



Report on the Consolidated Financial Statements of CCMBC Legacy Fund Inc. for the Year Ended December 31, 2020

Summary

We are pleased to offer this commentary that highlights certain key aspects of our financial performance and position.

CCMBC Legacy Fund Inc. (“Legacy”) was established to manage the financial services and Stewardship Ministries division of the Canadian Conference of Mennonite Brethren Churches (“CCMBC”). Financial services operations were transferred to Legacy in 2018, including accounting and payroll services, benefits and pension administration, and facilities management. Stewardship assets and liabilities were transferred to Legacy in 2019, including land, buildings, capital equipment, and the mortgages and deposits to/from various MB churches, individuals, provincial conferences, and related MB agencies. Investment and lending activities now continue through Legacy’s subsidiary CCMBC Investments Ltd.

Legacy 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. CCMBC is the sole member of Legacy and appoints its Board members.

The 2020 Consolidated Financial Statements of CCMBC Legacy Fund Inc. represent the first full year of operations since the reorganization into our new organizational structure and include the activities of Legacy and its wholly-owned for-profit subsidiaries CCMBC Investments Ltd. and CCMBC Holdings Inc. The accompanying notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

In late 2020, we said goodbye to Jim Davidson who served CCMBC and Legacy faithfully for many years as CFO and finally as CEO of Legacy. We wish him well in retirement! Jason Krueger joined Legacy as CEO in fall 2020, having served previously as CEO of a similar organization.

Consolidated Statement of Financial Position

Total assets decreased 9.3% to \$164.2 million compared to the prior year, due primarily to a reduction in cash, the redemption of investments to fund redemption of promissory notes, and the amount due from CCMBC relating to the reorganization of Stewardship Ministries. Legacy held mortgage investments of \$77.9 million (\$82.7 million – 2019), other investments of \$63.6 million (\$48.9 million – 2019), and land held for sale of \$6.9 million (\$6.9 million – 2019).

Due to several factors more fully described in the report “Telling Our Financial Story” including the accumulation of operating deficits and a constrained timeline to conclude the reorganization, the liabilities assumed by Legacy were in excess of the assets acquired. The



difference represents an amount that is due from CCMBC by Legacy (“Due from related party” in our Consolidated Financial Statements). At the beginning of 2020, \$9.3 million remained outstanding but by year-end, this figure had been substantially reduced to \$3.1 million. After year-end, this figure was further reduced to \$2.1 million. This amount is not interest-bearing. Legacy and CCMBC are developing a plan and schedule to eliminate the remaining amount which will largely be determined by future donations from Legacy.

Total liabilities decreased 9.6% to \$161.1 million compared to the prior year, due primarily to the redemption of promissory notes. Total liabilities were comprised primarily of promissory notes totalling \$130.4 million (\$147.7 million – 2019) and deposit notes totalling \$29.0 million (\$28.5 million – 2019). Unrestricted net assets increased to \$0.4 million due to positive operational performance during 2020.

During the year, Legacy worked with borrowers on a case-by-case basis on deferral arrangements. By the end of 2020, only 2.2% of borrowers (excluding the credit-impaired loans that were purchased by Legacy) were still on deferral arrangements or had not resumed their principal and interest payments. God has blessed our churches and people even through the Covid period.

Consolidated Statement of Operations

Operational results for 2020 reflect a full-year contribution from CCMBC Investments and CCMBC Holdings. A prior-year comparison is made difficult, as the transfer to CCMBC Investments of mortgages and corresponding liabilities did not occur until August 2019, and the transfer to Legacy of CCMBC Holdings, deposit notes, and capital assets did not occur until December 2019.

Revenue

Revenue of \$8.6 million was recorded during 2020 (\$2.7 million – 2019), comprised primarily of \$3.4 million mortgage interest (\$1.2 million – 2019) and \$4.2 million investment earnings (\$0.7 million – 2019). Monies raised from investors through CCMBC Investments facilitate the lending of money secured by mortgages to CCMBC’s churches, pastors, and partner organizations. Any excess funds not required for lending are invested in other investments according to specified Investment Policy Statement guidelines that are reviewed and approved annually. Lending activities are governed by Legacy’s Credit Policy ensuring there is a credit underwriting regime that is sound.

Expenditures

Expenditures of \$7.6 million were recorded during 2020 (\$3.1 million – 2019), including interest on promissory notes (\$3.1 million) and deposit notes (\$0.7 million), salaries and benefits (\$1.2 million), and investment management fees (\$0.7 million). Investment management fees are



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paid to a third party (Capstone Asset Management) for Exempt Market Dealer and Portfolio Manager services relating to monies raised on behalf of CCMBC Investments. Legacy recognizes loss allowances for expected credit loss (ECL) on financial assets (mortgages) measured at amortized cost. In 2020, \$28,000 was recorded as an allowance for credit losses.

Income Taxes

Although Legacy is exempt from income tax, its wholly-owned for-profit subsidiaries CCMBC Investments and CCMBC Holdings are not. Total income taxes of \$0.4 million were recorded during 2020.

Excess (Deficiency) of Revenue Over Expenditures

Legacy recorded an excess of revenue over expenditures of \$0.4 million during 2020, a substantial improvement over the deficiency of \$0.8 million last year.

We wish to thank you for supporting the ministry of Legacy!

*Respectfully submitted by
Bertha Dyck, CFO and Jason Krueger, CEO*