

**THE CANADIAN CONFERENCE OF
THE MENNONITE BRETHREN
CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION**

Financial Statements
For the year ended May 31, 2010

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION**

Financial Statements
For the year ended May 31, 2010

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Auditors' Report

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

We have audited the statement of financial position of **THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA - STEWARDSHIP DIVISION** as at May 31, 2010 and the statements of revenue and expenditures, changes in internally restricted reserves, endowment funds and cash flows for the year then ended. These financial statements are the responsibility of the Division'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 Division's operations as outlined in Note 1 - Entity Definition 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 21, 2010

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION
Statement of Financial Position**

| May 31 | 2010 | 2009 |
|---|----------------|----------------|
| Assets | | |
| Current Assets | | |
| Cash and term deposits (Note 3) | \$ 5,984,800 | \$ 2,171,434 |
| Accounts receivable | 15,767 | 3,837 |
| Prepaid expenses | 6,942 | 338 |
| Due from The Canadian Conference (Note 11) | 3,205,327 | - |
| | 9,212,836 | 2,175,609 |
| Mortgages and Loans Receivable | | |
| Area conference, churches and special accounts (Notes 4 and 10) | 57,703,506 | 59,899,302 |
| Land held for development | | |
| | 29,114,710 | 26,857,347 |
| Marketable securities (Note 5) | | |
| | 118,666,411 | 87,987,594 |
| Capital assets (Note 6) | | |
| | 4,919,152 | 4,980,219 |
| | \$ 219,616,615 | \$ 181,900,071 |
| Liabilities and Fund Balances | | |
| Current Liabilities | | |
| Accounts payable | \$ 2,034,130 | \$ 1,741,399 |
| Due to The Canadian Conference (Note 11) | - | 176,410 |
| | 2,034,130 | 1,917,809 |
| Commitments (Note 10) | | |
| Fund Balances - Restricted | | |
| Trust Fund | 151,813,647 | 127,735,388 |
| Gift Annuity Fund | 655,133 | 694,350 |
| R.R.S.P. Trust Fund (Note 8) | 45,515,437 | 42,367,302 |
| Endowment Funds Capital | 5,466,011 | 7,251,454 |
| Tax Free Savings Accounts (Note 8) | 3,966,760 | 1,367,477 |
| | 207,416,988 | 179,415,971 |
| Internally Restricted Reserves | | |
| Reserve for investment | 6,681,662 | (1,107,024) |
| Operating reserve | 1,810,520 | - |
| Stabilization reserve | 1,673,315 | 1,673,315 |
| | 10,165,497 | 566,291 |
| | \$ 219,616,615 | \$ 181,900,071 |

Approved on behalf of the Governing Board:

_____ Director

_____ Director

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
- STEWARDSHIP DIVISION
Statement of Revenue and Expenditures**

For the year ended May 31 2010 2009

| | Endowment Fund | Trust Fund & TFSA | Gift Annuity Fund | R.R.S.P. Trust Fund | Total | Total |
|--|----------------|-------------------|-------------------|---------------------|--------------|--------------|
| Revenue | | | | | | |
| Interest earned | \$ 168,791 | \$ 6,779,379 | \$ 21,390 | \$ 2,037,131 | \$ 9,006,691 | \$ 8,604,523 |
| Property management | - | 168,773 | - | - | 168,773 | 168,862 |
| Gain on disposal of investments | - | 580,584 | - | - | 580,584 | - |
| | 168,791 | 7,528,736 | 21,390 | 2,037,131 | 9,756,048 | 8,773,385 |
| Expenditures | | | | | | |
| Operating expenses | - | 775,751 | - | 633,893 | 1,409,644 | 1,099,434 |
| Interest | 168,791 | 4,095,485 | 21,390 | 1,403,238 | 5,688,904 | 6,390,022 |
| Loss on disposal of investments | - | - | - | - | - | 51,108 |
| | 168,791 | 4,871,236 | 21,390 | 2,037,131 | 7,098,548 | 7,540,564 |
| Excess of revenue over expenditures for the year before allocations | - | 2,657,500 | - | - | 2,657,500 | 1,232,821 |
| Allocations | | | | | | |
| Disbursement of funds to Canadian Conference and other organizations | - | (1,525,000) | - | - | (1,525,000) | (850,000) |
| Allocation to endowment fund | - | - | - | - | - | (382,821) |
| Allocation to investment reserve | - | (1,132,500) | - | - | (1,132,500) | - |
| | - | (2,657,500) | - | - | (2,657,500) | (1,232,821) |
| Unallocated balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION**

Statement of Changes in Internally Restricted Reserves

| For the year ended May 31 | 2010 | 2009 |
|---|---------------------|-------------------|
| Reserve balance, beginning of year | \$ (1,107,024) | \$ 924,278 |
| Adjustment for unrealized gains (losses) on investments, end of year | 6,656,186 | (357,987) |
| Transfers | 1,810,520 | - |
| Allocations | 1,132,500 | - |
| Reserve balance, end of year | \$ 6,681,662 | \$ 566,291 |

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
- STEWARDSHIP DIVISION
Statement of Endowment Funds

For the year ended May 31

2010

| | Balance of Funds May 31, 2009 | Gifts & Transfers in during Year | Withdrawals & Transfers out during Year | Re-invested Earnings during Year | Balance of Funds May 31, 2010 |
|-------------------------------------|--|---|--|---|--|
| C.M.U. Endowment Funds | \$ 207,839 | \$ - | \$ (500) | \$ 92 | \$ 207,431 |
| Manitoba Conference Endowment Funds | 73,797 | - | - | - | 73,797 |
| M.B.S. Endowment Funds | 330,088 | - | (1,000) | - | 329,088 |
| M.B.M.S.I. Endowment Funds | 2,373,665 | 99,295 | - | - | 2,472,960 |
| M.B.M.S.I. Owned and Directed Funds | 528,175 | - | - | - | 528,175 |
| Evangelism Endowment Funds | 158,803 | - | - | - | 158,803 |
| Family Endowment Funds | 1,768,567 | - | (100,000) | 27,190 | 1,695,757 |
| Stewardship Endowment Funds | 1,810,520 | - | (1,810,520) | - | - |
| Total Endowment Funds | \$ 7,251,454 | \$ 99,295 | \$ (1,912,020) | \$ 27,282 | \$ 5,466,011 |

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION
Statement of Cash Flows**

| For the year ended May 31 | 2010 | 2009 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Adjustment for | | |
| Amortization | \$ 155,015 | \$ 136,600 |
| Loss on capital asset disposals | 3,827 | 16,916 |
| Changes in non-cash working capital | | |
| Accounts receivable | (11,930) | (244) |
| Prepaid expenses | (6,604) | 6,707 |
| Accounts payable | 292,731 | (528,120) |
| Due to (from) Canadian Conference | (3,381,737) | 183,722 |
| | <u>(2,948,698)</u> | <u>(184,419)</u> |
| Cash Flows from Financing Activities | | |
| Trust Fund | 24,078,259 | 11,482,054 |
| Annuities | (39,217) | (69,281) |
| R.R.S.P. Trust Fund | 3,148,135 | 1,154,814 |
| Endowment Funds | (1,785,443) | 85,439 |
| Tax Free Savings Accounts | 2,599,283 | 1,356,103 |
| Reserves | 9,599,206 | (357,987) |
| | <u>37,600,223</u> | <u>13,651,142</u> |
| Cash Flows from Investing Activities | | |
| Marketable securities | (30,678,817) | (39,098,136) |
| Capital asset purchases | (97,775) | (121,034) |
| Mortgages and loans receivable | 2,195,796 | (282,169) |
| Investment in land | (2,257,363) | (2,212,942) |
| | <u>(30,838,159)</u> | <u>(41,714,281)</u> |
| Net increase (decrease) in cash and cash equivalents | 3,813,366 | (28,247,558) |
| Cash and cash equivalents, beginning of year | 2,171,434 | 30,418,992 |
| Cash and cash equivalents, end of year | \$ 5,984,800 | \$ 2,171,434 |
| Supplementary Information | | |
| Interest received | \$ 9,006,691 | \$ 8,604,523 |
| Interest paid | 5,688,904 | 6,390,022 |

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
- STEWARDSHIP DIVISION
Summary of Significant Accounting Policies**

For the year ended May 31, 2010

Financial Instruments

The Division utilizes various financial instruments.

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

The Division 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 and term deposits | Held for trading | Fair value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Amounts due from related parties | Loans and receivables | Amortized cost |
| Mortgages and loans receivable | Loans and receivables | Amortized cost |
| Marketable securities | Available for sale | Fair value |
| Accounts payable | Other financial liabilities | Amortized cost |
| Amounts due to related parties | Other financial liabilities | Amortized cost |
| Fund balances | 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.
- Available for sale items are carried at fair value, with changes in their fair value being recognized in the Internally Restricted Reserve for Investment fund balance when they have a quoted market price in an active market. When the decline in the fair value is determined to be other than temporary, the amount of the loss is removed from the Internally Restricted Reserve for Investment fund balance and recognized in the Statement of Revenue and Expenditures. Any provision for impairment is recognized immediately in net income.
- Other financial liabilities are carried at amortized cost, using the effective interest method.

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

For the year ended May 31, 2010

| | | | | | | | | | |
|---|--|----------|------------------------|--------------------|------------------------|------------------|-----------------------|-------------|------------------------|
| Pooling of Investments | Fund accounting is normally employed by the Division with the exception of investments which cannot be segregated by fund. These investments are "pooled" to facilitate investment of the funds. | | | | | | | | |
| Impaired Loans | A loan is considered to be impaired as a result of a deterioration in credit quality to the extent that the Division no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan agreement. As at May 31, 2010 no loans were considered to be in this position (see general administration reserve). | | | | | | | | |
| Revenue Recognition | <p>Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases.</p> <p>Interest on marketable securities is recorded as income on an accrual basis, using the effective interest method. Property management revenue includes rental revenue and common area maintenance costs. This revenue is recognized on an accrual basis over the term which it applies.</p> | | | | | | | | |
| Amortization | <p>The Division amortizes its capital assets as follows:</p> <table><tr><td>Building</td><td>30 years straight line</td></tr><tr><td>Computer equipment</td><td>20 - 30% straight-line</td></tr><tr><td>Office equipment</td><td>5 years straight-line</td></tr><tr><td>Parking lot</td><td>15 years straight line</td></tr></table> <p>Amortization is not calculated in the year of acquisition. The current year's income has been charged with an amount of \$155,015 (2009 - \$136,600) reflecting the current year's amortization.</p> | Building | 30 years straight line | Computer equipment | 20 - 30% straight-line | Office equipment | 5 years straight-line | Parking lot | 15 years straight line |
| Building | 30 years straight line | | | | | | | | |
| Computer equipment | 20 - 30% straight-line | | | | | | | | |
| Office equipment | 5 years straight-line | | | | | | | | |
| Parking lot | 15 years straight line | | | | | | | | |
| Restricted Funds | Restricted funds include trust, gift annuity, R.R.S.P. trust, endowment funds and tax free savings accounts. These are not available for general use by the Division. | | | | | | | | |
| Reserve for Investment Gain/Loss | This reserve provides for fluctuations in the market value of investments. Gains and losses on disposal of investments, unrealized gains and losses on investments, plus a surplus distribution are credited or charged to this account. | | | | | | | | |

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Summary of Significant Accounting Policies**

For the year ended May 31, 2010

Operating Reserve This reserve is held for use by The Canadian Conference of the Mennonite Brethren Church of North America to fund new initiatives and unanticipated deficits in operations. These funds are accumulated Stewardship Division earnings which were earlier reported as endowments from which the earnings were used to fund operations.

Stabilization Reserve The purpose of the stabilization reserve is to fund deficits in operations resulting from market or other circumstances and to allow for normal cash flow fluctuations. Transfers to the reserve are made upon approval of the Governing Board.

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.

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

Future for Not-for-Profit Organizations (NPO)

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.

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION
Notes to Financial Statements**

For the year ended May 31, 2010

1. Entity Definition

These financial statements present the financial position and results of operations of the Stewardship Division, a division of The Canadian Conference of the Mennonite Brethren Church of North America. As such, these financial statements do not include all assets, liabilities, revenues and expenditures of The Canadian Conference of the Mennonite Brethren Church of North America.

The Division provides financial services to all Mennonite Brethren supported missions, institutions, local churches and their members. These services include administration of funds on deposit (in the form of deposits, annuities, T.F.S.A.'s and R.R.S.P.'s) and provision of loans to Church organizations, pastors, and conference employees. In addition, the Division administers endowment funds which generate earnings to fund various programs of the Conference.

2. Change in Accounting Policy

Allocation of Expenses

On June 1, 2009, the Division adopted CICA Handbook Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations". Under these new standards, not-for-profit organizations are required to disclose how they classify their expenses by function and allocate their expenses to a number of functions to which the expenses relate. Disclosure requirements for this section are included in Note 9 - Allocated Expenditures.

The adoption of these new standards had no material impact on the Division's Statement of Financial Position, Statement of Revenue and Expenditures, Statement of Changes in Internally Restricted Reserves and Statement of Endowment Funds.

3. Cash and Term Deposits

| | <u>2010</u> | <u>2009</u> |
|----------------|---------------------|---------------------|
| General Funds | \$ 2,912,218 | \$ 1,572,841 |
| R.R.S.P. Trust | 3,072,582 | 598,593 |
| | <u>\$ 5,984,800</u> | <u>\$ 2,171,434</u> |

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
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Notes to Financial Statements**

For the year ended May 31, 2010

4. Mortgages and Loans Receivable

| | 2010 | | 2009 | |
|----------------|----------------------|-----------------------------|----------------------|-----------------------------|
| | Principal | Accrued Interest | Principal | Accrued Interest |
| General Funds | \$ 8,198,351 | \$ 45,694 | \$ 15,893,102 | \$ 76,849 |
| R.R.S.P. Funds | 49,210,781 | 248,680 | 43,724,890 | 204,461 |
| | \$ 57,409,132 | \$ 294,374 | \$ 59,617,992 | \$ 281,310 |
| | | <u>\$ 57,703,506</u> | | <u>\$ 59,899,302</u> |

All mortgage and loans receivable are callable on demand. All loans are open to prepayment.

All members' deposits and R.R.S.P. Trust Funds are callable on demand.

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

For the year ended May 31, 2010

5. Marketable Securities

| | 2010 | | 2009 | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Market | Cost | Market |
| Addenda Capital Mortgage Funds | \$ 73,541,588 | \$ 75,284,264 | \$ 47,776,053 | \$ 47,269,700 |
| MB Foundation | - | - | 3,725,200 | 4,360,000 |
| Certificates of Deposit | 163,977 | 163,977 | 135,043 | 135,043 |
| 407 International Inc. | 647,937 | 760,939 | - | - |
| Altagas Income Trust | 1,997,147 | 2,012,929 | - | - |
| Bank of Montreal Capital Trust | 3,673,078 | 3,839,010 | 11,880,607 | 11,309,259 |
| Bank Nederland Gemeenten | 1,840,093 | 1,839,116 | - | - |
| Bank of Nova Scotia Capital Trust | - | - | 869,991 | 710,748 |
| bclMC Realty Corp. | 1,106,666 | 1,070,600 | - | - |
| Bell Canada bonds | 904,968 | 933,530 | 4,966,700 | 4,388,447 |
| Bluewater Bridge | 488,141 | 500,347 | - | - |
| Broadway Credit Card Trust | 1,008,842 | 982,376 | - | - |
| Cambridge Shopping Mall | 147,836 | 142,552 | - | - |
| Canadian Tire bonds | - | - | 556,349 | 463,762 |
| CBC Monetization Trust | 110,358 | 112,839 | - | - |
| CIBC bonds | - | - | 417,713 | 316,957 |
| Citigroup Capital Trust | 5,292,849 | 4,576,338 | 5,287,167 | 3,594,937 |
| Claregold Trust | 477,764 | 528,143 | - | - |
| Cogeco Cable | 437,614 | 453,588 | - | - |
| Commonwealth Bank of Australia | 1,830,173 | 1,831,460 | - | - |
| DEPFA ACS Bank | 344,127 | 330,014 | - | - |
| Dexia Municipal Agency | 354,279 | 348,807 | - | - |
| Enbridge Pipelines Inc. | - | - | 1,374,087 | 1,119,885 |
| Eurofima | 993,535 | 994,243 | - | - |
| Ford Auto | 624,757 | 624,661 | - | - |
| GE Capital Canada | 1,887,313 | 1,912,762 | - | - |
| Gloucester Credit Card Trust | 1,191,940 | 1,190,130 | - | - |
| Goldman Sachs | 711,743 | 675,696 | - | - |
| Green Timbers | 255,590 | 254,000 | - | - |
| Kimco North Trust III | 1,186,821 | 1,188,807 | - | - |
| Leisureworld Senior Care | 549,755 | 543,397 | - | - |
| Loblaw Companies | 1,248,119 | 1,313,863 | 3,668,226 | 2,896,443 |
| Manitoba Telecom | 360,783 | 350,448 | - | - |
| Merrill Lynch | 1,435,817 | 1,407,674 | - | - |
| Met Life Global Funding | 364,241 | 366,972 | - | - |
| ML Fin Asst | 1,211,417 | 1,202,613 | - | - |
| Subtotal | \$106,389,268 | \$107,736,095 | \$ 80,657,136 | \$ 76,565,181 |

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
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Notes to Financial Statements**

For the year ended May 31, 2010

5. Marketable Securities (continued)

| | 2010 | | 2009 | |
|------------------------------|-----------------------|-----------------------|---------------|---------------|
| | Cost | Market | Cost | Market |
| Subtotal carried forward | \$ 106,389,268 | \$ 107,736,095 | \$ 80,657,136 | \$ 76,565,181 |
| Morgan Stanley | 882,830 | 863,376 | - | - |
| N-45 First CMBS | 767,156 | 778,030 | - | - |
| National Bank of Canada | - | - | 1,600,963 | 1,564,855 |
| Nova Gas | 219,483 | 199,080 | - | - |
| Power Corp. | 521,536 | 528,906 | - | - |
| Pricoa-Global Funding | 459,419 | 460,810 | - | - |
| REALT | 157,541 | 156,973 | - | - |
| Rogers Wireless | 788,412 | 764,453 | - | - |
| Royal Bank bonds | - | - | 7,242,242 | 6,667,515 |
| Royal Bank of Scotland | 2,081,115 | 2,110,133 | - | - |
| Schooner Trust | 209,358 | 207,976 | - | - |
| Score Trust | 211,114 | 206,507 | - | - |
| Shaw Communications Inc. | 678,309 | 680,895 | - | - |
| SNC Lavalin | 251,465 | 248,119 | - | - |
| St. George Bank | 623,150 | 625,566 | - | - |
| TCNZ Finance Ltd. | 451,869 | 447,154 | - | - |
| TD Mortgage Investment Corp. | | | | |
| Corp. bonds | - | - | 2,351,229 | 1,873,436 |
| Telus Corp. | 78,731 | 78,661 | - | - |
| Trans-Canada Pipeline | 515,630 | 504,936 | 54,367 | 50,425 |
| Westpac Banking Group | 645,916 | 636,387 | - | - |
| YPG Holdings | 1,525,716 | 1,432,354 | 1,529,448 | 1,266,182 |
| | \$ 117,458,018 | \$ 118,666,411 | \$ 93,435,385 | \$ 87,987,594 |

The par value of bonds at May 31, 2010 was \$73,295,034 (2009 - \$89,415,755). Bonds have interest rates ranging from 1.75% to 11.20% and mature between July 26, 2010 and May 14, 2044.

Maturities and Interest Rates

| Under 1 Year | 1-5 Years | 6-10 Years | Weighted Over 10 Years | Total | Average Yield |
|-----------------|---------------|---------------|------------------------------|----------------|------------------|
| \$ 76,209,180 | \$ 15,622,307 | \$ 20,774,504 | \$ 6,060,420 | \$ 118,666,411 | 5.33% |

**THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN
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Notes to Financial Statements**

For the year ended May 31, 2010

6. Capital Assets

| | 2010 | | 2009 | |
|--------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 1,576,419 | \$ - | \$ 1,576,419 | \$ - |
| Building | 3,511,798 | 468,692 | 3,438,912 | 328,300 |
| Computer equipment | 251,914 | 177,403 | 205,338 | 168,048 |
| Office equipment | 110,954 | 63,989 | 108,742 | 51,198 |
| Parking lot | 223,031 | 44,880 | 228,031 | 29,677 |
| | \$ 5,674,116 | \$ 754,964 | \$ 5,557,442 | \$ 577,223 |
| | | \$ 4,919,152 | | \$ 4,980,219 |

7. 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. As 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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For the year ended May 31, 2010

8. Registered Retirement Savings Plan & Tax Free Savings Plan Trust Fund

The Canadian Conference of the Mennonite Brethren Church of North America - Stewardship Division has an R.R.S.P. Trust & T.F.S.A. Trust Fund for members of Canadian Conference churches. Funds are directed to first mortgages. Interest on member savings is calculated every six months and is credited to each account on July 1 and December 31. Members' accounts are administered by Canadian Western Trust and the Canadian Conference office. At May 31, 2010, there were 1,120 R.R.S.P. accounts, 350 R.R.I.F. accounts and 526 T.F.S.A. accounts.

| | 2010 | 2009 |
|---|----------------------|----------------------|
| Assets | | |
| Cash | \$ 3,072,582 | \$ 598,593 |
| Outstanding transfers and distributions | (3,050,155) | (588,704) |
| Loans receivable | 49,459,770 | 43,724,890 |
| | \$ 49,482,197 | \$ 43,734,779 |
| Liabilities | | |
| Accounts payable | \$ 22,735 | \$ 10,191 |
| R.R.S.P. certificates | 45,492,702 | 42,357,111 |
| R.R.S.P. total | 45,515,437 | 42,367,302 |
| T.F.S.A. certificates | 3,966,760 | 1,367,477 |
| | \$ 49,482,197 | \$ 43,734,779 |

9. Allocated Expenditures

General administrative expenses have been allocated as follows:

| | 2010 | 2009 |
|---------------------|-------------------|-------------------|
| R.R.S.P. Trust Fund | \$ 590,374 | \$ 539,516 |

10. Commitments

Individual and Church Loans

The Division has made commitments to individuals and churches for loans that have not been disbursed by the May 31, 2010 year end in the approximate amount of \$2,300,000.

**THE CANADIAN CONFERENCE OF THE MENNONITE BROTHERS
CHURCH OF NORTH AMERICA
- STEWARDSHIP DIVISION
Notes to Financial Statements**

For the year ended May 31, 2010

11. Related Party Transactions

The Christian Press and Stewardship Division are divisions of The Canadian Conference of the Mennonite Brethren Church of North America.

Transactions with related parties 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 arm's length fair value.

The balance due to/from The Canadian Conference does not bear interest and has no specific terms of repayment.

Contributions paid to The Canadian Conference of the Mennonite Brethren Church of North America were \$1,525,000 (2009 - \$1,031,000).

12. Employee Pension Plan

The Canadian Conference of the Mennonite Brethren Church - Stewardship Division 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 \$26,239 (\$24,776 in 2009).

13. Capital Management

The Division considers its capital to be comprised of its Reserve for Investment, Operating Reserve and Stabilization Reserve. In the prior year, the Division had an Equipment Reserve which it considered to be capital; however, it was closed out during the prior year. In the current year, the Division set up the Operating Reserve, which is now considered to be part of capital.

As a not-for-profit entity, the Division's operations are reliant on revenues generated annually. The Division has accumulated reserve fund balances over its history, which are included in the statement of financial position. The Reserve for Investment provides for fluctuations in the market value of investments; the Operating Reserve is used to fund new initiatives and unanticipated deficits in operations of The Canadian Conference of the Mennonite Brethren Church of North America; and The Stabilization Reserve is used to fund deficits in operations resulting from market or other circumstances and to allow for normal cash flow fluctuations. Transfers to the Stabilization Reserve are made upon approval of the Governing Board.