

**THE MENNONITE BROTHERS  
CHURCH OF MANITOBA**

**Financial Statements**  
For the year ended December 31, 2015

# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Financial Statements

For the year ended December 31, 2015

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## Review Engagement Report

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

We have reviewed the statement of financial position of **THE MENNONITE BRETHERN CHURCH OF MANITOBA**, as at December 31, 2015, 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 Accountants

Winnipeg, Manitoba  
February 24, 2016

# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Statement of Financial Position

For the year ended December 31 2015 2014

### Assets

#### Current Assets

Cash and cash equivalents	\$ 490,049	\$ 280,860
Accounts receivable	9,202	17,261
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	<u>710,993</u>	<u>807,066</u>

**1,210,244** 1,105,187

**Loans receivable - related parties** (Note 3) **588,095** 595,665

**Capital assets** (Note 4) **654,975** 670,850

**\$ 2,453,314** **\$ 2,371,702**

### Liabilities and Net Assets

#### Current Liabilities

Accounts payable	\$ 29,570	\$ 48,085
Demand loan (Note 5)	249,329	260,500
Current portion of loan payable (Note 7)	<u>10,021</u>	<u>9,713</u>

**288,920** 318,298

**Deferred contributions** (Note 6) **246,955** 62,247

**Deferred revenue** **3,270** -

**Loan payable - Canadian Conference of Mennonite  
Brethren Churches** (Note 7) **295,177** 304,248

**834,322** 684,793

#### Net Assets

Net assets invested in capital assets	654,975	670,850
Net assets restricted as designated funds (Note 2)	525,174	560,302
Net assets internally restricted as reserve funds	300,718	349,058
Unrestricted net assets	<u>138,125</u>	<u>106,699</u>

**1,618,992** 1,686,909

**\$ 2,453,314** **\$ 2,371,702**

Approved on behalf of the Leadership Board:

\_\_\_\_\_ Chair

\_\_\_\_\_ Secretary

## THE MENNONITE BRETHREN CHURCH OF MANITOBA

### Statement of Operations

**For the year ended December 31, 2015**

	2014 Actual	2015 Budget	2015 Actual	2016 Budget
<b>Revenue</b>				
Conference support from churches (CSF)	\$ 498,116	\$ 513,000	\$ 483,824	\$ 500,000
Non-registered church donations	-	-	111,115	-
Estates gifts	3,425	28,000	68,965	30,000
Donations	66,921	26,000	39,898	41,000
Training funds	11,050	35,000	24,505	-
Registration	15,509	20,000	15,575	18,500
General Revenue	179,368	59,000	58,504	127,000
	<b>774,389</b>	<b>681,000</b>	<b>802,386</b>	<b>716,500</b>
<b>Expenditures</b>				
Personnel	289,137	262,000	298,876	301,200
Office and facility expense	103,703	127,600	108,170	107,300
Non-registered church expenses	507	-	111,581	-
Conference services	103,504	13,900	89,114	69,800
General expense	145,688	76,500	38,191	24,600
Grants and subsidies	313,597	188,500	198,735	205,850
	<b>956,136</b>	<b>668,500</b>	<b>844,667</b>	<b>708,750</b>
<b>Excess (deficiency) of revenue over expenditures before amortization</b>	<b>(181,747)</b>	<b>12,500</b>	<b>(42,281)</b>	<b>7,750</b>
<b>Amortization of capital assets</b>	<b>27,267</b>	<b>-</b>	<b>25,636</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ (209,014)</b>	<b>\$ 12,500</b>	<b>\$ (67,917)</b>	<b>\$ 7,750</b>

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

**For the year ended December 31**

	Invested in Capital Assets	Restricted as Designated Funds <small>(Note 2)</small>	Internally Restricted as Reserve Funds	Unrestricted Net Assets	Total
<b>Balance</b> , beginning of year	\$ 670,850	\$ 560,302	\$ 349,058	\$ 106,699	\$ 1,686,909
Excess (deficiency) of revenue over expenditures for the year	(25,636)	9,440	-	(51,721)	(67,917)
Investment in capital assets (net of disposals)	9,761	-	(9,761)	-	-
Transfer to unrestricted	-	(44,568)	(38,579)	83,147	-
<b>Balance</b> , end of year	\$ 654,975	\$ 525,174	\$ 300,718	\$ 138,125	\$ 1,618,992

## THE MENNONITE BRETHREN CHURCH OF MANITOBA

### Statement of Cash Flows

For the year ended December 31	2015	2014
<b>Cash Flows from Operating Activities</b>		
Deficiency of revenue over expenditures for the year	\$ (67,917)	\$ (209,014)
Adjustments for		
Amortization of capital assets	25,636	27,267
	<b>(42,281)</b>	<b>(181,747)</b>
Changes in non-cash working capital balances		
Accounts receivable	8,059	(12,525)
Prepays	-	1,136
Accounts payable	(18,515)	8,253
Designated funds receipts less disbursements	-	(6,660)
Deferred revenue	3,270	-
Deferred contributions	184,708	62,247
Demand loan	(11,171)	(19,500)
	<b>124,070</b>	<b>(148,796)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets	(9,761)	(78,301)
Repayment of long-term debt	(8,763)	(8,474)
Other loans receivable	7,570	12,496
Long-term investments	-	65,709
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	96,073	153,507
	<b>85,119</b>	<b>144,937</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>209,189</b>	<b>(3,859)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>280,860</b>	<b>284,719</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 490,049</b>	<b>\$ 280,860</b>

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

For the year ended December 31, 2015

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

The Church 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 Church 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, 2015**

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

Fund Accounting

The Church 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 Church.

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 Church.

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 Church'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 Church's programs. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

**For the year ended December 31, 2015**

### 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 2014	Receipts	Disbursements	Transfers	Balance 2015
Manitoba Conference					
A.A. DeFehr Fund	\$ 319,287	\$ 5,389	\$ -	\$ -	\$ 324,676
Pastoral training	24,505	-	-	24,505	-
Other funds	10,847	3,108	-	4,258	9,697
C2C MB Fund	205,663	943	-	15,805	190,801
<b>Total Designated Funds</b>	<b>\$ 560,302</b>	<b>\$ 9,440</b>	<b>\$ -</b>	<b>\$ 44,568</b>	<b>\$ 525,174</b>

### 3. Loans Receivable - Related Parties

The Church has a loan in the amount of \$305,197 receivable from Walls of Freedom, which is a charitable organization associated with the Church. 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 7 for repayment terms and security.

The Church also has loans receivable in the amount of \$282,898 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 \$189,898. 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 \$93,000. 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, 2015

#### 4. Capital Assets

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Mennonite Brethren Church Building	\$ 677,574	\$ 56,697	\$ 667,812	\$ 37,494
M.B. Conference equipment	95,648	63,992	95,648	57,989
Non-Registered Church Fixed Assets	11,261	8,819	11,261	8,388
	<b>\$ 784,483</b>	<b>\$ 129,508</b>	<b>\$ 774,721</b>	<b>\$ 103,871</b>
Cost less accumulated amortization		<b>\$ 654,975</b>		<b>\$ 670,850</b>

#### 5. Demand Loan

The Church purchased a building during 2013 for \$600,000, and \$249,329 (\$260,500 in 2014) of the purchase price is owed to Christian Family Centre. The loan bears interest at an annual variable interest rate, currently set at 3.75%. The variable interest rate is set by the Canadian Conference of Mennonite Brethren Churches and is subject to change at their discretion. The Christian Family Centre can demand full repayment of the funds held in trust with 30 days notice given to the Church.

#### 6. Deferred Contributions

Deferred contributions represent contributions received for the Philadelphia Eitrean Church and House of Covenant International Church which have not been spent. Deferred contributions as at December 31, 2015 consist of:

	2015	2014
Philadelphia Eitrean Church	\$ 221,231	\$ 52,213
House of Covenant International Church	25,724	10,034
	<b>\$ 246,955</b>	<b>\$ 62,247</b>

# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

**For the year ended December 31, 2015**

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

In October 2012, the Church 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 Church.

	<b>2015</b>	2014
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>\$ 305,198</b>	\$ 313,961
Less: current portion	<b>10,021</b>	9,713
	<b><u>\$ 295,177</u></b>	<u>\$ 304,248</u>

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

2016	\$ 10,021
2017	9,481
2018	9,842
2019	10,218
2020	10,608
Thereafter	<u>255,028</u>
	<b><u>\$ 305,198</u></b>

### 8. 2016 Budget Information

The 2016 budget projections have not been reviewed and are included with these financial statements for informational purposes. Actual results for the year ending December 31, 2016 will vary from the information presented and the variations may be material.

### 9. Pension Plan

The Church contributes to a defined contribution pension plan for its employees. Expenses for this plan are equal to the Church's required contribution for the year of 5% (2014 - 5%) of the employees' gross salaries. The Church's pension expense for the year was \$11,642 (2014 - \$9,114).

### 10. Comparative Figures

Certain comparative amounts have been restated to conform to the current year's presentation.

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements

For the year ended December 31, 2015

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### 11. Financial Instrument Risk Management

The Church 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 Church'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 Church'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 Church to credit risk consist principally of accounts receivable, funds on deposit and loans receivable.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Church is exposed to this risk through its demand loan. The Church holds a demand loan and a loan payable with a variable interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions.

#### Liquidity Risk

Liquidity risk is the risk that the Church encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Church 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.

#### 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 Church is not exposed to significant interest rate risk. Its cash and funds on deposit are held in short-term or variable rate products.

The Church 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 Church is not exposed to other price risk.