

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

**Non-consolidated Financial Statements**  
For the year ended May 31, 2010

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

## Non-consolidated Financial Statements For the year ended May 31, 2010

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## Auditors' Report

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**To the Board of Directors of  
THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA**

We have audited the non-consolidated balance sheet of **THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA** as at May 31, 2010 and the non-consolidated statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Conference'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 non-consolidated financial statements present fairly, in all material respects, the financial position of the Conference as at May 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

We have not audited the budget figures and consequently do not express an opinion on them.

*BDO Canada LLP*

Chartered Accountants

Winnipeg, Manitoba  
June 18, 2010

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN  
CHURCH OF NORTH AMERICA  
Non-consolidated Balance Sheet**

May 31	2010	2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash on deposit	\$ 4,602,183	\$ 867,762
Donated securities	16,011	31,847
Accounts receivable	159,136	214,640
Inventories	32,815	43,994
Prepaid expenses	92,795	102,862
Due from Stewardship Division	-	176,410
	4,902,940	1,437,515
<b>Capital assets (Note 2)</b>	414,314	475,726
	\$ 5,317,254	\$ 1,913,241

**Liabilities and Fund Balances**

<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 940,590	588,731
Due to Stewardship Division	3,205,327	-
Deferred revenue	34,389	36,500
	4,180,306	625,231
<b>Trust Funds (Note 4)</b>	91,986	81,474
<b>Externally Restricted Funds and Funds Held in Trust (Note 5)</b>	399,960	566,456
	4,672,252	1,273,161
<b>Fund Balances</b>		
Unrestricted	(276,641)	(357,598)
Internally restricted	507,329	521,952
Invested in capital assets	414,314	475,726
	645,002	640,080
	\$ 5,317,254	\$ 1,913,241

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN  
CHURCH OF NORTH AMERICA**  
**Non-consolidated Statement of Revenue and Expenditures**

<b>For the year ended May 31</b>	<b>2010</b>		<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Contributions	\$ 3,878,400	\$ 3,598,493	\$ 3,240,077
Sales	745,810	610,276	840,718
Cost of goods sold	(150,000)	(123,946)	(198,753)
Net sales	595,810	486,330	641,965
	<b>4,474,210</b>	<b>4,084,823</b>	<b>3,882,042</b>
<b>Expenditures</b>			
Staffing	2,040,869	1,817,842	1,754,199
Specific programming costs	1,510,090	1,217,671	948,222
Office expenses	527,830	483,911	542,921
Support of outside agencies	189,371	361,366	260,402
Board costs and convention	97,600	103,357	220,499
Public relations costs	76,900	76,845	92,161
Interest and intercompany costs	31,550	18,909	62,073
	<b>4,474,210</b>	<b>4,079,901</b>	<b>3,880,477</b>
<b>Excess of revenue over expenditures for the year</b>	<b>\$ -</b>	<b>\$ 4,922</b>	<b>\$ 1,565</b>

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

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA**  
**Non-consolidated Statement of Changes in Fund Balances**

For the year ended May 31	2010		2009	
	Capital Assets	Invested in Internally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 475,726	\$ 521,952	\$ (357,598)	\$ 638,515
Excess (deficiency) of revenue over expenditures for the year	(83,941)	(14,623)	103,486	1,565
Purchase of capital assets	22,529	-	(22,529)	-
Balance, end of year	\$ 414,314	\$ 507,329	\$ (276,641)	\$ 640,080

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**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN  
CHURCH OF NORTH AMERICA**  
**Non-consolidated Statement of Cash Flows**

For the year ended May 31	2010	2009
<b>Cash Flows from Operating Activities</b>		
Excess of revenue over expenditures for the year	\$ 4,922	\$ 1,565
Adjustment for amortization	83,941	85,136
	88,863	86,701
Changes in non-cash working capital		
Donated securities	15,836	(21,062)
Accounts receivable	55,504	(22,705)
Inventory	11,179	52,909
Prepaid expenses	10,067	(65,658)
Accounts payable and accruals	351,859	(173,493)
Trust Funds	10,512	6,107
Due from Stewardship Division	3,381,737	(183,722)
Deferred revenue	(2,111)	(2,173)
	3,923,446	(323,096)
<b>Cash Flows from Investing Activities</b>		
Capital assets (net)	(22,529)	(76,913)
<b>Cash Flows from Financing Activities</b>		
Externally restricted funds and funds held in trust	(166,496)	51,561
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,734,421</b>	<b>(348,448)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>867,762</b>	<b>1,216,210</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,602,183</b>	<b>\$ 867,762</b>

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

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# THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN CHURCH OF NORTH AMERICA

## Summary of Significant Accounting Policies

For the year ended May 31, 2010

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These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting principles summarized below:

<b>Completeness of Donations</b>	The Conference has a system of internal control over donations to ensure that all funds received in the Conference's office are properly recorded and receipted for income tax purposes. In common with many other charitable organizations and because of the manner in which many of the donations may be collected, it is not practical to establish procedures which provide absolute assurance that all funds have been properly remitted to the Conference.								
<b>Cash and Deposits</b>	Fund accounting is normally employed by the Conference with the exception of cash and deposits which cannot be segregated by fund. These amounts are "pooled" to facilitate investment of the funds.								
<b>Externally Restricted Funds</b>	Restricted funds include trust funds for donations and fundraising which are ear-marked for specific organizations and activities. Restricted funds are not available for general use by the Conference.								
<b>Amortization</b>	Capital assets are amortized in the capital fund using the straight-line method at the following rates: <table><tr><td>Computer equipment</td><td>20 - 30%</td></tr><tr><td>Office equipment and furniture</td><td>5 - 30%</td></tr><tr><td>Photocopy equipment</td><td>20 - 30%</td></tr><tr><td>Leasehold improvements</td><td>33%</td></tr></table> No amortization is taken on capital assets in the year of acquisition.	Computer equipment	20 - 30%	Office equipment and furniture	5 - 30%	Photocopy equipment	20 - 30%	Leasehold improvements	33%
Computer equipment	20 - 30%								
Office equipment and furniture	5 - 30%								
Photocopy equipment	20 - 30%								
Leasehold improvements	33%								
<b>Gifts in Kind</b>	Donated capital assets are recorded at fair market value when such values can be reasonably determined. The Conference has elected not to record the fair value of donated materials and services.								
<b>Pledges</b>	Pledges are accounted for on a cash basis.								
<b>Income Taxes</b>	The Canadian Conference of the Mennonite Brethren Church of North America is registered as a charitable organization under the Income Tax Act and is in compliance with the requirements of the Act to maintain its non-taxable status.								

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

## Summary of Significant Accounting Policies

For the year ended May 31, 2010

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

**Financial Instruments** The Conference utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Conference classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

<u>Assets/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash on deposit	Held for trading	Fair value
Donated securities	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the Statement of Revenue and Expenditures.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.
- Other financial liabilities are carried at amortized cost, using the effective interest method.

Transaction costs are expensed as incurred.

Except as noted below, it is management's opinion that the Conference is not exposed to any significant price, credit, liquidity, or cash flow risks arising from these financial instruments.

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**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN  
CHURCH OF NORTH AMERICA  
Summary of Significant Accounting Policies**

**For the year ended May 31, 2010**

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**Financial Instruments**  
(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 organization investing in foreign currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels. The Conference currently holds foreign cash and manages this cash for the purposes of achieving foreign exchange gains and meeting the cash requirements of the organization. This cash management approach exposes the Conference to changes in exchange rates which can affect the fund balances.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**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 recognized. Unrestricted contributions are recognized as revenue when received. Sales revenue is recognized when the order is shipped or picked up by the customer.

**Internally Restricted Funds**

Internally restricted funds are amounts restricted for specified purposes and are not available for other purposes without approval from the board of directors.

**New Accounting  
Pronouncement**

The Accounting Standards Board (AcSB) is currently developing new accounting standards for not-for-profit organizations (NPOs). Until such a time that the AcSB makes a final decision, all NPOs will continue to follow accounting standards currently in effect.

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# THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN CHURCH OF NORTH AMERICA

## Notes to Non-consolidated Financial Statements

For the year ended May 31, 2010

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### 1. Entity Definition and Basis of Financial Statements

The Canadian Conference of the Mennonite Brethren Church of North America was incorporated by an Act of the Parliament of Canada on November 25, 1945. These financial statements present the national activities of the Conference and its Boards excluding the Stewardship Division and the activities of The Christian Press. Separate financial statements have been prepared for the Stewardship Division and The Christian Press.

The Canadian Conference's 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 Mennonite Brethren Mission Services International.

### 2. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 138,545	\$ 75,935	\$ 148,593	\$ 89,363
Office equipment & furniture	642,628	290,924	658,350	243,486
Photocopy equipment	8,160	8,160	13,752	12,120
Leasehold Improvement	15,000	15,000	15,000	15,000
	<b>\$ 804,333</b>	<b>\$ 390,019</b>	<b>\$ 835,695</b>	<b>\$ 359,969</b>
Cost less accumulated amortization		<b>\$ 414,314</b>		<b>\$ 475,726</b>

### 3. Line of Credit and Standby Letter of Credit

The Canadian Conference of the Mennonite Brethren Church of North America has a line of credit with the Bank of Montreal for use by the Conference and its divisions in the aggregate amount of \$2,750,000, bearing interest at prime and is secured by the investments of the Conference. At May 31, 2010, the line of credit was unutilized.

The Conference also has a standby letter of credit with the Bank of Montreal in the amount of \$682,000 that is a guarantee for an obligation on a construction project for a school being built by one of the Conference's borrowers. At May 31, 2010, the letter of credit was unutilized.

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**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN  
CHURCH OF NORTH AMERICA**  
**Notes to Non-consolidated Financial Statements**

For the year ended May 31, 2010

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**4. Trust Funds**

	<u>2010</u>	<u>2009</u>
Concord College	\$ 668	\$ -
Institute Biblique Laval	280	-
MB Missions/Services	18,886	44,487
Mennonite Brethren Biblical Seminary	38,949	21,716
North Carolina Conference	1,706	-
Shadow Mountain Church	125	-
United Bible Society	31,372	14,853
World Impact	-	418
	<u>\$ 91,986</u>	<u>\$ 81,474</u>

**5. Externally Restricted Funds and Funds Held in Trust**

	<u>2010</u>	<u>2009</u>
<u>Externally Restricted Funds</u>		
Emerging Leaders	\$ 76,850	\$ 66,850
Centre for Mennonite Brethren Studies	8,784	6,876
	<u>85,634</u>	<u>73,726</u>
<u>Funds Held in Trust</u>		
Employee/Employer Benefit Plan	314,326	492,730
	<u>\$ 399,960</u>	<u>\$ 566,456</u>

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**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN  
CHURCH OF NORTH AMERICA**  
**Notes to Non-consolidated Financial Statements**

For the year ended May 31, 2010

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**6. Membership**

	<b>Membership</b>		<b>Total Income</b>		<b>% of Budget</b>		<b>Average per Member</b>
2009/2010 Income by Province							
Alberta	2,392	\$	129,713		7.42	\$	54.23
British Columbia	19,363		600,388		34.37		31.01
Manitoba	6,370		373,954		21.41		58.71
Ontario	4,812		145,852		8.35		30.31
Saskatchewan	3,118		165,875		9.49		53.20
Quebec and Maritimes	766		13,239		0.76		17.28
	<b>36,821</b>	<b>\$</b>	<b>1,429,021</b>		<b>81.80</b>	<b>\$</b>	<b>38.81</b>
2008/2009	37,291	\$	1,590,952		91.07	\$	42.66
2007/2008	36,785	\$	1,625,171		93.03	\$	44.18
2006/2007	35,403	\$	1,641,128		93.94	\$	46.36
2005/2006	36,252	\$	1,630,213		80.15	\$	44.97

**7. Pension Plan**

The Canadian Conference of the Mennonite Brethren Church of North America is the sponsor 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 2009/2010 was 5% of the employee salaries. The pension expense for the year ended May 31, 2010 was \$63,821 (\$57,670 in 2009).

**8. Prior Year Figures**

Certain prior year figures have been restated to conform with the current year presentation. The excess of revenue over expenditures from the prior year remains as previously reported.

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**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHERN  
CHURCH OF NORTH AMERICA  
Notes to Non-consolidated Financial Statements**

**For the year ended May 31, 2010**

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**9. Related Party Transactions**

The Canadian Conference of the Mennonite Brethren Church of North America administers group benefit plans for related parties and charges related parties for costs incurred on their behalf. Accounts receivable are primarily comprised of amounts due from related parties, which are recorded at the exchange amount.

The amount due to the Stewardship Division does not bear interest and has no specific terms of repayment.

Contributions received from The Canadian Conference of the Mennonite Brethren Church of North America - Stewardship Division were \$1,525,000 (\$1,031,000 in 2009).

**10. Capital Management**

The organization considers its capital to be comprised of its unrestricted, internally restricted, and invested in capital assets fund balances. There have been no changes to what the organization considers to be its capital since the previous period.

As a not-for-profit entity, the organization's operations are reliant on revenues generated annually. The organization has accumulated fund balances over its history, which are included in the non-consolidated balance sheet. A portion of the accumulated unrestricted and internally restricted contingency funds are retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its contributions. The remaining general funds are available for the use of the organization at the Board's discretion.

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**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN  
CHURCH OF NORTH AMERICA**  
**Notes to Non-consolidated Financial Statements**

For the year ended May 31, 2010

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**11. Activities of Stewardship Division and The Christian Press**

The Canadian Conference of the Mennonite Brethren Church of North America (hereinafter referred to as "Conference") has control over The Canadian Conference of the Mennonite Brethren Church of North America - Stewardship Division ("Stewardship Division") and The Christian Press. The following represents the resources and results of operations of the Stewardship Division and The Christian Press as at and for the year ended May 31, 2010.

	<b>Stewardship Division</b>		<b>The Christian Press</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<u>Statement of Financial Position</u>				
Assets	<b>\$ 219,616,615</b>	\$ 181,900,071	<b>\$ 1,960,445</b>	\$ 1,929,542
Liabilities	<b>209,451,118)</b>	181,333,780)	<b>(917,153)</b>	(981,856)
Net assets	<b>\$ 10,165,497</b>	\$ 566,291	<b>\$ 1,043,292</b>	\$ 947,686
<u>Statement of Operations</u>				
Revenue	<b>\$ 9,756,048</b>	\$ 8,773,385	<b>\$ 825,927</b>	\$ 815,190
Expenditures	<b>(7,098,548)</b>	(7,540,564)	<b>(730,321)</b>	(742,850)
Allocations	<b>(2,657,500)</b>	(1,232,821)	-	-
Excess of revenue for the year	<b>\$ -</b>	\$ -	<b>\$ 95,606</b>	\$ 72,340
<u>Statement of Cash Flows</u>				
Operating activities	<b>\$ (2,948,698)</b>	\$ (184,419)	<b>\$ 169,349</b>	\$ 186,201
Other activities	<b>6,762,064</b>	(28,063,139)	<b>(76,556)</b>	(86,343)
Change in cash and cash equivalents during the year	<b>\$ 3,813,366</b>	\$ (28,247,558)	<b>\$ 92,793</b>	\$ 99,858