

THE CHRISTIAN PRESS

Financial Statements
For the year ended May 31, 2010

THE CHRISTIAN PRESS

Financial Statements

For the year ended May 31, 2010

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Auditors' Report

To the Board of Directors of CANADIAN CONFERENCE OF THE MENNONITE BRETHERN CHURCHES

We have audited the balance sheet of **THE CHRISTIAN PRESS** as at May 31, 2010 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 organization 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.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 23, 2010

THE CHRISTIAN PRESS
Balance Sheet

May 31	2010	2009
Assets		
Current Assets		
Cash and bank	\$ 428,226	\$ 335,433
Cash on hand	100	100
Accounts receivable (Note 2)	75,313	82,004
Inventories (Note 3)	26,164	19,863
Prepaid expenses	5,550	1,225
	535,353	438,625
Capital assets (Note 4)	1,425,092	1,490,917
	\$ 1,960,445	\$ 1,929,542

Liabilities and Surplus

Current Liabilities		
Accounts payable and accrued liabilities	\$ 34,975	\$ 50,176
Long-term debt (Note 5)	882,178	931,680
Surplus	1,043,292	947,686
	\$ 1,960,445	\$ 1,929,542

Approved on behalf of the Board:

_____ Director

_____ Director

THE CHRISTIAN PRESS
Statement of Operations and Surplus

For the year ended May 31	2010	2009
Revenue		
Sales	\$ 651,370	\$ 660,070
Publications	174,557	155,120
	825,927	815,190
Cost of goods sold (Schedule 1)	478,519	491,257
Gross margin	347,408	323,933
Expenses		
Administrative (Schedule 2)	233,280	227,463
Delivery	(7,437)	(2,010)
Equipment leasing	12,471	11,829
Repairs and maintenance	10,546	5,222
Telephone	2,942	3,677
	251,802	246,181
Income before conference distribution	95,606	77,752
Conference distribution	-	5,412
Net operating income for the year	95,606	72,340
Surplus, beginning of year	947,686	875,346
Surplus, end of year	\$ 1,043,292	\$ 947,686

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

THE CHRISTIAN PRESS Statement of Cash Flows

For the year ended May 31	2010	2009
Cash Flows from Operating Activities		
Net operating income for the year	\$ 95,606	\$ 72,340
Adjustments for		
Amortization of capital assets	92,879	85,205
	<u>188,485</u>	<u>157,545</u>
Changes in non-cash working capital balances		
Accounts receivable	6,691	23,907
Inventories	(6,301)	693
Prepaid expenses	(4,325)	543
Accounts payable and accrued liabilities	(15,201)	3,513
	<u>169,349</u>	<u>186,201</u>
Cash Flows from Investing Activities		
Purchase of capital assets	(27,052)	(36,983)
Cash Flows from Financing Activities		
Repayment of long-term debt	(49,504)	(49,360)
Net increase in cash and cash equivalents during the year	92,793	99,858
Cash and cash equivalents, beginning of year	335,533	235,675
Cash and cash equivalents, end of year	\$ 428,326	\$ 335,533
Represented by		
Cash and bank	\$ 428,226	\$ 335,433
Cash on hand	100	100
	<u>\$ 428,326</u>	<u>\$ 335,533</u>

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

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Summary of Significant Accounting Policies

For the year ended May 31, 2010

Financial Instruments

The organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

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

The organization 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>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and bank	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	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 operations.
- 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.

Inventories

Inventories of printing supplies are stated at the lower of cost and net realizable value on a first-in first-out basis.

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Summary of Significant Accounting Policies

For the year ended May 31, 2010

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years
Challenger cutter	20 years
Heidelberg PM 74-4	20 years
Heidelberg QM 46-2	10 years
Furniture and fixtures	20 years
Computer equipment	3 - 4 years
Computer software	3 years

The Christian Press does not record amortization in the year of acquisition.

Use of Estimates

The preparation of financial statements in accordance with 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

Sales and publications revenue is recognized upon shipment to customers. Interest revenue is recognized as it is earned.

New Accounting Pronouncements

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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Notes to Financial Statements

For the year ended May 31, 2010

1. Nature of Operations

The organization operates a printing operation under the supervision of The Canadian Conference of the Mennonite Brethren Church.

2. Accounts Receivable

	2010	2009
Trade	\$ 75,313	\$ 82,004

3. Inventories

	2010	2009
Printing supplies	\$ 17,588	\$ 17,105
Work in process	8,576	2,758
	\$ 26,164	\$ 19,863

4. Capital Assets

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Building	575,000	71,875	503,125	575,000	57,500	517,500
Machinery and equipment	1,105,948	393,938	712,010	1,089,813	323,821	765,992
Furniture and fixtures	12,175	7,168	5,007	1,256	1,256	-
Computers	27,147	26,085	1,062	27,147	25,554	1,593
Software	5,832	1,944	3,888	5,832	-	5,832
	\$ 1,926,102	\$ 501,010	\$ 1,425,092	\$ 1,899,048	\$ 408,131	\$ 1,490,917

5. Long-term Debt

	2010	2009
Loan payable to The Canadian Conference of the Mennonite Brethren Church (related party), interest free, repayment of loan is based on income for the year.	\$ 882,178	\$ 931,680

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Notes to Financial Statements

For the year ended May 31, 2010

6. Related Party Transactions

Approximately 44% (23% in 2009) of sales are to related parties.

Related party transactions also include an allocation of property insurance, business and property tax expense.

Accounts receivable includes \$36,087 (\$31,016 in 2009) due from related parties. Accounts payable and accrued liabilities includes \$6,732 (\$11,105 in 2009) due to related parties. The long-term debt is payable to a related party.

The Christian Press is a division of The Canadian Conference of The Mennonite Brethren Church.

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the fair market value.

7. Pension Plan

The Christian Press is the sponsor of a money purchase pension plan. 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 \$12,201.

8. Capital Management

The organization considers its capital to be comprised of its surplus. There have been no changes to what the organization considers to be its capital since the previous period.

The organization's operations are reliant on revenues generated annually. The organization has accumulated surplus funds over its history, which are included in the balance sheet. A portion of the accumulated surplus funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving revenues. The remaining surplus funds are available for the use of the organization at the Board's discretion.

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Schedule 1 - Cost of Goods Sold

For the year ended May 31	2010	2009
Raw Materials		
Inventory, beginning of year	\$ 19,863	\$ 20,556
Purchases	<u>248,708</u>	<u>250,214</u>
	268,571	270,770
Inventory, end of year	<u>26,164</u>	<u>19,863</u>
	242,407	250,907
Direct labour	143,233	155,145
Amortization of capital assets	<u>92,879</u>	<u>85,205</u>
Cost of goods sold	<u>\$ 478,519</u>	<u>\$ 491,257</u>

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Schedule 2 - Administrative Expenses

For the year ended May 31	2010	2009
Salaries and benefits	\$ 150,296	\$ 146,283
Property and business tax	22,406	26,648
Printing, stationery and office supplies	15,272	14,678
Utilities	13,204	13,401
Travel and car allowance	7,697	11,839
Janitor service and waste disposal	6,515	4,685
Professional fees	5,103	4,815
Sundry	5,037	5,919
Insurance	4,940	4,900
Advertising	4,119	3,676
Postage	2,261	1,541
Bank charges and interest	771	681
Alarm	205	205
Bad debts	8	-
	237,834	239,271
Other Income		
Miscellaneous	4,554	7,470
Interest	-	4,338
	4,554	11,808
	\$ 233,280	\$ 227,463