

**CANADIAN MENNONITE  
BRETHREN PENSION PLAN**

**Financial Statements**  
For the year ended December 31, 2009

# **CANADIAN MENNONITE BRETHERN PENSION PLAN**

## **Financial Statements**

For the year ended December 31, 2009

### **Contents**

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<b>Auditors' Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Net Assets Available for Benefits	<b>3</b>
Statement of Changes in Net Assets Available for Benefits	<b>4</b>
Summary of Significant Accounting Policies	<b>5</b>
Notes to Financial Statements	<b>7</b>



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## Auditors' Report

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### To the Trustees of the CANADIAN MENNONITE BRETHREN PENSION PLAN

We have audited the statement of net assets available for benefits of the **CANADIAN MENNONITE BRETHREN PENSION PLAN** as at December 31, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2009 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants

Winnipeg, Manitoba  
April 27, 2010

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**CANADIAN MENNONITE BRETHERN PENSION PLAN**  
**Statement of Net Assets Available for Benefits**

**December 31** **2009** **2008**

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**Assets**

Cash and short-term investments	\$ 1,573,507	\$ 2,980,131
Mutual funds	600,000	597,407
Fixed income and related securities	20,086,298	16,926,901
Canadian equity and related securities	9,576,818	7,169,775
U.S. equity and related securities	10,004,186	9,371,707
International equity and related securities	<u>7,308,336</u>	<u>6,294,241</u>
<b>Net assets available for benefits</b>	<b>\$ 49,149,145</b>	<b>\$ 43,340,162</b>

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Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## CANADIAN MENNONITE BRETHERN PENSION PLAN

### Statement of Changes in Net Assets Available for Benefits

For the year ended December 31	2009	2008
<b>Increase in Net Assets</b>		
Contributions		
Employer	\$ 1,849,172	\$ 1,797,385
Employees	1,849,173	1,797,350
Employees voluntary	34,782	39,483
Transfers and adjustments	-	13
	<u>3,733,127</u>	<u>3,634,231</u>
Investment Income		
Interest	658,651	663,990
Dividends	675,622	608,213
Interest on cash at Canadian Western Trust	366	897
Other income	9,514	6,759
Investment gain	4,666,683	-
	<u>9,743,963</u>	<u>4,914,090</u>
<b>Decrease in Net Assets</b>		
Withdrawal and terminations	3,822,144	2,476,755
Trustee fees	112,836	106,761
Non-resident tax	-	16,105
Investment loss	-	6,135,726
	<u>3,934,980</u>	<u>8,735,347</u>
<b>Increase (decrease) in assets available for benefits</b>	<b>5,808,983</b>	<b>(3,821,257)</b>
<b>Net assets available for benefits, beginning of year</b>	<b>43,340,162</b>	<b>47,161,419</b>
<b>Net assets available for benefits, end of year</b>	<b>\$ 49,149,145</b>	<b>\$ 43,340,162</b>

The accompanying summary of significant accounting policies and note are an integral part of these financial statements.

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## **CANADIAN MENNONITE BRETHERN PENSION PLAN**

### **Summary of Significant Accounting Policies**

**For the year ended December 31, 2009**

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<b>Basis of Accounting</b>	The accounts of the Plan are prepared using the accrual basis of accounting.
<b>Investments</b>	Investments are managed by RBC Dominion Securities and are stated at market value. The annual increase or decrease in the difference between cost and market value of the investments is reflected as an investment gain (loss) in the statement of changes in net assets available for benefits.
<b>Revenue Recognition</b>	Employee and employer contributions are recognized when they are received. Dividend income is recognized based on ex-dividend date and interest is recognized on the accrual basis as earned. Gains (losses) on investments sold during the year represent the difference between sale proceeds and book value and are included in the statement of changes in net assets as "investment gain (loss)."
<b>Foreign Currency Translation</b>	Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the year-end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the date of the transactions. The realized and unrealized gains and losses arising from these transactions are included in income.
<b>Allocation to Members</b>	Employer and employee contributions to the Plan and transfers to the Plan are allocated specifically to the member to whom they relate. The annual net investment income is allocated proportionately to the Plan members based upon their account balances.
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Plan 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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# CANADIAN MENNONITE BRETHREN PENSION PLAN

## Summary of Significant Accounting Policies

For the year ended December 31, 2009

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**Income Taxes**

The Plan is a registered pension plan as defined by The Income Tax Act (Canada) and is not subject to income taxes.

**New Accounting  
Pronouncement**

A recent accounting pronouncement that has been issued but is not yet effective, and has a potential implication for the Plan, is as follows:

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Plan's financial statements has yet to be determined.

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# CANADIAN MENNONITE BRETHERN PENSION PLAN

## Notes to Financial Statements

For the year ended December 31, 2009

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### 1. Description of the Plan

The Canadian Mennonite Brethren Pension Plan (previously referred to as The Pension Plan of the Canadian Conference of Mennonite Brethren Churches of North America) is an employer pension plan which provides pensions for the employees of the Canadian Conference of Mennonite Brethren Churches and other Mennonite Brethren employers. The Plan is a defined contribution pension plan which is financed by contributions by the employers and employees. The Plan is registered under the Pension Benefits Act of British Columbia, Registration #0561175.

These financial statements reflect only the assets and liabilities under the administration of the Trustees of The Pension Plan on behalf of the Canadian Conference of Mennonite Brethren Churches. The term "net assets", as used throughout these financial statements, refers to net assets available for benefits.

The funding policy, in accordance with the Plan is that employees must contribute 5% of their earnings to the Plan, with the balance of the funding coming from employers matching employees' contributions.

The Plan is fully vested upon receipt of the first contribution.

Withdrawal or transfers of the balance of the member's account are available when a member ceases to be employed by the employer.

### 2. Financial Instrument Risk Exposure and Management

The Plan's investments are recorded at fair market value of \$49,149,145 as at December 31, 2009.

The Plan is exposed to risks that arise from its use of financial instruments. This note describes the Plan's objectives, policies and processes for managing those risks and the methods used to measure them.

#### ***Principal Financial Instruments***

The principal financial instruments used by the Plan, from which financial instrument risk arises are as follows:

- cash, short-term investments and mutual funds; and
- investments in fixed income and related securities, Canadian equity and related securities, U.S. equity and related securities, and International equity and related securities.

Cash and bank and investments have been classified as financial instruments held for trading.

There have been no substantive changes in the Plan's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods.

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# CANADIAN MENNONITE BRETHERN PENSION PLAN

## Notes to Financial Statements

For the year ended December 31, 2009

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### 2. Financial Instrument Risk Exposure and Management (continued)

#### *General Objectives, Policies and Processes*

The Board of Directors through the Finance Committee, a permanent sub-committee of the Board, has overall responsibility for the Plan including the establishment and review of the Plan's risk management objectives and policies. The Board has appointed RBC Dominion Securities to manage the ongoing investment operations of the Plan in keeping with the agreed upon Investment Policy Statement and as required by law. The Finance Committee receives regular reports from RBC Dominion Securities through which it reviews the market values of the Plan assets.

#### *Credit Risk*

The Plan has credit risk in respect of its investments in fixed income and related securities. Unless otherwise authorized by the Board, the asset mix of the fund must at all times be in accordance with the Plan's Investment Policy Statement. In addition, all investments are required to be maintained within legal limitations for employee pension plans registered under the British Columbia Pension Benefits Act and the Pension Benefits Standards Regulations (1985) Canada, and in such a manner as is necessary to avoid any penalty under the Income Tax Act (Canada). These measures mitigate the risk of credit default. The Finance Committee reviews investment reports with the investment advisor to monitor exposure to risk.

The Plan's maximum exposure to credit risk is as follows:

<i>Investments</i>	<i>Carrying Value</i>	<i>Maximum Exposure</i>
Cash, short-term investments and mutual funds	\$ 2,173,507	\$ 2,173,507
Fixed income and related securities	20,086,298	20,086,298

#### *Market Risk*

The Plan is susceptible to market risk, which is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity or commodity prices. The Plan is exposed to market risk in its asset management activities. The level of market risk to which the Plan is exposed varies depending on market conditions and expectations of future price and yield movements. The Investment Policy Statement formulates the investment principles and guidelines which are appropriate to the needs and objectives of the Plan and to define the management structure and procedures adopted for the ongoing operation of the investment portfolio managed by RBC Dominion Securities. Under the overall direction of the Plan, the assets of the pension plan are to be invested at all times in a prudently diversified manner to ensure that the risk of the portfolio is kept at low levels. In addition, all investments are to be maintained within legal limitations for employee pension plans registered under the British Columbia Pension Benefits Act and the Pension Benefits Standards Regulations (1985) Canada, and in such manner as is necessary to avoid any penalty under the Income Tax Act. The Board has appointed RBC Dominion Securities as the Fund Manager to make the day to day investment decisions and monitor the portfolio on an ongoing basis to aid in risk management.

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# CANADIAN MENNONITE BRETHREN PENSION PLAN

## Notes to Financial Statements

For the year ended December 31, 2009

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### 2. Financial Instrument Risk Exposure and Management (continued)

#### *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 Plan investing in foreign currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels. The Plan currently holds foreign equities. This investment approach exposes the Plan to changes in exchange rates which can affect the net assets available for benefits.

The Plan does not hedge foreign currency risk. Management considers a 14.3% change in foreign currency to be a reasonable possible change. A 14.3% increase or decrease in the U.S. dollar would be expected to additionally affect net assets available for benefits by \$2,481,000.

#### *Equity Price Risk*

Equity price is the risk associated with the valuation of assets arising from changes in equity markets. The Plan is subject to equity price risk due to daily changes in the market values of its equity portfolio.

Equity price risk is managed by investment policy guidelines that provide for prudent investment in equity markets within defined limits. The Plan does not use derivative instruments to reduce its exposure to equity price risk.

Management considers a 10% change in equity markets to be a reasonable possible change. A 10% increase or decrease in equity markets would be expected to additionally affect net assets available for benefits by \$2,689,000.

#### ***Fair Value Measurement***

The Plan has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

- Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.
- Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the company's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

The fair value of the Plan's financial instruments has been determined based on quoted prices in an active market.

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# CANADIAN MENNONITE BRETHREN PENSION PLAN

## Notes to Financial Statements

For the year ended December 31, 2009

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### 3. Capital Management

The Plan considers its capital to be comprised of its net assets available for benefits. There have been no changes in what the Plan considers to be its capital since the previous period.

As a defined contribution pension plan, the Plan's operations are reliant on revenues generated annually. The Plan has accumulated net assets available for benefits over its history. A portion of the net assets available for benefits is retained as working capital which may be required from time to time due to timing delays in receiving its primary revenues. The remaining balance in net assets available for benefits is available for the use of the Plan and is allocated between each of the pension plan members.