Consolidated Financial Statements of

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Year ended December 31, 2017

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Canadian Conference of the Mennonite Brethren Church of North America, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including the Schedule - Church Ministry Division.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Canadian Conference of the Mennonite Brethren Church of North America as at December 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

May 3, 2018

Winnipeg, Canada

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

		2017		2016
Assets				
Current assets:				
Cash (note 3)	$	16,393,744	$	7,836,042
Accounts receivable (note 15)		1,321,525		1,143,142
Inventories		21,271		19,945
Prepaid expenses		97,661		76,226
Mortgages and loans receivable (notes 4 and 11)		–		750,000
Assets held for sale (note 8)		3,331,573		2,421,356
		21,165,774		12,246,711
Mortgages and loans receivable (notes 4 and 11)		77,172,815		76,994,149
Land held for development (notes 6 and 8)		7,349,879		10,598,911
Investments (note 5)		116,339,633		158,231,827
Capital assets (notes 7 and 8)		4,572,882		5,290,257
	$	226,600,983	$	263,361,855
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 10)	$	2,145,818	$	3,439,106
		2,145,818		3,439,106
Deposit liabilities:				
Trust deposits		138,748,064		174,180,702
Registered Retirement Savings Plan accounts (note 11)		51,333,276		52,957,788
Tax Free Savings Accounts (note 11)		28,787,855		27,121,764
		218,869,195		254,260,254
Deferred contributions:				
Expenses of future periods (note 12)		1,540,577		1,607,356
Net assets:				
Internally restricted (note 13)		2,440,237		2,441,461
Restricted for endowments (note 13)		1,362,630		1,361,764
Unrestricted		242,526		251,914
		4,045,393		4,055,139
Commitments (note 14)				
Subsequent events (note 8)				
	$	226,600,983	$	263,361,855

See accompanying notes to consolidated financial statements.

On behalf of the Governing Board:

_______________________________ Director

_______________________________ Director

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Consolidated Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Contributions	$ 7,431,390	$ 7,342,756
Sales	1,093,962	1,279,279
Interest earned	8,200,753	10,458,648
Rental income	296,074	370,359
Net gains on disposal of land held for development and capital assets (notes 6 and 7)	985,335	351,647
Loss on disposal of investments	(436,418)	(62,887)
Other revenue	7,122	25,966
Adjustment for unrealized gains on investments	1,216,182	1,183,909
	18,794,400	20,949,677
Expenditures:		
Cost of sales	355,376	431,797
Staffing	4,371,256	4,756,720
Specific programming costs	4,573,791	5,272,193
Support of outside agencies	1,382,711	1,566,468
Office expenses	2,127,422	1,728,901
Board costs and convention	252,262	213,634
Public relation costs	128,934	90,445
Interest	5,373,604	6,018,134
Impairment of land held for development (note 6)	239,656	100,000
Allowance (recovery) for credit losses (note 4)	–	(101,841)
	18,805,012	20,076,451
Excess (deficiency) of revenue over expenditures	$ (10,612)	$ 873,226

See accompanying notes to consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Unrestricted	Internally restricted	Restricted for endowments	2017 Total	2016 Total
Balance, beginning of year	$ 251,914	$ 2,441,461	$ 1,361,764	$ 4,055,139	$ 3,181,069
Reinvested earnings during the year	–	–	866	866	844
Excess (deficiency) of revenue over expenditures	(10,612)	–	–	(10,612)	873,226
Net transfer to (from) internally restricted (note 13)	1,224	(1,224)	–	–	–
Balance, end of year	$ 242,526	$ 2,440,237	$ 1,362,630	$ 4,045,393	$ 4,055,139

See accompanying notes to consolidated financial statements.

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures	$ (10,612)	$ 873,226
Adjustments for:		
Amortization	560,435	438,777
Unrealized gains on investments	(1,216,182)	(1,183,909)
Net gains on disposal of land held for development and capital assets	(985,335)	(351,647)
Allowance (recovery) for credit losses	–	(101,841)
Impairment of land held for development	239,656	100,000
Change in non-cash operating working capital:		
Accounts receivable	(178,383)	(244,843)
Inventories	(1,326)	(1,591)
Prepaid expenses	(21,435)	49,851
Accounts payable and accrued liabilities	(1,293,288)	760,105
Net change in deferred contributions related to expenses of future periods	(66,779)	(377,565)
	(2,973,249)	(39,437)
Cash flows from financing activities:		
Change in trust deposits, net	(35,432,638)	(14,904,880)
Change in RRSP accounts, net	(1,624,512)	(1,319,601)
Change in tax free savings accounts, net	1,666,091	2,386,984
Endowments	866	844
	(35,390,193)	(13,836,653)
Cash flows from investing activities:		
Purchase of capital assets	(227,708)	(185,289)
Proceeds on disposal of capital assets	3,542,999	36,000
Expenditures on land held for development	(73,857)	(100,958)
Net proceeds on disposal of land held for development	–	2,613,402
Change in investments, net	43,108,376	(4,309,193)
Change in mortgages and loans receivables, net	571,334	7,081,363
	46,921,144	5,135,325
Increase (decrease) in cash	8,557,702	(8,740,765)
Cash, beginning of year	7,836,042	16,576,807
Cash, end of year	$ 16,393,744	$ 7,836,042

See accompanying notes to consolidated financial statements.

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 November 25, 1945. These consolidated financial statements present the national activities of the Conference including CCMB Holdings Inc. which is a for-profit incorporated entity that owns all of the shares in the following entities:

CP Printing Solutions	Deer River Properties Inc.
Crossfield Highways Development Inc.	6448497 Manitoba Ltd.
0927018 B.C. Ltd.	

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

The Conference consists of two divisions being the Stewardship Division which includes CCMBC Holdings Inc. and the Church Ministry Division.

2. Significant accounting policies:

(a) Basis of accounting:

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

These 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 MB Mission.

2. Significant accounting policies (continued):

(b) 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.

Interest on marketable securities is recorded as income on an accrual basis, using the effective interest method. Rental revenue includes recovery of common area maintenance costs and is recognized on an accrual basis over the term which it applies.

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

(c) Land held for development:

Purchased land held for development is recorded at cost. Costs that are directly attributable to development of the land are capitalized, provided that the carrying value does not exceed net realizable value.

(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
Buildings	30 years straight-line
Computer equipment	3.3 - 5 years straight-line
Office equipment	5 - 10 years straight-line
Parking lot	15 years straight-line

The current year`s income has been charged with an amount of $560,435 (2016 - $438,777) reflecting the current year`s amortization which is included in office expenses in the consolidated statement of operations.

2. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization and land held for development, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Conference uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Assets held for sale:

Long-lived assets are classified by the Conference as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are separately presented on the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the consolidated statement of financial position.

(g) Mortgages and loans receivable:

Loans are initially measured at fair value plus incremental direct transaction costs. Loans are subsequently re-measured at their amortized cost, net of allowance for credit losses, using the effective interest method.

Interest income is accounted for on the accrual basis, except on loans classified as impaired. A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

2. Significant accounting policies (continued):

When a loan is classified as impaired, accrual of interest on the loan ceases and the carrying amount of the loan is reduced to its estimated realizable amount. Estimated realizable amounts are measured by discounting the expected future cash flows, if they can be reasonably estimated, using the effective interest rate inherent in the loan. When the amounts and timing of cash flows cannot be reasonably estimated, the carrying amount of the loan is reduced to its estimated net realizable value based on either:

(i) the fair value of any security underlying the loan, net of expected costs of realization, or,

(ii) observable market prices for the loan.

As long as the loan remains classified as impaired, payments received will be credited to the carrying value of the loan. A loan will be returned to accrual status only when the timely collection of both principal and interest is reasonably assured and all arrears payments of principal and interest are brought current.

(h) Allowance for credit losses:

The Conference maintains an allowance for credit losses which, in management’s opinion, is adequate to absorb all credit related losses in its portfolio. The allowance for credit losses consists of specific provisions, being provisions against specific credit exposures determined on an item-by-item basis, and a general provision for losses which have occurred, but where such losses cannot be determined on an item-by-item basis.

In assessing existing credit losses, management must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. Changes in circumstances may cause future assessments of credit risk to be significantly different than current assessments and may require an increase or decrease in the allowance for credit losses.

(i) Inventories:

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

2. Significant accounting policies (continued):

(j) 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. The Conference has elected to carry its investments 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.

(k) 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.

(l) Use of estimates:

The preparation of the financial statements ìn 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. Significant items subject to estimates and assumptions include the allowance for credit losses and the carrying amounts of capital assets and land held for development. Actual results could differ from management`s best estimates as additional information becomes available in the future.

3. Cash:

	2017	2016
General funds	$ 11,853,527	$ 5,945,349
RRSP Trust	4,540,217	1,890,693
	$ 16,393,744	$ 7,836,042

4. Mortgages and loans receivable:

	2017		2016	
	Principal	Accrued interest	Principal	Accrued interest
General funds	$ 16,959,203	$ 52,325	$ 4,717,245	$ 33,263
RRSP Trust	63,471,100	100,359	76,241,093	162,720
Allowance for credit losses	(3,410,172)	–	(3,410,172)	–
	77,020,131	152,684	77,548,166	195,983
		$ 77,172,815		$ 77,744,149

During the year ended December 31, 2013, a loan receivable was entered into as partial consideration for the sale of land held for development. The loan receivable was repayable $750,000 annually and matured on March 31, 2017. All other mortgages and loans receivable are callable on demand and are open to prepayment. Mortgages are secured by a first charge mortgage on the applicable property.

During the year ended December 31, 2016 a recovery of $101,841 was recognized in allowance (recovery) for credit losses in the consolidated statement of operations and $300,000 of the allowance for credit losses was written off.

5. Investments:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Mortgage funds	$ 48,077,310	$ 51,461,019	$ 106,108,591	$ 105,651,977
Bond funds	61,903,283	61,130,913	47,020,861	48,820,661
Corporate bonds	3,791,657	3,747,701	3,751,174	3,759,189
	$ 113,772,250	$ 116,339,633	$ 156,880,626	$ 158,231,827

5. Investments (continued):

The par value of the corporate bonds at December 31, 2017 was $3,654,000 (2016 - $3,633,000). The Corporate bonds have interest rates ranging from 3.35 percent to 4.5 percent (2016 - 2.99 percent to 4.50 percent) and mature between March 15, 2023 and August 11, 2026 (2016 - between March 15, 2023 and March 2, 2026).

Maturities and interest rates of the corporate bonds:

December 31, 2017	Under one year	1 - 5 years	6 - 10 years	Over 10 years	Total	Weighted average yield
	$ –	$ –	$ 3,747,701	$ –	$ 3,747,701	3.69%

December 31, 2016	Under one year	1 - 5 years	6 - 10 years	Over 10 years	Total	Weighted average yield
	$ –	$ –	$ 3,759,189	$ –	$ 3,759,189	3.55%

6. Land held for development:

	2017	2016
Balance, beginning of year	$ 10,598,911	$ 12,859,708
Additions	73,857	100,958
Disposals	–	(2,261,755)
Transferred to assets held for sale (note 8)	(3,083,233)	–
Impairment	(239,656)	(100,000)
Balance, end of year	$ 7,349,879	$ 10,598,911

During the year ended December 31, 2016, the Conference disposed of certain land held for development for net cash consideration of $2,613,402. The Conference recognized a gain on sale of $351,647 which was included in net gain on disposal of land held for development and capital assets in the consolidated statement of operations.

7. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	$ 1,109,453	$ –	$ 1,109,453	$ 1,109,453
Buildings	5,133,291	1,966,331	3,166,960	3,748,165
Computer equipment	621,654	556,612	65,042	94,357
Office equipment	1,217,694	1,004,017	213,677	314,038
Parking lot	95,410	77,660	17,750	24,244
	$ 8,177,502	$ 3,604,620	$ 4,572,882	$ 5,290,257

During the year ended December 31, 2017, the Conference disposed of certain land, buildings, and parking lot for net cash consideration of $3,542,999. The Conference recognized a net gain on sale of $985,335.

Capital assets with a net book value of $248,340 (2016 - $2,421,356) were transferred to assets held for sale (note 8) during the year ended December 31, 2017.

8. Assets held for sale:

Assets held for sale are comprised of capital assets, including buildings and land held for development.

	2017	2016
Balance, beginning of period	$ 2,421,356	$ –
Less: capital assets sold (note 7)	(2,421,356)	–
Add: amounts transferred to assets held for sale:		
Land held for development (note 6)	3,083,233	–
Capital assets (note 7)	248,340	2,421,356
Balance, end of period	$ 3,331,573	$ 2,421,356

Subsequent to December 31, 2017, the Conference disposed of a building with a net book value of $248,340 at December 31, 2017 for cash consideration of $259,660 and certain land held for development with a book value of $1,075,323 at December 31, 2017 for cash consideration of $1,355,000.

9. Line of credit:

The Conference 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 certain corporate bonds held by the Conference with a fair value of $3,747,701 (2016 - $3,759,189). As at December 31, 2017, the line of credit amount was unutilized (2016 - nil).

10. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is $2,677 (2016 - $109,641) for government remittances.

11. Registered Retirement Savings Plan and Tax Free Savings Accounts:

The Canadian Conference of the Mennonite Brethren Church of North America - Stewardship Division has an RRSP Trust and T.F.S.A. Trust 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 June 30 and December 31. Members' accounts are administered by Canadian Western Trust and the Conference. At December 31, 2017, there were 880 RRSP accounts, 388 R.R.I.F. accounts and 815 T.F.S.A. accounts (2016 - 944 RRSP accounts, 388 R.R.I.F. accounts and 880 T.F.S.A. accounts).

	2017	2016
Assets:		
Cash	$ 4,540,217	$ 1,890,693
Outstanding transfers and distributions	11,602,389	5,643,345
Mortgages and loans receivable	63,978,525	72,545,514
	$ 80,121,131	$ 80,079,552
Liabilities:		
Accounts payable	$ –	$ 1,422
RRSP certificates	51,333,276	52,956,366
RRSP total	51,333,276	52,957,788
T.F.S.A. certificates	28,787,855	27,121,764
	$ 80,121,131	$ 80,079,552

All trust deposits, RRSP Trust and T.F.S.A. funds are due on demand and bear interest at variable rates of interest which are determined at July 1 and December 31 of each year. At December 31, 2017, the interest rate applicable to trust deposits is 2.00 percent (2016 - 2.00 percent) and for RRSP Trust and T.F.S.A. funds is 2.50 percent (2016 - 2.50 percent).

12. 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:

	2017	2016
Balance, beginning of period	$ 1,607,356	$ 1,984,921
Less amount recognized as revenue in the period	(858,028)	(804,339)
Add amount received relating to future periods	791,249	426,774
Balance, end of period	$ 1,540,577	$ 1,607,356

As at December 31, 2017, deferred contributions related to expenses of future periods consists of the following:

	2017	2016
Emerging leaders	$ 46,759	$ 95,228
Centre for Mennonite Brethren Studies	19,419	10,894
Non-registered church plants	357,693	393,291
Mennonite Brethren Biblical Seminary	373	–
United Bible Society	81,596	62,138
Birch Bay Bible Community Church	300	4,000
C2C Network	968,931	914,465
Other externally restricted	65,506	127,340
	$ 1,540,577	$ 1,607,356

Subsequent to December 31, 2017, pursuant to a Management and Agency agreement, deferred contributions related to expenses of future periods related to C2C Network were transferred to MB Mission.

13. 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:

	2017	2016
CMU Endowment	$ 205,077	$ 205,077
Manitoba Conference Endowment	73,797	73,797
Evangelism Endowment	158,803	158,803
Family Endowment	924,953	924,087
	$ 1,362,630	$ 1,361,764

Internally restricted funds of the Conference include the following specific reserves:

(i) Reserve for investment:

For the year ended December 31, 2017, amounts relating to gains and losses on disposal of investments and net gains on land held for development and capital assets plus a surplus distribution were credited or charged to this reserve. For the year ended December 31, 2017, net gains on disposal of land held for development and capital assets of $985,335 and loss on disposal of investments of $436,418 were recorded in the reserve for investment. Additionally, for the year ended December 31, 2017, $480,955 was transferred from the reserve for investment to consolidated unrestricted net assets to fund the unanticipated deficit in operations.

For the year ended December 31, 2016, amounts relating to gains and losses on investments and land held for development, amounts relating to credit losses allowed for or recovered, plus a surplus distribution were credited or charged to this reserve. For the year ended December 31, 2016, net gains on disposal of land held for development of $351,647, losses on disposal of investments of $62,887, impairment of land held for development of $100,000 and recovery for credit losses of $101,841 were recorded in the reserve for investment. Additionally, for the year ended December 31, 2016, $795,720 was transferred to the reserve for investment from the excess of revenue over expenditures of the Stewardship Division.

(ii) Operating Reserve:

This reserve is held for use by the Conference to fund new initiatives and unanticipated deficits in operations.

13. Restrictions on net assets (continued):

The remaining internally restricted net assets are amounts restricted for specified purposes and are not available for other purposes without approval from the board of directors. For the year ended December 31, 2017 a total of $69,186 (2016 - $236,265) was transferred from the remaining internally restricted net assets to fund the deficit in operations of the Church Ministry Division.

	2017	2016
Reserve for investment	$ 2,377,102	$ 2,309,140
Operating Reserve	29,135	29,135
Evangelism Capital	–	56,482
Atlantic Church Planting	–	12,704
Contingency	34,000	34,000
	$ 2,440,237	$ 2,441,461

14. Commitments:

Individual and church loans:

The Conference has made commitments to individuals and churches for loans that have not been disbursed by December 31, 2017 in the approximate amount of $9,245,300 (2016 - $13,443,000).

Lease commitments:

The Conference leases office space under long-term leases. The future minimum payments required under these leases are:

2018	$ 201,840
2019	116,067
2020	118,400
2021	19,800

15. Related party balances:

Included in accounts receivable is $522,022 (2016 - $382,356) owed from CCMBC Legacy Fund Inc., an entity under common control. This amount is unsecured, due on demand, and there are no specified terms of repayment.

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

16. Employee pension plan:

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 2017 was 5 percent (2016 - 5 percent) of the employee salaries. The pension expense for the year ended December 31, 2017 was $152,948 (2016 - $163,164).

17. 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 investments denominated in United States dollars (USD) and 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 manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board and monitored by investment managers. 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 is exposed to interest rate risk on its investments in corporate bonds, bond mutual funds and investments in mortgages. Further details about the fixed rate investments are included in note 5. The Conference manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board and monitored by investment managers. The Conference is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

17. Financial risks (continued):

(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.

(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 is exposed to credit risk arising from its mortgages and loans receivable and investments in corporate bonds, bond funds, mortgages and mortgage funds. In order to reduce its credit risk, the Conference reviews loan applications before extending credit. Investments are monitored by investment managers. An allowance for credit losses is established based upon factors surrounding the credit risk of specific accounts. The Conference has a significant number of corporate bonds, bond funds, mortgages and mortgage fund investments which minimizes concentration of credit risk.

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

THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Schedule - Church Ministry Division

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
Revenue:			
Contributions	$ 5,515,746	$ 7,423,208	$ 7,271,231
Sales	453,952	633,896	759,001
	5,969,698	8,057,104	8,030,232
Expenditures:			
Cost of sales	49,440	56,931	139,361
Staffing	2,783,377	2,777,299	3,109,962
Specific programming costs	4,014,565	4,161,605	4,619,378
Support of outside agencies	1,313,571	1,378,355	1,457,235
Office expenses	39,208	55,963	55,972
Board costs and convention	144,714	146,101	124,692
Public relation costs	65,162	120,367	72,148
Interest	5,114	10,301	9,032
Administrative expenses	1,591,200	1,847,075	1,707,976
	10,006,351	10,553,997	11,295,756
Deficiency of revenue over expenditures for the year before allocations	(4,036,653)	(2,496,893)	(3,265,524)
Unrestricted fund balance, beginning of year		251,914	228,744
Allocation of funds from Stewardship Division		2,418,319	3,052,429
Transfer from other internally restricted net assets		69,186	236,265
Unrestricted fund balance, end of year		$ 242,526	$ 251,914

For the year ended December 31, 2017, the $2,418,319 allocation of funds from Stewardship Division represents a portion of the excess of revenue over expenditures in the Stewardship Division. Additionally, as disclosed in note 13, $69,186 was transferred from other internally restricted net assets of the Church Ministry Division in the year ended December 31, 2017 resulting in a decrease to the consolidated unrestricted fund balance of $9,388.

For the year ended December 31, 2016, the $3,052,429 allocation of funds from Stewardship Division represents a portion of the excess of revenue over expenses in the Stewardship Division. Additionally, as disclosed in note 13, $236,265 was transferred from other internally restricted net assets of the Church Ministry Division in the year ended December 31, 2016 resulting in an increase to the consolidated unrestricted fund balance of $23,170.

Administrative expenses include staffing and other expenses related to administration including finance, human resources, information technology, facilities and other administrative costs that have been allocated to the Church Ministry Division.