

**THE MENNONITE BRETHREN  
CHURCH OF MANITOBA**

**Financial Statements**  
For the year ended December 31, 2016

# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Financial Statements

For the year ended December 31, 2016

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### Contents

<b>Review Engagement Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	<b>3</b>
Statement of Operations	<b>4</b>
Statement of Changes in Net Assets	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to Financial Statements	<b>7</b>



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## Review Engagement Report

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To the Board of Directors of  
**THE MENNONITE BRETHREN CHURCH OF MANITOBA**

We have reviewed the statement of financial position of **THE MENNONITE BRETHREN CHURCH OF MANITOBA**, as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by The Mennonite Brethren Church of Manitoba.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
February 28, 2017

# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Statement of Financial Position

December 31	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 678,602	\$ 490,049
Accounts receivable	3,450	9,202
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	455,116	710,993
Deposit held in trust (Note 9)	10,000	-
	1,147,168	1,210,244
<b>Loans receivable - related parties</b> (Note 3)	<b>575,624</b>	<b>588,095</b>
<b>Capital assets</b> (Note 4)	<b>641,165</b>	<b>654,975</b>
	<b>\$ 2,363,957</b>	<b>\$ 2,453,314</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 34,885	\$ 29,570
Demand loan (Note 5)	-	249,329
Current portion of loan payable (Note 7)	9,444	10,021
	44,329	288,920
<b>Deferred contributions</b> (Note 6)	<b>383,982</b>	<b>246,955</b>
<b>Deferred revenue</b>	-	3,270
<b>Loan payable - Canadian Conference of Mennonite Brethren Churches</b> (Note 7)	<b>286,688</b>	<b>295,177</b>
	<b>714,999</b>	<b>834,322</b>
<b>Net Assets</b>		
Net assets invested in capital assets	641,165	654,975
Net assets restricted as designated funds (Note 2)	653,559	525,174
Net assets internally restricted as reserve funds	316,401	300,718
Unrestricted net assets	37,833	138,125
	1,648,958	1,618,992
	<b>\$ 2,363,957</b>	<b>\$ 2,453,314</b>

Approved on behalf of the Leadership Board:

\_\_\_\_\_ Chair

\_\_\_\_\_ Secretary

## THE MENNONITE BRETHREN CHURCH OF MANITOBA

### Statement of Operations

**For the year ended December 31, 2016**

	2015 Actual	2016 Budget	<b>2016 Actual</b>	2017 Budget
<b>Revenue</b>				
Conference support from churches (CSF)	\$ 483,824	\$ 500,000	\$ <b>475,948</b>	\$ 480,000
Non-registered church donations	111,115	-	<b>127,331</b>	-
Estates gifts	68,965	30,000	<b>73,776</b>	30,000
Donations	39,898	41,000	<b>234,431</b>	86,000
Training funds	24,505	-	-	-
Registration	15,575	18,500	<b>19,498</b>	16,500
General Revenue	58,504	127,000	<b>87,112</b>	101,000
	<b>802,386</b>	<b>716,500</b>	<b>1,018,096</b>	<b>713,500</b>
<b>Expenditures</b>				
Personnel	298,876	301,200	<b>379,869</b>	368,500
Office and facility expense	108,170	107,300	<b>117,367</b>	114,000
Non-registered church expenses	111,581	-	<b>133,814</b>	-
Conference services	89,114	69,800	<b>70,861</b>	66,500
General expense	38,191	24,600	<b>48,816</b>	36,500
Grants and subsidies	198,735	205,850	<b>209,938</b>	187,500
	<b>844,667</b>	<b>708,750</b>	<b>960,665</b>	<b>773,000</b>
<b>Excess (deficiency) of revenue over expenditures before amortization</b>	<b>(42,281)</b>	<b>7,750</b>	<b>57,431</b>	<b>(59,500)</b>
<b>Amortization of capital assets</b>	<b>25,636</b>	<b>-</b>	<b>27,465</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ (67,917)</b>	<b>\$ 7,750</b>	<b>\$ 29,966</b>	<b>\$ (59,500)</b>

**THE MENNONITE BRETHREN CHURCH OF MANITOBA**  
**Statement of Changes in Net Assets**

**For the year ended December 31, 2016**

	Invested in Capital Assets	Restricted as Designated Funds	Internally Restricted as Reserve Funds (Note 2)	Unrestricted Net Assets	2016 Total	2015 Total
Balance, beginning of year	\$ 654,975	\$ 525,174	\$ 300,718	\$ 138,125	\$ 1,618,992	\$ 1,686,909
Excess (deficiency) of revenue over expenditures for the year	(27,465)	5,203	-	52,228	29,966	(67,917)
Investment in capital assets (net of disposals)	13,655	-	(13,655)	-	-	-
Transfer from unrestricted	-	123,182	29,338	(152,520)	-	-
<b>Balance, end of year</b>	<b>\$ 641,165</b>	<b>\$ 653,559</b>	<b>\$ 316,401</b>	<b>\$ 37,833</b>	<b>\$ 1,648,958</b>	<b>\$ 1,618,992</b>

## THE MENNONITE BRETHREN CHURCH OF MANITOBA

### Statement of Cash Flows

<b>For the year ended December 31</b>	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities</b>		
Excess (deficiency) of revenue over expenditures for the year	\$ 29,966	\$ (67,917)
Adjustments for		
Amortization of capital assets	27,465	25,636
	<b>57,431</b>	<b>(42,281)</b>
Changes in non-cash working capital balances		
Accounts receivable	5,752	8,059
Accounts payable	5,315	(18,515)
Deferred revenue	(3,270)	3,270
Deferred contributions	137,027	184,708
Demand loan	(249,329)	(11,171)
	<b>(47,074)</b>	<b>124,070</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(13,655)	(9,761)
Deposit held in trust	(10,000)	-
Repayment of long-term debt	(9,066)	(8,763)
Other loans receivable	12,471	7,570
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	255,877	96,073
	<b>235,627</b>	<b>85,119</b>
<b>Net increase in cash and cash equivalents</b>	<b>188,553</b>	<b>209,189</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>490,049</b>	<b>280,860</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 678,602</b>	<b>\$ 490,049</b>

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

For the year ended December 31, 2016

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### 1. Nature of Organization and Summary of Significant Accounting Policies

#### Nature and Purpose of Organization

The purpose of The Mennonite Brethren Church of Manitoba (the "Conference") is to serve as the denomination office for the churches in Manitoba affiliated with our Conference. The Conference promotes church planting in Manitoba communities, provide leadership development in existing churches, train and mentor people for service in their local church. The Conference supports the work of Simonhouse Bible Camp, supports denominational schools and partners with non-profit agencies providing inner-city compassionate ministry.

The Conference is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

#### Basis of Accounting

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

#### Revenue Recognition

The Conference follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Deferred contributions represents the funds collected for which services have not yet been provided. Unrestricted contributions are recognized as revenue when received. Interest is recognized on an accrual basis as earned. Contributions are recorded in the appropriate fund in the year received unless the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

For the year ended December 31, 2016

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### 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

#### Fund Accounting

The Conference follows the deferral method of accounting when accounting for contributions.

Unrestricted Net Assets - The Unrestricted Net Assets represents the funds used for the day to day operations of the Conference.

Net Assets Invested in Capital Assets - The Net Assets Invested in Capital Assets include real property at cost if purchased, or at estimated fair market value at the time of acquisition if donated or bequeathed.

Externally Restricted as Designated Funds - The Net Assets Externally Restricted as Designated Funds represents funds where a restriction is placed on the use of the funds by the Conference.

Net Assets Internally Restricted as Reserve Funds - The Net Assets Internally Restricted as Reserve Funds represents reserve funds for future acquisition of capital assets.

Interfund balances are unsecured, due on demand and are non-interest bearing.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances.

#### Long-term Investments

The Conference's investments are recorded at cost whereby the investment is initially recorded at cost and earnings from the investments are recognized only to the extent received or receivable.

#### Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	3% diminishing balance basis
Data Network equipment	30% diminishing balance basis
Computer equipment	55% diminishing balance basis
Office equipment	15% diminishing balance basis

#### Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time in furtherance of the Conference's programs. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Notes to Financial Statements

**For the year ended December 31, 2016**

### 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

### 2. Designated Funds

	Balance 2015	Receipts	Disbursements	Transfers	Balance 2016
Manitoba Conference					
A.A. DeFehr Fund	\$ 324,676	\$ 5,057	\$ -	\$ -	\$ 329,733
Other funds	9,697	146	-	6,996	2,847
C2C MB Fund	190,801	-	-	(70,000)	260,801
CFC Legacy Fund	-	-	-	(60,178)	60,178
<b>Total Designated Funds</b>	<b>\$ 525,174</b>	<b>\$ 5,203</b>	<b>\$ -</b>	<b>\$ (123,182)</b>	<b>\$ 653,559</b>

### 3. Loans Receivable - Related Parties

The Conference has a loan in the amount of \$296,133 receivable from Walls of Freedom, which is a charitable organization associated with the Conference. The loan relates to a mortgage with the Canadian Conference of Mennonite Brethren Churches, which was issued to fund an initiative of Walls of Freedom. See Note for repayment terms and security.

The Conference also has loans receivable in the amount of \$279,491 from House Blend Ministries, which it used for the purchase of a building and renovations to the building. There are no set terms of repayment for these loans. The loans consist of the following:

- A loan receivable in the amount of \$193,491. The loan bears interest at 2.5% per annum and the loan has no set terms of repayment.
- A loan receivable in the amount of \$86,000. The loan is interest free and the loan has no set terms of repayment.

# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

**For the year ended December 31, 2016**

#### 4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Mennonite Brethren Church Building	\$ 684,407	\$ 75,528	\$ 677,574	\$ 56,697
M.B. Conference equipment	102,469	72,259	95,648	63,992
Non-Registered Church fixed assets	11,261	9,185	11,261	8,819
	<b>\$ 798,137</b>	<b>\$ 156,972</b>	<b>\$ 784,483</b>	<b>\$ 129,508</b>
Net book value		<b>\$ 641,165</b>		<b>\$ 654,975</b>

#### 5. Demand Loan

The Conference purchased a building during 2013 for \$600,000 from the Christian Family Centre. In 2016, the Christian Family Centre closed and came to an agreement with the Church to donate a portion of the funds to a local charity, to transfer a portion of the funds to the CFC Legacy Fund designated fund and donate the remaining balance of the loan to the conference. As at December 31, 2016, these transactions have been completed and the loan balance is nil.

#### 6. Deferred Contributions

Deferred contributions represent contributions received for the Philadelphia Eritrean Church and House of Covenant International Church which have not been spent. Deferred contributions as at December 31, 2016 consist of:

	2016		2015	
Philadelphia Eritrean Church	\$ 352,909		\$ 221,231	
House of Covenant International Church	31,073		25,724	
	<b>\$ 383,982</b>		<b>\$ 246,955</b>	

# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Notes to Financial Statements

**For the year ended December 31, 2016**

### 7. Loan Payable - Canadian Conference of Mennonite Brethren Churches

In October 2012, the Conference was advanced a loan for \$330,500 from The Canadian Conference of Mennonite Brethren Churches. The loan was used to purchase property at 294 Ellen Street, Winnipeg, which is used by Walls of Freedom. The loan is secured by the title to 294 Ellen Street. The interest rate is reviewed semi-annually. Walls of Freedom is a charitable organization associated with the Conference.

	<b>2016</b>	2015
Canadian Conference of Mennonite Brethren Churches loan repayable in monthly principal and interest payments of \$1,699, interest at 3.75% per annum, due December 2037, secured by land and buildings.	<b>\$ 296,132</b>	\$ 305,198
Less: current portion	<b>9,444</b>	10,021
	<b><u>\$ 286,688</u></b>	<b><u>\$ 295,177</u></b>

The principal repayments for the next five years and thereafter are as follow:

2017	\$	9,444
2018		9,805
2019		10,179
2020		10,567
2021		10,970
Thereafter		<u>245,167</u>
	<b>\$</b>	<b><u>296,132</u></b>

### 8. 2017 Budget Information

The 2017 budget projections have not been reviewed and are included with these financial statements for informational purposes. Actual results for the year ending December 31, 2017 will vary from the information presented and the variations may be material.

### 9. Subsequent Event

On December 2, 2016 the Church paid \$10,000 in trust to solicitors of a vendor for the purchase of a building for the use of House of Covenant International Church. At December 31, 2016, the transaction was not completed as there were conditions that had not been met to complete this purchase. The cost of this building under the purchase agreement is \$485,000, the transaction is still ongoing and expected to close during the 2017 fiscal year.

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

For the year ended December 31, 2016

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### 10. Pension Plan

The Conference contributes to a defined contribution pension plan for its employees. Expenses for this plan are equal to the Conference's required contribution for the year of 5% (5% in 2015) of the employees' gross salaries. The Conference's pension expense for the year was \$14,741 (\$11,642 in 2015).

### 11. Financial Instrument Risk Management

The Conference is exposed to different types of risk in the normal course of operations, including credit risk, interest rate risk, liquidity risk and market risk. The Conference's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Conference's activities.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Conference to credit risk consist principally of accounts receivable, funds on deposit and loans receivable.

#### Liquidity Risk

Liquidity risk is the risk that the Conference encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Conference will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from loans and accounts payable.

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

For the year ended December 31, 2016

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### 11. Financial Instrument Risk Management (continued)

#### Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Conference is not exposed to significant interest rate risk. Its cash and funds on deposit are held in short-term or variable rate products.

The Conference is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

Other price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting similar financial instruments traded in the market. The Conference is not exposed to other price risk.