>	<b>34,287,432</b>	<b>30,497,243</b>	<b>311,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,558,262)</b>	<b>44,437,994</b>
Accounts payable and accrued liabilities	778,582	549,931	-	-	-	-	-	1,328,513
Deferred contributions (note 8)	143,266	10,018	-	-	-	-	-	153,284
Deferred grants and contracts	7,574,197	3,373,464	-	-	-	-	-	10,947,661
Due to related parties	5,698,212	-	167,072	-	-	100,000	(5,965,284)	-
Due to MEDA Country Programs and partners (note 4)	97,509	-	-	-	-	-	-	97,509
Current portion of notes payable (note 9)	3,331,961	50,000	-	-	-	-	-	3,381,961
Notes payable to related parties	-	14,592,878	-	-	-	-	(14,592,878)	-
Notes payable (note 9)	5,298,243	600,000	-	-	-	-	-	5,898,243
<b>Total liabilities</b>	<b>22,921,970</b>	<b>19,176,291</b>	<b>167,072</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>(20,558,162)</b>	<b>21,807,171</b>
Unrestricted net assets	11,365,462	11,320,952	144,509	-	-	(100,000)	(100)	22,730,823
<b>Total liabilities and equity</b>	<b>34,287,432</b>	<b>30,497,243</b>	<b>311,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,558,262)</b>	<b>44,537,994</b>

# Mennonite Economic Development Associates

Supplementary Combined Schedules ...continued

For the year ended June 30, 2021

(expressed in U.S. dollars)

	MEDA Canada \$	MEDA (US) \$	MEDA Europe \$	MEDA Trade \$	Sarona Global Investment Fund \$	Sarona MEDA Investments Inc. \$	Intercompany eliminations \$	Total \$
<b>Revenues</b>								
Grants and contracts	15,894,664	3,539,810	-	-	-	-	-	19,434,474
Contributions (note 8)	2,616,795	3,140,141	496,968	-	-	-	-	6,253,904
Contributions from related organizations Consulting and program management fees	1,346,259	-	-	-	-	-	(1,346,259)	-
Unrealized investment gain	3,950,391	650,951	-	-	-	-	(691,580)	3,909,762
Realized investment income	-	1,383,613	-	-	-	-	(375,585)	1,008,028
Convention fees	313,718	225,979	-	-	-	-	(227,609)	312,088
Other	24,192	-	-	-	-	-	-	24,192
	627,814	27,190	29,407	-	-	-	(570,300)	114,111
	24,773,833	8,967,684	526,375	-	-	-	(3,211,333)	31,056,559
<b>Expenses</b>								
Development programs	22,173,750	5,236,745	-	-	-	-	(1,039,000)	26,371,495
Resource development	677,305	936,076	-	-	-	-	-	1,613,381
MEDA Risk Capital Fund	316,287	997,184	-	-	-	-	(227,609)	1,085,862
Constituency engagement	407,848	478,703	-	-	-	-	-	886,551
Unrealized investment loss (note 10)	375,585	-	-	-	-	-	(375,585)	-
Other (note 11)	284,713	581,027	725,979	-	-	-	(1,569,139)	22,580
	24,235,488	8,229,735	725,979	-	-	-	(3,211,333)	29,979,869
Excess of revenues over expenses (expenses over revenues) for the year	538,345	737,949	(199,604)	-	-	-	-	1,076,690

# **Mennonite Economic Development Associates**

Supplemental Information  
**June 30, 2021**  
(expressed in U.S. dollars)

# Mennonite Economic Development Associates

## Schedule of Expenditure of Federal Awards

**For the year ended June 30, 2021**

(expressed in U.S. dollars)

Awarding agency/ pass-through entity	CFDA number	Grant name	Grant/pass-through number	2021 federal expenditures \$	Passed to sub-recipients \$
USAID	98.001	VIRCA+	20390-M	88,352	-
USAID	98.001	ENGINE	IESC 165001	38,238	-
USAID	98.001	Attendre	72052120CA00011	1,082,244	148,693
USAID	98.001	SSI Grant	GSA-SSI-202006	20,614	-
Total federal expenditures				1,229,448	148,693

The accompanying notes are an integral part of this schedule.

# **Mennonite Economic Development Associates**

## **Notes to Schedule of Expenditure of Federal Awards**

**June 30, 2021**

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(expressed in U.S. dollars)

### **1 Purpose of the organization**

Mennonite Economic Development Associates (MEDA) is an international economic development organization that creates business solutions to the relief of poverty.

MEDA, a not-for-profit corporation without share capital, is incorporated as Mennonite Economic Development Associates under the state laws of Pennsylvania.

MEDA operates programs through its offices and partners in Canada, the United States, Ghana, Tanzania, Kenya and Haiti.

### **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 combined 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**

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 ended in July 2020. The aim of the program was 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 that promote and enable the 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**

## **Notes to Schedule of Expenditure of Federal Awards**

**June 30, 2021**

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(expressed in U.S. dollars)

Atteindre (Attain), Award Number 72052120CA00011.

This program began in August 2020 and continues until August 2024. The aim of the program is to provide targeted support for MSMEs (Micro, Small and Medium Enterprises) to become bankable enterprises, enabling them to grow, become more competitive and generate jobs. As a result of Atteindre, MSMEs will have more opportunities for growth, thus contributing sustainably to household income, business expansion and job creation. This in turn leads to increased household resilience and more inclusive economic growth.

Virus Resistant Cassava for Africa Plus (VIRCA Plus), Award Number 7200AA20CA00008, Sub-Award Number 20390-M.

This program began in October 2020 and continues until August 2025. The aim of MEDA's component of VIRCA Plus is the development of a cassava seed system that will deliver improved cassava varieties to farmers in Kenya.

Global Shea Alliance (SSI), Award Number 624-A-16-00010, Sub-Award Number GSA-SSI-202006.

This initiative began in September 2020 and ended in April 2021. The aim of this initiative was to support the implementation of the Sustainable Shea Initiative by constructing and donating nine processing centers with storage rooms, training 3,200 women shea collectors, facilitating trade of 994MT of butter and increasing income of beneficiaries by 30%.

## Mennonite Economic Development Associates

### Schedule of Indirect Cost Rate

For the year ended June 30, 2021

(expressed in U.S. dollars)

	Total expenditures \$	Unallowable cost \$	Allowable cost \$	Direct cost \$	Distorting items \$	Net direct costs \$	Indirect costs \$
HQ salaries and benefits	1,211,820	-	1,211,820	943,653	-	943,653	268,167
Travel	10,197	-	10,197	9,774	-	9,774	423
Telephone, fax, e-mail, postage, courier	12,959	-	12,959	7,837	-	7,837	5,122
Rent, office costs, office supplies, printing, insurance, bank fees	193,630	6,064	187,566	11,051	-	11,051	176,515
Audit, legal and consulting fees	560,896	-	560,896	455,056	371,566	83,490	105,840
Variable program costs	5,331,491	896,875	4,434,616	4,434,616	1,403,065	3,031,551	-
Promotion and advertising	31,658	31,658	-	-	-	-	-
Seminars, meetings, publications, training	22,071	-	22,071	8,627	-	8,627	13,444
Corporate services and management costs from MEDA of Canada	284,713	-	284,713	-	-	-	284,713
Unrealized foreign exchange losses	570,300	570,300	-	-	-	-	-
<b>Total</b>	<b>8,229,735</b>	<b>1,504,897</b>	<b>6,724,838</b>	<b>5,870,614</b>	<b>1,774,631</b>	<b>4,095,983</b>	<b>854,224</b>

Indirect cost rate (indirect costs divided by net direct costs)

20.86%

4,095,983

The accompanying notes are an integral part of this schedule.

# **Mennonite Economic Development Associates**

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

**June 30, 2021**

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(expressed in U.S. dollars)

### **1 Basis of presentation**

The schedule of indirect cost rate 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 the U.S. Agency for International Development. The indirect cost rate is calculated using the expenditures of MEDA (US) only and not the combined entity.

### **2 Negotiated indirect cost rate**

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



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

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

We have audited the combined financial statements for Mennonite Economic Development Associates (MEDA), which comprise the combined balance sheet as at June 30, 2021 and the combined 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 combined financial statements dated December 16, 2021. 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, 2021. 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 combined 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 combined 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 combined 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 combined 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 combined 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 combined financial statements as a whole. The accompanying schedule of expenditure of federal awards for the year ended June 30, 2021 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined 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 combined financial statements or to the combined 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 combined financial statements as a whole.

### **Schedule of indirect cost rate**

The accompanying schedule of indirect cost rate for the year ended June 30, 2021 is also provided for additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined 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 combined financial statements or to the combined 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 combined financial statements as a whole.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
December 16, 2021



## **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, 2021. 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, 2021. 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, 2021.

#### **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

Waterloo, Ontario  
December 16, 2021

**Mennonite Economic Development Associates  
Schedule of Findings and Questioned Costs  
for the Year Ended June 30, 2021**

**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:	Yes	✓	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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A	N/A

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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<b>Auditee qualified as low-risk auditee?</b>	✓	Yes	No
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**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, 2021**

There are no prior year findings.