

Financial Statements of

**MENNONITE CHURCH
MANITOBA INC.**

Independent Practitioners' Review Engagement
Report thereon

Year ended December 31, 2020
(Unaudited)



KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Members of Mennonite Church Manitoba Inc.

We have reviewed the accompanying financial statements of Mennonite Church Manitoba Inc. (the "organization"), which comprise the statement of financial position as at December 31, 2020, the statements of operations, statement of changes in fund balances and the statement of cash flows for the year then ended, and notes, comprising 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.

Practitioners' 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 Mennonite Church Manitoba Inc. as at December 31, 2020, and its results of 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, Canada

March 3, 2021

MENNONITE CHURCH MANITOBA INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019
(Unaudited)

	2020		2019	
	General Fund	Capital Fund	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 426,073	\$ —	\$ 426,073	\$ 479,702
Accounts receivable (note 3)	218,344	—	218,344	323,549
Prepaid expenses	19,287	—	19,287	20,116
	663,704	—	663,704	823,367
Capital assets (note 4)	—	451,030	451,030	497,307
Inter-fund balances	(127,850)	127,850	—	—
	\$ 535,854	\$ 578,880	\$ 1,114,734	\$ 1,320,674

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 46,332	\$ —	\$ 46,332	\$ 371,599
Deferred revenue	8,330	—	8,330	13,150
	54,662	—	54,662	384,749
Canada Emergency Business Account loan payable (note 6)	40,000	—	40,000	—
Fund balances:				
Invested in capital assets (note 7)	—	451,030	451,030	497,307
Externally restricted (note 8)	22,305	—	22,305	22,268
Internally restricted (note 9)	234,685	127,850	362,535	355,416
Unrestricted	184,202	—	184,202	60,934
	441,192	578,880	1,020,072	935,925
Commitments (note 11)				
	\$ 535,854	\$ 578,880	\$ 1,114,734	\$ 1,320,674

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

MENNONITE CHURCH MANITOBA INC.

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019
(Unaudited)

			2020	2019
	General Fund	Capital Fund	Total	Total
Revenue:				
Church donations	\$ 953,780	\$ 2,000	\$ 955,780	\$ 1,036,926
Other donations	187,799	—	187,799	243,804
Fees for service	225,563	—	225,563	676,232
Government assistance	205,616	—	205,616	1,560
Grants	6,000	—	6,000	—
Interest	845	—	845	791
Rent	59,760	—	59,760	73,346
	1,639,363	2,000	1,641,363	2,032,659
Expenditures:				
Amortization	—	55,230	55,230	53,520
Partner Ministries:				
Canadian Mennonite University	87,500	—	87,500	87,500
Mennonite Church Canada	321,009	—	321,009	403,130
Canadian Mennonite Association	24,360	—	24,360	22,310
Inter-Mennonite Chaplaincy Association	6,180	—	6,180	3,000
	439,049	—	439,049	515,940
Mission	30,033	—	30,033	45,530
Church Community Building Ministries:				
Executive	51,367	—	51,367	25,077
Occupancy	54,247	—	54,247	11,787
Support service	164,924	—	164,924	329,706
	270,538	—	270,538	366,570
Leadership Ministries:				
Leadership	91,089	—	91,089	89,485
Congregational	82,828	—	82,828	108,552
	173,917	—	173,917	198,037
Camping Ministries	588,449	—	588,449	876,634
	1,501,986	55,230	1,557,216	2,056,231
Excess (deficiency) of revenue over expenditures	\$ 137,377	\$ (53,230)	\$ 84,147	\$ (23,572)

See accompanying notes to financial statements.

MENNONITE CHURCH MANITOBA INC.

Statement of Changes in Fund Balances

Year ended December 31, 2020, with comparative information for 2019
(Unaudited)

			2020	2019
	General Fund	Capital Fund	Total	Total
Fund balances, beginning of year	\$ 303,815	\$ 632,110	\$ 935,925	\$ 959,497
Excess (deficiency) of revenue over expenditures	137,377	(53,230)	84,147	(23,572)
Inter-fund transfers (note 10)	—	—	—	—
Fund balances, end of year	\$ 441,192	\$ 578,880	\$ 1,020,072	\$ 935,925

See accompanying notes to financial statements.

MENNONITE CHURCH MANITOBA INC.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019
(Unaudited)

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ 84,147	\$ (23,572)
Items not involving cash:		
Amortization	55,230	53,520
Change in non-cash operating working capital:		
Accounts receivable	105,205	17,220
Prepaid expenses	829	3,669
Accounts payable and accrued liabilities	(325,267)	152,964
Deferred revenue	(4,820)	(12,170)
	(84,676)	191,631
Financing:		
Proceeds of CEBA loan	40,000	–
Investments:		
Additions to capital assets	(8,953)	(35,211)
Increase (decrease) in cash and cash equivalents	(53,629)	156,420
Cash and cash equivalents, beginning of year	479,702	323,282
Cash and cash equivalents, end of year	\$ 426,073	\$ 479,702
Cash and cash equivalents are comprised of:		
Cash on deposit - General Fund	\$ 367,085	\$ 420,837
Abundance Canada deposit - General Fund – J.F. Pauls Fund	50,638	50,724
Abundance Canada deposit - General Fund – Faith and Life Fund	8,350	8,141
	\$ 426,073	\$ 479,702

See accompanying notes to financial statements.

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements

Year ended December 31, 2020
(Unaudited)

1. General:

Mennonite Church Manitoba Inc. is a corporation without share capital incorporated under the laws of Manitoba as a not-for-profit organization and is a registered charity under the *Income Tax Act*. The organization is an extension of its supporting congregations. The objective of the organization is to foster Christian commitment, discipleship, witness and service among the various corporate members. The principal activities include promoting evangelism, Christian education and nurture through the means of camping, counselling, teaching, literature, media services and other related services.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Fund accounting:

Assets, liabilities, revenues and expenses related to the organization's capital assets, capital campaigns and internally restricted funds for future asset purchases are recorded in the Capital Fund. All other assets, liabilities, revenues and expenses are reported in the General Fund.

(b) Revenue recognition:

The organization follows the restricted fund method of accounting for contributions.

The organization reports as revenue, church donations collected on behalf of partner ministries which are disbursed in full.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue in the year in which the contributions are received.

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.

Deposits received in advance for camp rentals are recorded as deferred revenue.

Services, fees, investment income and rent are recognized as revenue when earned.

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash and investments in short-term instruments with original maturities of less than 90 days. These short-term investments are recorded at cost which approximates current market value.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

	Rate
Buildings	5%
Major equipment	20%

(e) 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 organization has not elected to carry any such financial instruments 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.

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

2. Significant accounting policies (continued):

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 organization 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 organization 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.

(f) Government assistance:

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

During the year ended December 31, 2020, the organization has included in other income \$205,616 (2019 - nil) for government assistance related to salaries expenditures under the Canada Emergence Wage Subsidy program.

(g) Allocation of fundraising and general administration expenses:

The organization classifies expenses on the statement of operations by function. The organization does not allocate expenses between functions on the statement of operations.

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

3. Accounts receivable:

Included in accounts receivable are government remittances payable of \$12,784 (2019 - \$9,832), which includes amounts payable for GST.

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

4. Capital assets:

				2020	2019
	Cost	Accumulated amortization	Write-down	Net book value	Net book value
Camp Assiniboia:					
Land	\$ 14,801	\$ —	\$ —	\$ 14,801	\$ 14,801
Building	1,290,804	866,172	—	424,632	465,404
Pool	40,084	40,084	—	—	—
Equipment	310,006	302,844	—	7,162	4,508
Tractors	128,858	128,858	—	—	6,207
	1,784,553	1,337,958	—	446,595	490,920
Camp Koinonia:					
Building	511,695	441,998	69,696	1	1
Equipment	224,112	220,613	3,499	—	—
	735,807	662,611	73,195	1	1
Office:					
Building	598,452	598,452	—	—	—
Equipment	506,051	501,617	—	4,434	6,386
	1,104,503	1,100,069	—	4,434	6,386
	\$ 3,624,863	\$ 3,100,638	\$ 73,195	\$ 451,030	\$ 497,307

The organization continues to seek the transfer of ownership of Camp Koinonia to certain supporting individuals and organizations. As these capital assets no longer had any long-term service potential to the organization, they were written down to their net realizable value of \$1 in 2015.

5. Line of credit:

The organization has a line of credit with Crosstown Civic Credit Union to a maximum of \$50,000. The balance outstanding at December 31, 2020 was nil (2019 - nil).

6. Canada Emergency Business Account loan payable:

The organization obtained an interest-free loan of \$40,000 under the Canada Emergency Business Account (CEBA). The loan is interest-free to December 31, 2022. If the loan is repaid on or before December 31, 2022, 25 percent of the loan (\$10,000) will be forgiven. If not repaid by December 31, 2022, the loan converts to a three-year term loan at 5 percent interest.

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

7. Investment in capital assets:

Change in net assets invested in capital assets is calculated as follows:

	2020	2019
Deficiency of revenues over expenses:		
Amortization of capital assets	\$ (55,230)	\$ (53,520)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 8,953	\$ 35,211

8. Externally restricted fund:

	2020	2019
J. Funk Memorial Trust Fund	\$ 22,305	\$ 22,268

9. Internally restricted fund balances:

	2020	2019
General Fund:		
Camperships	\$ 15,396	\$ 18,000
Frohe Botschaft Memorial	5,463	5,463
Israel/Palestine Fund	650	—
J.F. Pauls Book Fund	50,724	50,724
MCM FLC Fund	8,141	8,141
MCM Planned Gift Fund	124,895	102,324
Mennonite Women Manitoba Fund	25,200	31,745
Music Talent Fund	4,216	4,216
	234,685	220,613
Capital Fund:		
Camp Assiniboia	88,857	95,810
Camp Koinonia	2,807	2,807
General	36,186	36,186
	127,850	134,803
	\$ 362,535	\$ 355,416

The internally restricted amounts in the Capital Fund are for future capital additions.

These internally restricted amounts are not available for any other purpose without the approval of the Board.

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

10. Inter-fund transfers:

During the year, the Board approved a net transfer of equity from the General Fund to the Capital Fund in the amount of nil (2019 - nil).

11. Commitments:

The organization is committed to minimum annual lease payments of \$1,791 under an operating lease for the land on which Camp Koinonia operates. The lease expires April 30, 2023. The organization is also committed to roof repairs (shared with Mennonite Church Canada) and mold remediation at its head office location in the approximate amount of \$129,657. The lease and repair commitments are as follows:

2021	\$	131,448
2022		1,791
2023		1,791
	\$	135,030

12. 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 organization'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 organization is not known at this time.

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

MENNONITE CHURCH MANITOBA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2020
(Unaudited)

13. Financial risks:

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable. The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages its liquidity risk by monitoring its operating requirements. The organization on an annual basis, assess cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The organization is not exposed to any significant interest rate risks.

There has been no change to the risk exposures from 2019.

14. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenditure.