

Non-consolidated Financial Statements of

**THE CANADIAN CONFERENCE OF THE
MENNONITE BRETHREN CHURCH OF
NORTH AMERICA**

Year ended December 31, 2020

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Table of Contents

Year ended December 31, 2020

	Page
Independent Auditors' Report.....	1
Non-Consolidated Statement of Financial Position	4
Non-Consolidated Statement of Operations	5
Non-Consolidated Statement of Changes in Net Assets	6
Non-Consolidated Statement of Cash Flows	7
Notes to Non-Consolidated Financial Statements.....	8



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Page 1

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Canadian Conference of the Mennonite Brethren Church of North America

Opinion

We have audited the non-consolidated financial statements of The Canadian Conference of the Mennonite Brethren Church of North America (the "Entity"), which comprise the non-consolidated statement of financial position as at December 31, 2020, the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, comprising a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as at December 31, 2020, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

April 28, 2021

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash (note 13)	\$ 5,029,312	\$ 11,148,107
Accounts and other receivables (note 2[k])	456,835	142,894
Donated securities	34,231	62,963
Inventories	4,049	1,059
Prepaid expenses and deposits	20,490	33,664
	<u>5,544,917</u>	<u>11,388,687</u>
Capital assets (note 6)	105,873	116,388
	<u>\$ 5,650,790</u>	<u>\$ 11,505,075</u>
Liabilities, Deferred Contributions and Net Assets		
Accounts payable and accrued liabilities (note 8)	\$ 895,500	\$ 1,086,784
Benefit plan payable	631,739	798,222
Due to related party (note 13)	3,142,840	9,350,529
	<u>4,670,079</u>	<u>11,235,535</u>
Deferred contributions:		
Expenses of future periods (note 11)	960,996	473,826
Net assets:		
Restricted for endowments (note 12)	1,366,526	1,365,442
Unrestricted	<u>(1,346,811)</u>	<u>(1,569,728)</u>
	19,715	(204,286)
Commitments (note 14)		
	<u>\$ 5,650,790</u>	<u>\$ 11,505,075</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Governing Board:

"Michael Dick" Director

"Jeffrey Dyck" Director

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Church contributions	\$ 1,005,774	\$ 1,151,307
Grants and donations	2,343,585	3,690,608
Sales	89,946	343,952
Government assistance (note 2[k])	512,740	–
Mortgage interest	–	2,501,616
Interest on other investments	–	1,832,428
Rental income	–	275,768
Realized gain on disposal of other investments (note 5)	–	3,049,863
	<u>3,952,045</u>	<u>12,845,542</u>
Expenditures:		
Cost of sales	40,192	94,514
Staffing	558,878	707,898
Specific programming costs	2,211,650	3,361,668
Support of outside agencies	707,882	1,344,089
Office expenses (note 13)	117,874	1,342,281
Board costs and convention	88,473	255,171
Public relations costs	4,179	1,022
Interest	–	3,677,813
	<u>3,729,128</u>	<u>10,784,456</u>
Excess of revenue over expenditures before the undernoted	222,917	2,061,086
Other income (expenses):		
Donation to related party (note 13)	–	(4,073,791)
Unrealized loss on other investments	–	(996,380)
Allowance for credit losses (note 4)	–	(111,517)
	–	<u>(5,181,688)</u>
Excess (deficiency) of revenue over expenditures	\$ 222,917	\$ (3,120,602)

See accompanying notes to non-consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	Unrestricted	Restricted for endowments	2020 Total	2019 Total
Balance, beginning of year	\$ (1,569,728)	\$ 1,365,442	\$ (204,286)	\$ 2,915,361
Reinvested earnings during the year	–	1,084	1,084	955
Excess (deficiency) of revenue over expenditures	222,917	–	222,917	(3,120,602)
Balance, end of year	\$ (1,346,811)	\$ 1,366,526	\$ 19,715	\$ (204,286)

See accompanying notes to non-consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from (used in) operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 222,917	\$ (3,120,602)
Adjustments for:		
Amortization	25,745	239,341
Realized gain on disposal of other investments (note 5)	-	(3,049,863)
Unrealized loss on other investments	-	996,380
Allowance for credit losses (note 4)	-	111,517
Donation of capital assets (note 13)	-	4,073,791
Change in non-cash operating working capital:		
Accounts and other receivables	(313,941)	32,616
Donated securities	28,732	(19,298)
Inventories	(2,990)	1,146
Prepaid expenses	13,174	(15,562)
Accounts payable and accrued liabilities	(191,284)	(614,577)
Benefit plan payable	(166,483)	(247,233)
Net change in deferred contributions related to expenses of future periods	487,170	(17,257)
	103,040	(1,629,601)
Cash flows from (used in) financing activities:		
Change in trust deposits, net	-	(13,677,096)
Change in RRSP accounts, net	-	(5,271,103)
Change in tax free savings accounts, net	-	(2,580,026)
Endowments	1,084	955
	1,084	(21,527,270)
Cash flows from (used in) investing activities:		
Purchase of capital assets	(15,230)	(12,479)
Change in investments, net	-	14,739,481
Change in mortgages and loans receivables, net	-	2,908
Change in due from related party (note 13)	(6,207,689)	2,093,850
	(6,222,919)	16,823,760
Decrease in cash	(6,118,795)	(6,333,111)
Cash, beginning of year	11,148,107	17,481,218
Cash, end of year	\$ 5,029,312	\$ 11,148,107

For the year ended December 31, 2019, excluded from certain line items in the above non-consolidated statement of cash flows are amounts related to the reorganizations disclosed in note 3.

See accompanying notes to non-consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2020

1. Nature of organization:

The Canadian Conference of the Mennonite Brethren Church of North America (the "Conference") was incorporated by an Act of the Parliament of Canada on December 18, 1945. The Conference is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

The Conference provides services to Mennonite Brethren supported missions, institutions, local churches and their members. In addition, the Conference administers endowment funds which generate earnings to fund various Mennonite Brethren ministries.

Prior to the reorganizations described in note 3, these services included financial services including administration of funds on deposit (in the form of deposits, annuities, Tax Free Savings Accounts (TFSA's) and Registered Retirement Savings Plan accounts (RRSP's) and provision of mortgages to Mennonite Brethren Churches (MB Churches), pastors of Mennonite Brethren Churches (MB Church Pastors) and other Mennonite Brethren and affiliated institutions such as schools and camps (MB Church Entities).

The Conference is the sole member of CCMBC Legacy Fund Inc. (Legacy), a registered charity. CCMBC Investments Ltd. (CCMBC Investments) is a for-profit wholly-owned subsidiary of Legacy. On August 30, 2019, CCMBC, CCMBC Investments and Legacy completed a reorganization as described in note 3 and on December 30, 2019, CCMBC and Legacy completed an additional reorganization as described in note 3.

2. Significant accounting policies:

(a) Basis of accounting:

The non-consolidated financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

These non-consolidated financial statements also do not reflect the assets, liabilities, revenue, expenses and cash flows of the various colleges funded by the Conference nor do they reflect the activities of the separately incorporated provincial conferences, individual congregations and Multiply (formerly MB Mission).

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(b) Controlled entities:

The Conference accounts for its controlled entities using the cost method, except that when a controlled entity's equity securities are quoted in an active market, the investment is accounted for at its quoted amount.

Investments in non-consolidated controlled entities are assessed individually for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment the Conference determines if there is a significant adverse change in the expected timing or amount of future cash flows from the investment. If there is a significant adverse change in the expected cash flows, the carrying amount of the investment is reduced to the higher of the present value of the expected cash flows and the amount that could be realized from selling the investment. When the extent of impairment of a previously written down investment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of the improvement.

(c) Revenue recognition:

The Conference follows the deferral method of accounting for contributions. Restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in endowment net assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest on mortgage and other investments is recorded as income on an accrual basis, using the effective interest method. Rental revenue includes recovery of common area maintenance costs and is recognized on an accrual basis over the term which it applies.

Sales revenue is recognized when the order is shipped or picked up by the customer.

THE CANADIAN CONFERENCE OF THE MENNONITE BROTHERS CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

The Conference amortizes its capital assets as follows:

Asset	Rate
Computer equipment	3 - 5 years straight-line
Office equipment	5 - 10 years straight-line

The current year's income has been charged with an amount of \$25,745 (2019 - \$239,341) reflecting the current year's amortization which is included in office expenses in the non-consolidated statement of operations.

(e) Impairment of long-lived assets:

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When circumstances indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-down of the asset is charged to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

(f) Mortgages and loans receivable:

Loans are initially measured at fair value plus incremental direct transaction costs. Loans are subsequently re-measured at their amortized cost, net of allowance for credit losses, using the effective interest method.

Interest income is accounted for on the accrual basis, except on loans classified as impaired. A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

When a loan is classified as impaired, accrual of interest on the loan ceases and the carrying amount of the loan is reduced to its estimated realizable amount. Estimated realizable amounts are measured by discounting the expected future cash flows, if they can be reasonably estimated, using the effective interest rate inherent in the loan. When the amounts and timing of cash flows cannot be reasonably estimated, the carrying amount of the loan is reduced to its estimated net realizable value based on either:

- (i) the fair value of any security underlying the loan, net of expected costs of realization, or;
- (ii) observable market prices for the loan.

As long as the loan remains classified as impaired, payments received will be credited to the carrying value of the loan. A loan will be returned to accrual status only when the timely collection of both principal and interest is reasonably assured and all arrears payments of principal and interest are brought current.

(g) Allowance for credit losses:

The Conference maintains an allowance for credit losses which, in management's opinion, is adequate to absorb all credit related losses in its portfolio. The allowance for credit losses consists of specific provisions, being provisions against specific credit exposures determined on an item-by-item basis, and a general provision for losses which have occurred, but where such losses cannot be determined on an item-by-item basis.

In assessing existing credit losses, management must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. Changes in circumstances may cause future assessments of credit risk to be significantly different than current assessments and may require an increase or decrease in the allowance for credit losses.

(h) Inventories:

Inventories are measured at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Conference has elected to carry its other investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Conference determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Conference expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(j) Contributed services:

Volunteers are an integral part of the activities of the Conference. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

(k) Government assistance:

Government assistance related to current expenses is included in the determination of net income for the period when the related expenditures are incurred. A liability to repay government assistance, if any, is recorded in the period in which the condition arises that causes the assistance to become repayable.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

During the year ended December 31, 2020, the Conference incurred \$1,885,418 of salaries expenditures. Of this amount, \$1,074,533 relate to non-registered church plants salaries expenditures and are included in specific programming costs on the statement of operations. Of the remaining \$810,885, \$523,283 is included in staffing expenses and \$287,602 is included in specific programming costs on the statement of operations. During the year ended December 31, 2020, the Conference has included in grants and donations income \$512,740 (2019 - nil) for government assistance related to salaries expenditures under the Canada Emergency Wage Subsidy program of which \$334,403 is included in accounts and other receivables at December 31, 2020. \$281,648 of the total subsidy of \$512,740 relates to non-registered church plants salaries expenditures of which \$180,449 is included in accounts and other receivables at December 31, 2020.

(l) Use of estimates:

The preparation of the 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 expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Reorganizations:

August 30, 2019

On August 30, 2019, as described in an Offering Memorandum dated July 17, 2020, CCMBC, CCMBC Investments and Legacy completed a reorganization resulting in assets consisting of mortgage and loans receivable and other investments of \$149,610,420 in the aggregate being transferred by the Conference to CCMBC Investments. Pursuant to the reorganization, CCMBC Investments issued 1,136,500 preferred shares for \$1,136,500 and issued promissory notes in the amount of \$145,758,413 to certain of the former investors in the Conference's deposit note program. The subscription price for the issuance of these preferred shares and promissory notes was satisfied by the transfer of the mortgage and loan receivables and other investments from the Conference to CCMBC Investments. The excess of the mortgage and loans receivable and other investments over the promissory notes and preferred shares of \$2,715,507 was included in due from related parties (note 13).

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

3. Reorganizations (continued):

December 30, 2019

On December 30, 2019, as approved by the Board of Directors, the Conference and Legacy completed a reorganization resulting in certain assets of the Conference, including its interest in CCMBC Holdings, being transferred to Legacy and Legacy assuming certain liabilities of the Conference.

Assets transferred to Legacy:	
Other investments (note 5)	\$ 8,542,695
Mortgage and loans receivable (note 4)	7,229,266
Prepaid assets and deposits	176,330
Investment in CCMBC Holdings Inc.*	1
	15,948,292
Liabilities assumed by Legacy:	
Accounts payable and accrued liabilities	\$ 36,920
Deposit notes (note 9)	28,540,802
	28,577,722
<u>Amount due to Legacy (note 13)</u>	\$ 12,629,430

* CCMBC Holdings Inc. is a for-profit entity that owns all of the shares of CP Printing Solutions, Deer River Properties and Crossfield Highway Development Inc.

In addition, on December 30, 2019, the Conference donated capital assets with a carrying amount of \$4,073,791 to Legacy (note 6).

4. Mortgage and loans receivable:

On August 30, 2019, mortgage and loans receivable including accrued interest in the amount of \$88,329,608 net of an allowance for credit losses of \$3,570,742 were transferred to CCMBC Investments (note 3).

On December 30, 2019, mortgage and loans receivable including accrued interest in the amount of \$7,340,783) net of an allowance for credit losses of \$111,517 were transferred to Legacy (note 3).

No gain or loss was recognized on the transfers to CCMBC Investments or Legacy.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Other investments:

On August 30, 2019, other investments in the amount of \$64,851,554 were transferred to CCMBC Investments (note 3). A net realized gain on disposition of \$3,389,616 was recognized in the statement of operations.

On December 30, 2019, other investments in the amount of \$8,542,695 were transferred to Legacy (note 3). A net realized loss on disposition of \$73,432 was recognized in the statement of operations.

6. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 22,255	\$ 17,792	\$ 4,463	\$ 6,847
Office equipment	127,951	26,541	101,410	109,541
	\$ 150,206	\$ 44,333	\$ 105,873	\$ 116,388

On December 30, 2019, the Conference donated capital assets with a net book value of \$4,073,791 to Legacy (note 3).

7. Operating facility and guarantee:

On August 22, 2019, and as amended October 25, 2019, the Conference entered into a Letter of Agreement with the Bank of Montreal which provides for an operating facility for use by the Conference in the aggregate amount of \$250,000, along with letters of credit up to \$100,000, bearing interest at prime. The operating facility is secured by a general security agreement over the assets of the Conference, a \$300,000 corporate guarantee from Legacy and CCMBC Holdings Inc., a \$400,000 corporate guarantee from CCMBC Investments and general security agreements over the assets of Legacy, CCMBC Holdings Inc. and CCMBC Investments. As at December 31, 2020 and December 31, 2019, the operating facility was unutilized.

In addition, the Conference has provided a guarantee in the amount of \$3,000,000 and a general security agreement to the Bank of Montreal as security for the operating facility of Legacy. As at December 31, 2020, the operating facility of Legacy was unutilized.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is \$468 (2019 - \$1,306) for government remittances.

9. Deposit notes:

Until August 30, 2019, the Conference issued deposit notes to MB Churches and MB Church Entities along with members of Canadian Conference churches and from August 30, 2019 to December 30, 2019 to MB Churches and MB Church Entities.

All deposit notes were due on demand and bore interest at a variable rate of interest which was determined at July 1 and December 31 of each year.

On August 30, 2019, deposit notes in the amount of \$80,298,579 were included as part of the reorganization described in note 3.

On December 30, 2019, deposit notes in the amount of \$28,577,722 were included as part of the reorganization described in note 3.

10. Registered Retirement Savings Plan and Tax Free Savings Accounts:

Until August 30, 2019, the Conference had an RRSP Trust and TFSA Trust for members of Mennonite Brethren churches. Funds were directed to first mortgages. Interest on member savings was calculated every six months and credited to each account on June 30 and December 31. Members' accounts were administered by Canadian Western Trust and the Conference.

RRSP Trust and TFSA Trust funds were due on demand and bore interest at variable rates of interest which were determined at July 1 and December 31 of each year.

On August 30, 2019, RRSP Trust funds in the amount of \$41,939,128 and TFSA Trust funds in the amount of \$24,657,206 were included as part of the reorganization described in note 3.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods are externally restricted contributions that have been received and relate to expenses to be incurred in subsequent years. Changes in deferred contributions related to expenses of future periods are as follows:

	2020	2019
Balance, beginning of year	\$ 473,826	\$ 491,083
Add amount received relating to future periods	811,445	675,279
Less amount recognized as revenue in the period	(324,275)	(692,536)
Balance, end of year	\$ 960,996	\$ 473,826

As at December 31, deferred contributions related to expenses of future periods consists of the following:

	2020	2019
Emerging leaders	\$ 4,109	\$ 11,388
Centre for Mennonite Brethren Studies	28,990	28,990
Non-registered church plants	794,696	355,729
United Bible Society	79,046	63,364
Church planting initiatives	876	883
Church planters reserve	34,221	12,020
Other externally restricted	19,058	1,452
	\$ 960,996	\$ 473,826

12. Restrictions on net assets:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income earned on endowments is externally restricted for specific purposes.

At December 31, net assets restricted for endowments consists of the following:

	2020	2019
CMU Endowment	\$ 205,077	\$ 205,077
Manitoba Conference Endowment	73,797	73,797
Evangelism Endowment	158,803	158,803
Family Endowment	928,849	927,765
	\$ 1,366,526	\$ 1,365,442

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Related party transactions:

As described in note 3, on August 30, 2019, the Conference transferred mortgage and loans receivable and certain other investments to CCMBC Investments as part of the reorganization. In addition, on December 30, 2019, the Conference transferred certain assets and liabilities to CCMBC Legacy as part of the reorganization described in note 3 and donated capital assets in the amount of \$4,073,791 to Legacy.

At December 31, 2020, the Conference has a payable in the amount of \$3,142,840 (2019 - \$9,350,529) to Legacy which is due on demand with no specified terms of repayment. Subsequent to December 31, 2020, the Conference made a cash payment in the amount of \$1,000,000 to Legacy to reduce the amount payable to \$2,142,840.

At December 31, 2020, the Conference has \$2,551,710 (2019 - \$870,910) on deposit with Legacy which bears interest at a variable rate of interest, 1.40 percent (2019 - 2.90 percent) at December 31, 2020.

During the year ended December 31, 2020, Legacy provided accounting and payroll services to the Conference for \$47,700 (2019 - \$47,700).

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. Commitments:

Lease commitments:

The Conference leases office space under long-term leases. The future minimum payments required under these leases are:

2021	\$	20,790
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15. Employee pension plan:

The Conference is a participant of a money purchase pension plan. Members of the plan include employees of the Conference and related organizations. The cost of funding the plan is shared by employee and employer. The rate of employer contributions to the fund in 2020 was 5 percent (2019 - 5 percent) of the employee salaries. The pension expense for the year ended December 31, 2020 was \$33,766 (2019 - \$43,424).

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

16. Financial risks:

(a) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of the Conference holding investments denominated in United States dollars (USD) in 2019 and holding cash denominated in USD. Fluctuations in the relative values of the Canadian dollar against USD can result in a positive or a negative impact on the fair value of the investments and cash. The Conference currently holds USD and manages this cash for the purposes of achieving foreign exchange gains and meeting the cash requirements of the Conference. This cash management approach exposes the Conference to changes in exchange rates which can affect the fund balances.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Conference was exposed to interest rate risk on its investments in corporate bonds, private fixed income and mortgage funds, and investments in mortgages until their disposal in 2019 (note 3). The Conference managed its investment portfolio to earn investment income and invested according to a Statement of Investment Policy approved by The Board and monitored by investment managers.

The Conference is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

(c) Liquidity risk:

Liquidity risk is the risk that the Conference will encounter difficulty in meeting financial obligations as they become due and arises from the Conference's management of working capital. The Conference's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due and maintain a minimum cash balance in excess of the aggregate amount of endowments and the benefit plan payable.

(d) Credit risk:

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Conference was exposed to credit risk arising from its mortgage and loans receivable and investments in corporate bonds and private fixed income and mortgage funds until their disposal in 2019 (note 3). In order to reduce its credit risk, the Conference reviewed loan applications before extending credit. Investments were monitored by investment managers.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2020

16. Financial risks (continued):

An allowance for credit losses was established based upon factors surrounding the credit risk of specific accounts. The Conference had a number of corporate bonds, private fixed income and mortgage funds and mortgage and loans receivable which minimizes concentration of credit risk.

There have been no changes to the Conference's financial instrument risk exposures from the end of the prior year subsequent to the reorganizations described in note 3.

17. COVID-19 implications:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which included implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in economic slowdown. Governments in Canada have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The current challenging economic climate may lead to adverse change in cash flows and working capital levels, which may have a direct impact on the Conference's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Conference is not known at this time.

As of the date of issuance of the financial statements, the Conference has accessed certain government aid programs to assist with the impact of COVID-19 on the Conference's operations. This includes access to government subsidies to assist with the Conference's expenditures (note 2[k]).