

**THE MENNONITE BRETHREN  
CHURCH OF MANITOBA**

**Financial Statements**  
For the year ended December 31, 2020

# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Financial Statements

For the year ended December 31, 2020

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## Independent Practitioner's Review Engagement Report

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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, 2020 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, 2020, 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 6, 2021

**THE MENNONITE BRETHREN CHURCH OF MANITOBA**  
**Statement of Financial Position**  
(Unaudited)

December 31	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 846,675	\$ 683,511
Accounts receivable	18,381	46,178
Prepaid expenses	-	500
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	782	766
	<b>865,838</b>	730,955
<b>Loans receivable - related parties</b> (Note 2)	<b>256,196</b>	266,851
<b>Capital assets</b> (Note 3)	<b>3,268,095</b>	3,372,379
	<b>\$ 4,390,129</b>	\$ 4,370,185

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable (Note 2)	\$ 84,111	\$ 87,514
Government remittances payable	7,356	-
Deferred revenue	-	8,410
Loans payable (Note 4)	1,311,665	1,443,544
	<b>1,403,132</b>	1,539,468
<b>Deferred contributions</b> (Note 5)	<b>1,000,078</b>	1,031,008
	<b>2,403,210</b>	2,570,476
<b>Net Assets</b>		
Net assets invested in capital assets	1,212,548	1,164,678
Net assets restricted as designated funds (Note 7)	319,733	319,733
Unrestricted net assets	454,638	315,298
	<b>1,986,919</b>	1,799,709
	<b>\$ 4,390,129</b>	\$ 4,370,185

Approved on behalf of the Leadership Board:

\_\_\_\_\_ Chair

\_\_\_\_\_ Secretary

**THE MENNONITE BRETHERN CHURCH OF MANITOBA**  
**Statement of Operations**  
**(Unaudited)**

**For the year ended December 31**

	2019 Actual	2020 Budget	2020 Actual	2021 Budget
<b>Revenue</b>				
Conference support from churches (CSF)	\$ 497,318	\$ 830,000	\$ 743,888	\$ 750,000
Non-registered church donations	297,536	-	381,081	-
Estates gifts	216,316	-	3,251	-
Henderson Property Income	114,467	-	106,528	-
General Revenue	48,555	-	22,005	-
Registration	40,380	45,000	33,513	30,000
Amortization of deferred contributions (Note 5)	25,856	-	30,930	-
Donations	5,615	5,000	5,480	5,000
Canada Emergency Wage Subsidy	-	-	61,778	25,000
	<u>1,246,043</u>	<u>880,000</u>	<u>1,388,454</u>	<u>810,000</u>
<b>Expenditures</b>				
Non-registered church expenses	263,470	-	224,720	-
Personnel	251,589	275,780	253,544	262,204
Office and facility expense	132,955	67,050	145,735	78,011
Conference services	122,434	88,150	50,348	50,500
Grants and subsidies	111,833	404,000	369,862	374,500
General expense	38,420	41,300	49,130	41,500
	<u>920,701</u>	<u>876,280</u>	<u>1,093,339</u>	<u>806,715</u>
<b>Excess of revenue over expenditures before amortization</b>	325,342	3,720	295,115	3,285
<b>Amortization of capital assets</b>	<u>77,813</u>	-	<u>107,905</u>	-
<b>Excess of revenue over expenditures</b>	<u>\$ 247,529</u>	<u>\$ 3,720</u>	<u>\$ 187,210</u>	<u>\$ 3,285</u>

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

**For the year ended December 31**

	Invested in Capital Assets	Restricted as Designated Funds	Internally Restricted as Reserve Funds	Unrestricted Net Assets	2020 Total	2019 Total
		(Note 6)				
<b>Balance, beginning of year</b>	<b>\$ 1,164,678</b>	<b>\$ 319,733</b>	<b>\$ -</b>	<b>\$ 315,298</b>	<b>\$ 1,799,709</b>	<b>\$ 1,552,180</b>
<b>Excess (deficiency) of revenue over expenditures for the year</b>	<b>(76,975)</b>	<b>-</b>	<b>-</b>	<b>264,185</b>	<b>187,210</b>	<b>247,529</b>
<b>Acquisition of capital assets</b>	<b>3,620</b>	<b>-</b>	<b>-</b>	<b>(3,620)</b>	<b>-</b>	<b>-</b>
<b>Proceeds from loan and contributions for capital assets acquisition</b>	<b>121,225</b>	<b>-</b>	<b>-</b>	<b>(121,225)</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 1,212,548</b>	<b>\$ 319,733</b>	<b>\$ -</b>	<b>\$ 454,638</b>	<b>\$ 1,986,919</b>	<b>\$ 1,799,709</b>

**THE MENNONITE BRETHERN CHURCH OF MANITOBA**  
**Statement of Cash Flows**  
**(Unaudited)**

<b>For the year ended December 31</b>	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Excess of revenue over expenditures for the year	\$ 187,210	\$ 247,529
Adjustments for		
Amortization of capital assets	107,905	77,813
Amortization and adjustment of deferred contributions	(30,930)	(25,856)
	<u>264,185</u>	299,486
Changes in non-cash working capital balances		
Accounts receivable	27,797	(28,921)
Prepaid expenses	500	952
Accounts payable	(3,403)	51,858
Government remittances payable	7,356	-
Deferred revenue	(8,410)	435
Deferred contributions	-	195,000
	<u>288,025</u>	518,810
<b>Cash Flows used in Investing Activities</b>		
Purchase of capital assets	(3,620)	(1,433,053)
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	(16)	(20)
	<u>(3,636)</u>	(1,433,073)
<b>Cash Flows (used in) from Financing Activities</b>		
Proceeds from loans	-	800,000
Repayment of loans	(131,880)	(22,605)
Loans receivable - Walls of Freedom	10,655	10,091
	<u>(121,225)</u>	787,486
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>163,164</b>	<b>(126,777)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>683,511</b>	<b>810,288</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 846,675</b>	<b>\$ 683,511</b>

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# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Notes to Financial Statements (Unaudited)

**For the year ended December 31, 2020**

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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.

Conference support, donations and gifts are recognized as revenue when received. Property income is recognized when earned as specified in the rental agreements. Subsidy, grants, and other revenue are recognized when they are received or when they become receivable and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

#### 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 (Unaudited)

**For the year ended December 31, 2020**

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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.

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 cash equivalent

Cash and cash equivalent 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

#### 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 (Unaudited)

**For the year ended December 31, 2020**

### 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. Related Party Transactions

The Conference has a loan in the amount of \$256,196 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 4 for repayment terms and security.

CCMBC Legacy Fund Inc. ("CCMBC Fund") provides accounting and payroll services to the Conference. CCMBC Fund allocates office expenses and pays the Conference payables in advance. As at December 31, 2020 amount due to CCMBC Fund is \$6,148 (2019 - \$44,614) included in accounts payable in the statement of financial position.

Related party transactions are recorded at exchange amounts and have occurred in the ordinary course of operations.

### 3. Capital Assets

	<u>2020</u>		<u>2019</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Mennonite Brethren Church				
Building	\$ 1,893,921	\$ 263,181	\$ 1,890,300	\$ 212,858
M.B. Conference				
Office equipment	120,255	77,388	120,256	69,823
Data Network equipment	20,425	19,850	20,425	19,603
Computer equipment	20,235	19,969	20,235	19,645
Non-Registered Church				
Building	1,693,948	101,385	1,693,948	52,131
Office equipment	11,261	10,177	11,261	9,986
	<u>\$ 3,760,045</u>	<u>\$ 491,950</u>	<u>\$ 3,756,425</u>	<u>\$ 384,046</u>
Net book value		<u>\$ 3,268,095</u>		<u>\$ 3,372,379</u>

**THE MENNONITE BRETHREN CHURCH OF MANITOBA**  
**Notes to Financial Statements**  
**(Unaudited)**

**For the year ended December 31, 2020**

**4. Loans Payable - Canadian Conference of Mennonite Brethren Churches**

	<b>2020</b>	<b>2019</b>
<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. Effective June 2020 interest rate is 3.90%.</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>	<b>\$ 256,196</b>	\$ 266,851
<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. In June 2020 the loan was renegotiated to waived the principal payment and reduced interest rate to 3.90%.</p>	<b>379,208</b>	378,817
<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. Effective June 2020 interest rate is 3.90%</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>	<b>676,261</b>	797,876
	<b>\$ 1,311,665</b>	\$ 1,443,544

**THE MENNONITE BRETHERN CHURCH OF MANITOBA**  
**Notes to Financial Statements**  
**(Unaudited)**

**For the year ended December 31, 2020**

**4. 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:

2021	\$ 50,367
2022	50,366
2023	52,367
2024	54,446
2025	56,608
Thereafter	<u>1,047,511</u>
	<u>\$ 1,311,665</u>

**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, 2020 the unamortized deferred contributions amounted to \$810,928 (2019 - \$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, 2020 are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	<b>\$ 1,031,008</b>	\$ 861,864
Additional contributions received	-	195,000
Less amounts recognized as revenue	<b>(30,930)</b>	(25,856)
	<b><u>\$ 1,000,078</u></b>	<b><u>\$ 1,031,008</u></b>

**6. Designated Funds**

	Balance 2019	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	Balance 2020
Manitoba Conference					
A.A. DeFehr Fund	\$ 319,733	\$ -	\$ -	\$ -	<b><u>\$ 319,733</u></b>

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# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Notes to Financial Statements (Unaudited)

**For the year ended December 31, 2020**

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### **7. 2021 Budget Information**

The 2021 budget projections have not been reviewed and are included with these financial statements for informational purposes. Actual results for the year ending December 31, 2021 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 2019) of the employees' gross salaries. The Conference's pension expense for the year was \$8,795 (\$6,531 in 2019).

### **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.

### **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.

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# THE MENNONITE BRETHERN CHURCH OF MANITOBA

## Notes to Financial Statements (Unaudited)

**For the year ended December 31, 2020**

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### **10. Financial Instrument Risk Management (continued)**

#### 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.

### **11. Uncertainty due to COVID 19 Pandemic**

In March 2020, the Manitoba government declared a province-wide state of emergency and the Chief Public Health Officer issued public health orders to protect the health and safety of all Manitobans and reduce the spread of COVID-19 this includes limiting indoor gatherings in response to pandemic which has impacted the operating results of the Conference. As a result, the Conference has implemented specific measures by managing its cash flows including reaching out to members, renegotiating terms of loans and obtaining government subsidies. Given dynamic nature of these circumstances, the related financial impact for the future cannot be reasonably estimated at this time.