

**THE MENNONITE BROTHERS
CHURCH OF MANITOBA**

Financial Statements
For the year ended December 31, 2019

THE MENNONITE BRETHREN CHURCH OF MANITOBA

Financial Statements

For the year ended December 31, 2019

Contents

Independent Practitioner's Review Engagement Report	18
Financial Statements	
Statement of Financial Position	19
Statement of Operations	20
Statement of Changes in Net Assets	21
Statement of Cash Flows	22
Notes to Financial Statements	23



Tel.: 204 956 7200
Fax.: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Practitioner's Review Engagement Report

To the Board of Directors of The Mennonite Brethren Church of Manitoba

We have reviewed the accompanying financial statements of The Mennonite Brethren Church of Manitoba that comprise the statement of financial position as at December 31, 2019 and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of The Mennonite Brethren Church of Manitoba as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

Winnipeg, Manitoba
March 7, 2020

THE MENNONITE BRETHERN CHURCH OF MANITOBA

Statement of Financial Position

December 31	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 683,511	\$ 810,288
Accounts receivable	46,178	17,257
Prepaid expenses	500	1,452
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	766	746
	730,955	829,743
Loans receivable - related parties (Note 3)	266,851	276,942
Capital assets (Notes 4 and 5)	3,372,379	2,017,140
	\$ 4,370,185	\$ 3,123,825

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 87,514	\$ 35,656
Deferred revenue	8,410	7,975
Loans payable (Note 6)	1,443,544	666,150
	1,539,468	709,781
Deferred contributions (Note 5)	1,031,008	861,864
	2,570,476	1,571,645
Net Assets		
Net assets invested in capital assets	1,164,678	766,067
Net assets restricted as designated funds (Note 2)	319,733	319,733
Unrestricted net assets	315,298	466,380
	1,799,709	1,552,180
	\$ 4,370,185	\$ 3,123,825

Approved on behalf of the Leadership Board:

_____ Chair

_____ Secretary

THE MENNONITE BRETHREN CHURCH OF MANITOBA

Statement of Operations

For the year ended December 31

	2018 Actual	2019 Budget	2019 Actual	2020 Budget
Revenue				
Conference support from churches (CSF)	\$ 418,862	\$ 500,000	\$ 497,318	\$ 500,000
Non-registered church donations	279,930	-	297,536	-
Estates gifts	3,776	-	216,316	-
Henderson Property Income	97,966	-	114,467	-
General Revenue	60,330	12,500	48,555	-
Registration	22,785	31,000	31,245	50,000
Amortization of deferred contributions	26,656	-	25,856	-
Donations	220,455	-	14,750	5,000
	1,130,760	543,500	1,246,043	555,000
Expenditures				
Non-registered church expenses	235,386	-	263,470	-
Personnel	482,192	274,700	251,589	275,780
Office and facility expense	138,450	68,300	132,955	67,050
Conference services	115,876	112,000	122,434	74,000
Grants and subsidies	270,039	78,000	111,833	96,650
General expense	41,740	32,800	38,420	41,300
	1,283,683	565,800	920,701	554,780
Excess (deficiency) of revenue over expenditures before amortization	(152,923)	(22,300)	325,342	220
Amortization of capital assets	73,268	-	77,813	-
Excess (deficiency) of revenue over expenditures	\$ (226,191)	\$ (22,300)	\$ 247,529	\$ 220

THE MENNONITE BRETHERN CHURCH OF MANITOBA
Statement of Changes in Net Assets

For the year ended December 31

	Invested in Capital Assets	Restricted as Designated Funds	Internally Restricted as Reserve Funds	Unrestricted Net Assets	2019 Total	2018 Total
		(Note 2)				
Balance, beginning of year	\$ 766,067	\$ 319,733	\$ -	\$ 466,380	\$ 1,552,180	\$ 1,778,371
Excess (deficiency) of revenue over expenditures for the year	(51,957)	-	-	299,486	247,529	(226,191)
Acquisition of capital assets	1,433,053	-	-	(1,433,053)	-	-
Proceeds from loan and contributions for capital assets acquisition	(982,485)	-	-	982,485	-	-
Balance, end of year	\$ 1,164,678	\$ 319,733	\$ -	\$ 315,298	\$ 1,799,709	\$ 1,552,180

THE MENNONITE BRETHERN CHURCH OF MANITOBA

Statement of Cash Flows

For the year ended December 31	2019	2018
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 247,529	\$ (226,191)
Adjustments for		
Amortization of capital assets	77,813	73,268
Amortization and adjustment of deferred contributions	(25,856)	(26,656)
	299,486	(179,579)
Changes in non-cash working capital balances		
Accounts receivable	(28,921)	(7,279)
Prepays	952	48
Accounts payable	51,858	(46,907)
Deferred revenue	435	575
Deferred contributions	195,000	-
	518,810	(233,142)
Cash Flows from Investing Activities		
Purchase of capital assets	(1,433,053)	(30,312)
Proceeds from loans	800,000	-
Repayment of loans	(22,605)	(19,617)
Loans receivable - Walls of Freedom	10,091	13,145
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	(20)	272,882
	(645,587)	236,098
Net increase (decrease) in cash and cash equivalents	(126,777)	2,956
Cash and cash equivalents, beginning of year	810,288	807,332
Cash and cash equivalents, end of year	\$ 683,511	\$ 810,288

THE MENNONITE BRETHREN CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

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.

THE MENNONITE BROTHERS CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

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.

Net Assets Restricted as Designated Funds - The Net Assets 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. During the year the Board of Directors resolved to removed the restrictions of the funds and transfer them to unrestricted net assets.

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

Cash and bank

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

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

THE MENNONITE BRETHERN CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

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

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.

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 2018	Receipts	Disbursements	Transfers	Balance 2019
Manitoba Conference					
A.A. DeFehr Fund	\$ 319,733	\$ -	\$ -	\$ -	\$ 319,733
C2C MB Fund	-	-	-	-	-
	<u>\$ 319,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,733</u>

3. Loans Receivable - Related Parties

The Conference has a loan in the amount of \$266,851 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 6 for repayment terms and security. Related party transactions are recorded at exchange amounts and have occurred in the ordinary course of operations.

THE MENNONITE BRETHERN CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Mennonite Brethren Church Building	\$ 1,890,300	\$ 212,858	\$ 1,657,300	\$ 168,184
M.B. Conference Office equipment	120,256	69,823	120,256	60,923
Data Network equipment	20,425	19,603	20,425	19,251
Computer equipment	20,235	19,645	20,235	18,924
Non-Registered Church Building	1,693,948	52,131	493,895	29,189
Office equipment	11,261	9,986	11,261	9,761
	\$ 3,756,425	\$ 384,046	\$ 2,323,372	\$ 306,232
Net book value		\$ 3,372,379		\$ 2,017,140

5. Deferred Contributions

On January 1, 2017, Christian Family Center (CFC) transferred its beneficial ownership of the building located at 81 Henderson Hwy to the Conference as per a Memorandum of Understanding. The building was previously owned jointly by the Conference and CFC. CFC ceased operations on January 1, 2017. The fair market value of the portion of the building transferred to the Conference was \$916,000. This amount was recognized as deferred contributions and amortized at the same rate as the related capital asset. As at December 31, 2019 the unamortized deferred contributions amounted to \$836,008.

Deferred contributions related to capital assets represent the unamortized amount of donated capital assets. The changes in deferred contributions for the year ended December 31, 2019 are as follows:

	2019	2018
Balance, beginning of year	\$ 861,864	\$ 888,520
Additional contributions received	195,000	-
Less amounts recognized as revenue	(25,856)	(26,656)
	\$ 1,031,008	\$ 861,864

THE MENNONITE BRETHERN CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

6. Loans Payable - Canadian Conference of Mennonite Brethren Churches

	2019	2018
<p>Canadian Conference of Mennonite Brethren Churches loan repayable in monthly principal and interest payments of \$1,772, interest ranges from 4.00% to 4.15% per annum, due December 2037, secured by land and buildings and payable on demand.</p> <p>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.</p>	\$ 266,851	\$ 276,942
<p>Canadian Conference of Mennonite Brethren Churches loan repayable in monthly principal and interest payments of \$2,162, interest ranges from 4.00% to 4.15% per annum, due December 2035, secured by land and buildings and payable on demand.</p> <p>In July 2017, the Conference was advanced a loan for \$500,000 from The Canadian Conference of Mennonite Brethren Churches. The loan was used to purchase property at 1410 Main Street, Winnipeg, which is used by HCIC. The loan is secured by the title to 1410 Main Street. The interest rate is reviewed semi-annually.</p>	378,817	389,208
<p>Canadian Conference of Mennonite Brethren Churches loan repayable in monthly principal and interest payments of \$4,290, interest at 4.15% per annum, due October 2044, secured by land and buildings and payable on demand.</p> <p>In September 2019, the Conference was advanced a loan for \$800,000 from The Canadian Conference of Mennonite Brethren Churches. The loan was used to purchase property at 1445 Callsbeck Avenue, which is used by Philadelphia Eritrean Church. The interest is reviewed semi-annually.</p>	797,876	-
	\$ 1,443,544	\$ 666,150

THE MENNONITE BRETHERN CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

6. Loans Payable - Canadian Conference of Mennonite Brethren Churches (continued)

The loans are due on demand and, therefore, classified as current liabilities. If the loans are not demanded the principal repayments for the next five years and thereafter are as follow:

2020	\$ 38,875
2021	39,024
2022	40,674
2023	42,395
2024	44,188
Thereafter	<u>1,238,388</u>
	<u>\$ 1,443,544</u>

7. 2020 Budget Information

The 2020 budget projections have not been reviewed and are included with these financial statements for informational purposes. Actual results for the year ending December 31, 2020 will vary from the information presented and the variations may be material.

8. 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 2018) of the employees' gross salaries. The Conference's pension expense for the year was \$6,531 (\$14,592 in 2018).

9. Legal Claims

The nature of the Conference activities is such that there is a possibility of litigation pending or in prospect at any time. With respect to potential claims at December 31, 2019 management believes the Conference has valid defences and appropriate insurance coverage in place to minimize the risk of possible loss to the Conference. In the event any claims are successful, management will recognize the potential losses once amounts are confirmed or are reasonably estimated.

THE MENNONITE BRETHREN CHURCH OF MANITOBA

Notes to Financial Statements

For the year ended December 31, 2019

10. 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.

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.