Non-consolidated Financial Statements of

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Year ended December 31, 2023

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Canadian Conference of the Mennonite Brethren Church of North America

Opinion

We have audited the non-consolidated financial statements of The Canadian Conference of the Mennonite Brethren Church of North America (the "Entity"), which comprise the non-consolidated statement of financial position as at December 31, 2023, the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, comprising a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as at December 31, 2023, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Winnipeg, Canada
May ___, 2024

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash (note 8)	$ 2,702,931	$ 2,795,489
Accounts and other receivables	275,363	329,887
Due from related party (note 8)	138,192	141,832
Benefit plan receivable	–	122,980
Donated securities	–	35,780
Inventories	5,393	5,879
Prepaid expenses and deposits	19,542	9,292
	3,141,421	3,441,139
Capital assets (note 3)	29,984	36,221
	$ 3,171,405	$ 3,477,360
Liabilities, Deferred Contributions and Net Assets		
Accounts payable and accrued liabilities (note 5)	$ 417,606	$ 410,204
Benefit plan payable	22,898	–
Donated securities payable	921	–
Due to related party (note 8)	673,873	1,127,793
	1,115,298	1,537,997
Deferred contributions:		
Expenses of future periods (note 6)	514,116	473,954
Net assets:		
Restricted for endowments (note 7)	1,369,266	1,367,648
Unrestricted	172,725	97,761
	1,541,991	1,465,409
	$ 3,171,405	$ 3,477,360

See accompanying notes to non-consolidated financial statements.

On behalf of the Governing Board:

______________________ Director ______________________ Director

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Church contributions	$ 830,135	$ 828,421
Grants and donations (note 8)	1,787,164	3,298,255
Sales	150,559	135,647
	2,767,858	4,262,323
Expenditures:		
Cost of sales	38,507	54,378
Staffing (note 9)	536,085	530,299
Specific programming costs (note 9)	754,396	917,621
Support of outside agencies	1,156,228	1,386,732
Office expenses (note 8)	104,484	55,935
Board costs and convention	101,596	95,367
Public relations costs	1,598	2,793
	2,692,894	3,043,125
Excess of revenue over expenditures	$ 74,964	$ 1,219,198

See accompanying notes to non-consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Unrestricted	Restricted for endowments	2023 Total	2022 Total
Balance, beginning of year	$ 97,761	$ 1,367,648	$ 1,465,409	$ 245,627
Reinvested earnings during the year	–	1,618	1,618	584
Excess of revenue over expenditures	74,964	–	74,964	1,219,198
Balance, end of year	$ 172,725	$ 1,369,266	$ 1,541,991	$ 1,465,409

See accompanying notes to non-consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash flows from (used in) operating activities:		
Excess of revenue over expenditures	$ 74,964	$ 1,219,198
Adjustments for:		
Amortization	6,928	11,645
Loss on disposal of capital assets	–	5,045
Change in non-cash operating working capital:		
Accounts and other receivables	54,524	(264,798)
Due from related party	3,640	419,611
Donated securities	36,701	(35,780)
Inventories	486	(456)
Prepaid expenses	(10,250)	44,469
Accounts payable and accrued liabilities	7,402	(602,494)
Benefit plan receivable/payable	145,878	(236,696)
Net change in deferred contributions related to expenses of future periods	40,162	(159,452)
	360,435	400,292
Cash flows from financing activities:		
Endowments	1,618	584
Cash flows from (used in) investing activities:		
Purchase of capital assets	(691)	(3,277)
Change in due to related party (note 8)	(453,920)	(1,121,948)
	(454,611)	(1,125,225)
Decrease in cash	(92,558)	(724,349)
Cash, beginning of year	2,795,489	3,519,838
Cash, end of year	$ 2,702,931	$ 2,795,489

See accompanying notes to non-consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2023

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1. Nature of organization:

The Canadian Conference of the Mennonite Brethren Church of North America (the “Conference”) was incorporated by an Act of the Parliament of Canada on December 18, 1945. The Conference is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

The Conference provides services to Mennonite Brethren supported missions, institutions, local churches and their members. In addition, the Conference administers endowment funds which generate earnings to fund various Mennonite Brethren ministries.

The Conference is the sole member of CCMBC Legacy Fund Inc. (Legacy), a registered charity. CCMBC Investments Ltd. (CCMBC Investments) is a for-profit wholly-owned subsidiary of Legacy.

2. Significant accounting policies:

(a) Basis of accounting:

The non-consolidated financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

These non-consolidated 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 Multiply (formerly MB Mission).

(b) Controlled entities:

The Conference accounts for its controlled entities using the cost method, except that when a controlled entity’s equity securities are quoted in an active market, the investment is accounted for at its quoted amount.

2. Significant accounting policies (continued):

(c) Revenue recognition:

The Conference follows the deferral method of accounting for contributions. Restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in endowment net assets. 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.

Sales revenue is recognized when the order is shipped or picked up by the customer.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

The Conference amortizes its capital assets as follows:

Asset	Rate
Computer equipment	3 - 5 years straight-line
Office equipment	5 - 10 years straight-line

The current year’s income has been charged with an amount of $6,928 (2022 - $11,645) reflecting the current year`s amortization which is included in office expenses in the non-consolidated statement of operations.

(c) Impairment of long-lived assets:

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When circumstances indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset’s fair value or replacement cost. The write-down of the asset is charged to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

2. Significant accounting policies (continued):

(f) Inventories:

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

(g) 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.

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.

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 Conference 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 Conference 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.

(h) Contributed services:

Volunteers are an integral part of the activities of the Conference. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 revenue and expenditures during the reporting period. Actual results could differ from management`s best estimates as additional information becomes available in the future.

3. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	$ 27,138	$ 23,569	$ 3,569	$ 2,272
Office equipment	57,569	31,154	26,415	33,949
	$ 84,707	$ 54,723	$ 29,984	$ 36,221

4. Guarantee:

The Conference has provided a guarantee in the amount of $1,275,000 (2022 - $1,275,000) and a general security agreement to the Bank of Montreal as security for the operating facility of Legacy. As at December 31, 2023, the operating facility of Legacy was unutilized. In addition, the Conference has provided a guarantee in the amount of $1,500,000 and a general security agreement to the Bank of Montreal as security for the operating facility of CCMBC Investments. As at December 31, 2023, the operating facility of CCMBC Investments was unutilized.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is $216 (2022 - $534) for government remittances.

6. Deferred contributions related to expenses of future periods:

Deferred contributions related to expenses of future periods are externally restricted contributions that have been received and relate to expenses to be incurred in subsequent years. Changes in deferred contributions related to expenses of future periods are as follows:

	2023	2022
Balance, beginning of year	$ 473,954	$ 633,406
Add amount received relating to future periods	471,493	695,874
Less amount recognized as revenue in the period	(431,331)	(855,326)
Balance, end of year	$ 514,116	$ 473,954

6. Deferred contributions related to expenses of future periods (continued:

As at December 31, deferred contributions related to expenses of future periods consists of the following:

	2023	2022
Emerging leaders	$ 4,109	$ 4,109
Centre for Mennonite Brethren Studies	31,296	28,990
Non-registered church plants	392,473	406,250
United Bible Society	19,419	4,684
Church planting initiatives	16,555	9,696
Church planters reserve	16,916	16,917
Other externally restricted	2,916	3,308
CCMBC Mission	30,432	–
	$ 514,116	$ 473,954

7. Restrictions on net assets:

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income earned on endowments is externally restricted for specific purposes.

At December 31, net assets restricted for endowments consists of the following:

	2023	2022
CMU Endowment	$ 205,077	$ 205,077
Manitoba Conference Endowment	73,797	73,797
Evangelism Endowment	158,803	158,803
Family Endowment	931,589	929,971
	$ 1,369,266	$ 1,367,648

8. Related party transactions:

At December 31, 2023, the Conference has a payable in the amount of $673,873 (2022 - $1,127,793) to Legacy which is due on demand with no specified terms of repayment. During the year ended December 31, 2023, the Conference made a cash payment in the amount of $453,920 (2022 - $1,121,948) to Legacy to reduce the amount payable.

At December 31, 2023, the Conference has a receivable in the amount of $138,192 (2022 - $141,832) due from Legacy relating to contributions to the employee pension plan and premiums on the group benefit plan. The receivable is due on demand with no specified terms of repayment.

At December 31, 2023, the Conference has $1,369,277 (2022 - $1,397,696) on deposit with Legacy which bears interest at a variable rate of interest, 4.75 percent (2022 3.15 percent) at December 31, 2023.

During the year ended December 31, 2023, Legacy provided accounting and payroll services to the Conference for $48,000 (2022 - nil). Additionally, during the year ended December 31, 2023, Legacy donated nil (2022 - $996,204) to the Conference which is included in grants and donations in the non-consolidated statement of operations.

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

9. Staffing and employee pension plan:

During the year ended December 31, 2023, the Conference incurred $818,676 (2022 - $1,019,277) of salaries expenditures. Of this amount, $335,942 (2022 - $545,790) relate to non-registered church plants salaries expenditures and are included in specific programming costs on the statement of operations. Of the remaining $482,734 (2022 - $473,487), $482,734 (2022 - $470,920) is included in staffing expenses and nil (2022 - $2,566) is included in specific programming costs on the statement of operations.

The Conference is a participant 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 2023 was 5 percent (2022 - 5 percent) of the employee salaries. The pension expense for the year ended December 31, 2023 was $42,085 (2022 - $40,095).

10. Financial risks:

(a) 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 Conference holding cash denominated in USD. Fluctuations in the relative values of the Canadian dollar against USD can result in a positive or a negative impact on the fair value of the investments and cash. The Conference currently holds USD and manages this cash for the purposes of achieving foreign exchange gains and meeting the cash requirements of the Conference. This cash management approach exposes the Conference to changes in exchange rates which can affect the fund balances.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Conference does not have any material exposure to interest rate risk.

The Conference is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purpose.

(c) Liquidity risk:

Liquidity risk is the risk that the Conference will encounter difficulty in meeting financial obligations as they become due and arises from the Conference's management of working capital. The Conference's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due and maintain a minimum cash balance in excess of the aggregate amount of endowments and the benefit plan payable.

(d) Credit risk:

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Conference's exposure to credit risk is limited to the carrying amount of accounts and other receivables. The Conference closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. The total provision at December 31, 2023 is nil (2022 - nil).

There have been no changes to the Conference's financial instrument risk exposures from the end of the prior year.