

Canadian Conference of Mennonite Brethren Churches

Financial Report

Year Ended December 31, 2016

2016 Highlights

This report relates to the Consolidated Financial Statements of the Canadian Conference of the Mennonite Brethren Church of North America for the year ended December 31, 2016. The overall results showed improvements over the results for 2015. The surplus for the year was \$873,226 compared to a deficit of \$3,958,411 in 2015.

It should be noted that the directives in the amended motion to approve the 2017 budget have been implemented in 2016. This includes the directives to ensure that the recoveries of the allowance for credit losses, capital gains, surpluses from the for-profit operation and 10% of the net investment income are allocated to the internally restricted reserve.

Financial Position (Balance Sheet)

The Conference balance sheet remains strong and includes an increase in net assets of \$874,070 over the balance of the prior year. The current assets in the amount of \$12,246,711 have decreased by \$6,122,826 from the 2015 balance of \$18,369,537. Two components of this change are most significant. First, there is the reduction of cash in the amount of \$8,740,765. (Details of this change are provided in the Consolidated Statement of Cash Flows and the related explanation provided below.) And second, we saw an increase of \$2,421,356 for assets held for sale (the Abbotsford office building and parking lot) which were sold subsequent to the year end. Cash relating to this sale and the \$750,000 account receivable from a prior year sale have been received subsequent to year-end and have been added to the cash balance. Current liabilities have increased in the amount of \$760,105. The net worth (current assets less current liabilities) of the conference is \$8,807,605.

Mortgages and loans receivable have decreased by \$6,979,522 as a result of mortgages and loans being repaid and the receipt of the monthly principal portions of the mortgages and loans receivable. Land held for development decreased by \$2,260,797 which represents the cost of the Winnipeg and Abbotsford properties that were sold in 2016. Funds invested in mortgage, corporate and bond funds increased by \$5,493,102 as a result of cash funds being invested. Capital assets decreased by \$2,710,844. This decrease is made up of the reclassification of the \$2,421,356 to current assets, which is noted above, and additions and depreciation expense which occurred during the year.

Trust Deposit liabilities have decreased by \$14,904,880. During the period from July 1, 2016, until December 31, 2016, there were eighty-seven (87) accounts closed representing \$10,555,539. There was also \$4,349,340 in net withdrawals from accounts which were not closed. This trend has subsided in 2017. The registered funds (RRSP and TSFA accounts) increased by \$1,067,383.

Deferred contributions decreased by \$377,565. Deferred contributions are funds that have been received for specific ministry and will be expended in a future period.

Internally restricted funds increased by \$850,056 which is the net of a stewardship operational surplus of \$1,086,321 less funds used for operations in the amount of \$236,265 (L2L - \$1,553; Convention - \$55,485;

Retreat - \$15,727 and Evangelism Capital - \$163,500). The increase of \$1,086,321 is made up of capital gains of \$351,647, net allowance recovery of \$101,841, and land impairment \$(100,000) and stewardship investment of profit company surpluses of \$732,833.

The unrestricted net assets increased by \$23,170 which is the ministry operating surplus for the year.

Consolidated Statement of Operations

Total revenue of \$20,949,677 was an increase of \$2,188,681 over the \$18,760,996 recognized in 2015. The increase of \$2,188,681 is made up of Church Contributions - \$20,422; Grants - \$655,600; interest - \$1,464,485; Capital Gains - \$67,834; and Other - \$(19,660). It should be noted that although the Church Contributions were higher than the prior year, they were approximately \$322,000 below the 2016 budget.

Total expenditures of \$20,076,451 decreased by \$2,642,956 from the \$22,719,407 expended in 2015. Of this difference, \$2,619,629 relates to lower amounts in the land impairment and the allowance for credit loss adjustments. The net expenditure decrease for the operations is \$23,327.

Consolidated Statement of Changes in Net Assets

The consolidated surplus for 2016 was \$873,226, of which \$850,056 was transferred to the internally restricted account. This is in line with the direction provided in the amendment to the 2017 budget approved at Gathering 2016. Capital gains, recovery of allowances for credit losses, profit company surpluses and 10% of net investment earnings have been included in the transfer to the internally restricted account.

Church Ministry Schedule

The Schedule outlining the budget and costs of the Church Ministry division for 2016 and actuals for 2015 is a supplemental report that reflects the costs of ministry and excludes the direct costs of Stewardship. Included in this schedule are the direct costs for the ministries of Building Community, Developing Leaders and Multiplying Churches. Also included in this schedule are direct costs for Resourcing Ministries and Administration. Resourcing Ministries and Administration operations will fall into the Stewardship function (2017 and forward) and will be funded by service recoveries and using the margin earned between the deposit costs and investment earnings. The Stewardship components of this schedule are allocated based on percentage of use formula that have been developed by management and our auditors. For the fiscal year 2016, these operations were still integrated and the following narrative will explain the separation of these functions.

Revenue

Revenue of \$8,030,232 (2016 Budget - \$5,299,431; 2015 Actual - \$7,403,197) is made up of ministry revenue from contributions and sales of \$4,853,519 (2016 Budget - \$5,202,216; 2015 Actual - \$4,568,595) and Stewardship revenues from sales and contributions of \$3,176,713 (2016 Budget - \$97,215; 2015 Actual - \$2,834,602). The contributions from the ministry, although higher than 2015, is below budget. Stewardship revenues are favourable to both the 2016 budget and the 2015 amount primarily from improvement in service recoveries and improved investment recoveries.

Expenditures

Total expenditures of \$11,295,756 (2016 Budget - \$8,539,337; 2015 Actual - \$10,479,135) consist of Ministry expenditures of \$6,525,749 (2016 Budget - \$6,797,562; 2015 Actual - \$6,376,848) and Stewardship expenditures of \$4,770,007 (2016 Budget - \$1,741,775; 2015 Actual - \$4,102,287). The total Ministry expenditures are above the approved 2016 budget. The direct ministry expenditures are below the 2016 budget (Actual - \$6,525,749; Budget - \$6,797,562). The 2016 expenditures are above the 2015 expenditures, primarily as a result of increased spending in the Specific Programming costs. Stewardship expenditures are above budget. Of greatest significance are the direct costs related to increases in revenue for sales and investment as well as the proportional allocation of the adjustment that was made for the valuation of our land held for investment.

The resulting deficiency of \$3,265,524 (2016 Budget - \$3,239,906; 2015 Actual - \$3,075,938) is funded by the allocation of funds from Stewardship division in the amount of \$3,052,429 (2015 - \$2,953,700). This allocation consists of the administrative services in kind of \$1,707,976 (2015 - \$1,712,243) and direct cash payments of \$1,344,453 (2015 - \$1,241,457). The 2017 cash allocation approved at Gathering 2016 was \$1,250,000.

Summary

Although we have made some progress in 2016 the future will have some challenges. The funding from churches was higher in 2016 than in 2015 but is still well short of the amounts that are required to sustain the CCMBC ministry operations. As noted above we will continue to manage costs and follow the direction that was identified in the amended motion to approve the 2017 budget.

Report submitted by Jim Davidson

Interim Chief Financial Officer

Canadian Conference of Mennonite Brethren Churches