

**THE MENNONITE BROTHERS  
CHURCH OF MANITOBA**

**Financial Statements**  
For the year ended December 31, 2022

# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Financial Statements

For the year ended December 31, 2022

(Unaudited)

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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, 2022 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, 2022, 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  
Date to be determined

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

**December 31** **2022** 2021

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 1,145,659	\$ 1,070,205
Accounts receivable	7,460	18,160
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	812	793
	1,153,931	1,089,158

Loans receivable - related parties (Note 2)	390,488	244,721
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Capital assets (Note 3)	1,898,053	1,582,667
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	\$ 3,442,472	\$ 2,916,546
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable (Note 2)	\$ 67,452	\$ 20,638
Loans payable (Note 4)	1,057,023	1,056,825
	1,124,475	1,077,463

Deferred contributions (Note 5)	228,920	-
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	1,353,395	1,077,463
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**Net Assets**

Net assets invested in capital assets	1,002,598	770,563
Net assets restricted as designated funds (Note 6)	319,733	319,733
Unrestricted net assets	766,746	748,787

	2,089,077	1,839,083
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	\$ 3,442,472	\$ 2,916,546
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Approved on behalf of the Leadership Board:

\_\_\_\_\_ Chair

\_\_\_\_\_ Secretary

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

**For the year ended December 31**

	2021 Actual	2022 Budget	2022 Actual	2023 Budget
<b>Revenue</b>				
Conference support from churches (CSF)	\$ 787,281	\$ 725,000	\$ 672,591	\$ 700,000
Non-registered church donations	313,980	-	327,978	-
Estates gifts	1,475	-	2,204	-
Thompson/Henderson Property Income	89,533	-	11,030	10,000
General Revenue	18,653	-	13,326	-
Registration	26,287	45,000	26,305	45,000
Amortization of deferred contributions (Note 5)	25,080	-	7,080	-
Donations	7,775	-	25,315	5,000
Canada Emergency Wage Subsidy	82,946	-	-	-
	<b>1,353,010</b>	<b>770,000</b>	<b>1,085,829</b>	<b>760,000</b>
<b>Expenditures</b>				
Non-registered church expenses	137,550	-	174,026	-
Personnel	254,407	270,789	252,901	266,700
Office and facility expense	144,552	77,511	78,688	81,650
Conference services	72,322	56,200	67,987	50,000
Grants and subsidies	340,970	320,500	295,651	316,750
General expense	40,614	45,000	45,968	44,900
	<b>990,415</b>	<b>770,000</b>	<b>915,221</b>	<b>760,000</b>
<b>Excess of revenue over expenditures before other items</b>	<b>362,595</b>	<b>-</b>	<b>170,608</b>	<b>-</b>
<b>Less Other items</b>				
Amortization of capital assets	103,716	-	59,214	-
Loss on sale of capital assets	406,715	-	-	-
	<b>510,431</b>	<b>-</b>	<b>59,214</b>	<b>-</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ (147,836)</b>	<b>\$ -</b>	<b>\$ 111,394</b>	<b>\$ -</b>

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

**For the year ended December 31**

	Invested In Capital Funds	Restricted as Designated Funds  (Note 6)	Unrestricted Net Assets	2022 Total	2021 Total
<b>Balance, beginning of year</b>	\$ 770,563	\$ 319,733	\$ 748,787	\$ 1,839,083	\$ 1,986,919
<b>Excess (deficiency) of revenue over expenditures for the year</b>	(52,134)	-	163,528	111,394	(147,836)
<b>Contribution for land acquired and not amortized</b>	138,600	-	-	138,600	-
<b>Net repayment of loans</b>	145,569	-	(145,569)	-	-
<b>Balance, end of year</b>	<b>\$ 1,002,598</b>	<b>\$ 319,733</b>	<b>\$ 766,746</b>	<b>\$ 2,089,077</b>	<b>\$ 1,839,083</b>

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

<b>For the year ended December 31</b>	<b>2022</b>	<b>2021</b>
<b>Cash Flows from (used in) Operating Activities</b>		
Excess (deficiency) of revenue over expenditures for the year	\$ 111,394	\$ (147,836)
Adjustments for		
Amortization of capital assets	59,214	103,716
Amortization and adjustment of deferred contributions	(7,080)	(25,080)
Loss on sale of capital assets, net	-	406,715
	<u>163,528</u>	<u>337,515</u>
Changes in non-cash working capital balances		
Accounts receivable	10,700	221
Accounts payable	46,814	(63,473)
Government remittances payable	-	(7,356)
	<u>221,042</u>	<u>266,907</u>
<b>Cash Flows from (used in) Investing Activities</b>		
Proceeds from sale of capital assets	-	200,000
Funds on deposit - Canadian Conference of Mennonite Brethren Churches	(19)	(11)
	<u>(19)</u>	<u>199,989</u>
<b>Cash Flows from (used in) Financing Activities</b>		
Repayment of loans	(159,802)	(254,840)
Loans receivable - Walls of Freedom	14,233	11,474
	<u>(145,569)</u>	<u>(243,366)</u>
<b>Net increase in cash and cash equivalents</b>	<b>75,454</b>	<b>223,530</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,070,205</b>	<b>846,675</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,145,659</b>	<b>\$ 1,070,205</b>

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements (Unaudited)

**For the year ended December 31, 2022**

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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 planning 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, registration and general 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, 2022**

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

#### Fund Accounting

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.

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.

#### 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 BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements (Unaudited)

**For the year ended December 31, 2022**

### 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 \$390,488 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, 2022 amount due to CCMBC Fund is \$1,277 (2021 - \$1,466) 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

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Mennonite Brethren Church				
Land	\$ 138,600	\$ -	\$ -	\$ -
Building	236,000	7,080	-	-
M.B. Conference				
Office equipment	120,255	89,284	120,255	83,818
Data Network equipment	20,425	20,143	20,425	20,022
Computer equipment	20,235	20,181	20,235	20,116
Non-Registered Church				
Building	1,693,948	195,505	1,693,948	149,162
Office equipment	11,261	10,478	11,261	10,339
	<b>\$ 2,240,724</b>	<b>\$ 342,671</b>	<b>\$ 1,866,124</b>	<b>\$ 283,457</b>
Net book value		<b>\$ 1,898,053</b>		<b>\$ 1,582,667</b>

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

**For the year ended December 31, 2022**

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

	2022	2021
<p>Canadian Conference of Mennonite Brethren Churches loan repayable in monthly principal and interest payments of \$2,624, interest rate is variable and is reviewed semi-annually, due October 2037, secured by land and buildings and payable on demand. Effective July 2022 interest rate is 5.90%.</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. In April 2022, additional loan was obtained in the amount of \$160,000 from the Canadian Conference of Mennonite Brethren Churches for kitchen renovations .</p>	\$ 390,488	\$ 244,721
<p>Canadian Conference of Mennonite Brethren Churches loan repayable in monthly principal and interest payments of \$2,578, 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. Effective July 2022 interest rate is 5.90%.</p>	357,503	368,311
<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 July 2022 interest rate is 5.90%</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>	309,032	443,793
	<b>\$ 1,057,023</b>	<b>\$ 1,056,825</b>

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

**For the year ended December 31, 2022**

**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:

2023	\$	63,049
2024		65,077
2025		69,022
2026		73,206
2027		77,644
Thereafter		<u>709,025</u>
	<b>\$</b>	<b><u>1,057,023</u></b>

**5. Deferred Contributions**

On April 1, 2022, Thompson Christian Centre Fellowship transferred its beneficial ownership of the building located in Thompson, MB to the Conference as per a Memorandum of Understanding. The building was previously owned jointly by the Conference and the Thompson Christian Centre Fellowship. Thompson Christian Centre Fellowship ceased operations on March 31, 2022. The fair market value of the portion of the building transferred to the Conference was \$374,600. This amount was recognized as deferred contributions and amortized at the same rate as the related capital asset.

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, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ -	\$ 1,000,078
Additional contributions received	<b>236,000</b>	-
Less: Amounts recognized as revenue	<b>(7,080)</b>	(25,080)
Amount recognized through loss on sale of capital assets	-	(974,998)
	<b><u>\$ 228,920</u></b>	<b><u>\$ -</u></b>

**6. Designated Funds**

	Balance 2021	Receipts	Disbursements	Transfers	Balance 2022
Manitoba Conference					
A.A. DeFehr Fund	\$ 319,733	\$ -	\$ -	\$ -	<b><u>\$ 319,733</u></b>

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# THE MENNONITE BRETHREN CHURCH OF MANITOBA

## Notes to Financial Statements (Unaudited)

**For the year ended December 31, 2022**

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### **7. 2023 Budget Information**

The 2023 budget projections have not been reviewed and are included with these financial statements for informational purposes. Actual results for the year ending December 31, 2023 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 2021) of the employees' gross salaries. The Conference's pension expense for the year was \$9,557 (\$8,635 in 2021).

### **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, 2022 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 BRETHREN CHURCH OF MANITOBA**  
**Notes to Financial Statements**  
**(Unaudited)**

**For the year ended December 31, 2022**

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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.