

**Canadian Conference of Mennonite Brethren Churches**  
**Report on the Financial Statements for the Year Ended December 31, 2019**  
**Submitted by Jim Davidson and Bertha Dyck**

**Summary Update**

The Canadian Conference of Mennonite Brethren Churches (CCMBC) operates as the coordinating national body for the denomination. The operations included all the ministry and financial support functions for the national conference through December 31, 2017. On January 1, 2018, the financial services functions moved to CCMBC Legacy Fund Inc (Legacy). This included the accounting services, payroll services, benefits and pension administration, infrastructure support, and facilities support. The staff responsible for these functions were transferred to Legacy. The remainder of the “Stewardship” assets and liabilities and the results of their operations remained in CCMBC and have been reflected in the Consolidated financial statements for CCMBC through December 31, 2018.

In December 2018, the Executive Board of CCMBC approved a beneficial transfer of the “Stewardship” assets and liabilities to Legacy with the anticipation that the resulting revenues and expenditures relating to these assets and liabilities would accrue to Legacy.

With the reorganization model for CCMBC Investments Ltd. (Investments) being finalized, it was decided that the approved transfer to Legacy would be deferred and two reorganization transfers to Investments and Legacy would occur later in the year. The impacts of this discussion are discussed later in this report in the Statement of Operations Section.

On August 30, 2019, the deposit liabilities (Funds loaned by investors to CCMBC), the mortgage portfolio and three of four private investment funds were transferred from CCMBC to Investments. The total value of the three private funds and the mortgages exceeded the value of the deposit liabilities. To balance the transfer transaction a liability was set up with a due to CCMBC. The three private investment accounts were subsequently liquidated and the obligation to CCMBC was repaid and the funds not needed for loans were invested with Capstone Asset Management (Capstone). \$2,715,507 of the cash balance in CCMBC on December 31, 2019 is a result of the repayment of this liability from Investments to CCMBC. It is important to note that it was imperative that the deposit liabilities were fully underwritten to ensure that the investors’ risk would be minimized. The mortgages that were transferred were valued net of the allowance for credit losses. Therefore, the cash difference that was repaid to CCMBC from Investments was \$3,570,742 lower than if the gross value of the mortgages would have been transferred.

On December 30, 2019, the remainder of the Stewardship assets and liabilities were transferred to Legacy. This transaction included land, buildings, artwork, capital equipment and the liability deposits from various MB churches, conferences, and related MB agencies. As the liability deposits exceeded the value of the assets transferred an amount due from a related party (CCMBC) was recorded to balance the transaction

To ensure that the deposit liabilities transferred to Investments and Legacy were fully secured, it was necessary to transfer the listed assets and sufficient cash to accomplish this. This resulted in the

transactions that were reported on the Statement of Operations and will be discussed in detail in that section.

### **Balance Sheet**

As of December 31, 2019, the unclassified balance sheet includes cash of \$11,148,107 and accounts receivable of \$142,894. Portions of these two accounts must be restricted as they apply to endowments and annuities, Pension and benefit plans and non-registered church plants. The restricted cash amounts to \$3,183,844 and the restricted accounts receivable amount to \$36,049. These amounts are required to satisfy the recorded liabilities for these three funds. This leaves an operating cash balance of \$7,964,262 and some additional current assets in the amount of \$204,531. There are also current liabilities in the amount of \$324,749.

### **Statement of Operations**

During the year ended December 31, 2019 the operations of CCMBC were in a state of transition which did impact the results. As noted in the summary update, we continued to operate the Stewardship assets and liabilities in CCMBC until they were transferred to Investments on August 30, 2019 and to Legacy on December 30, 2019. The impact of this decision was that there was a surplus of \$2,061,086. This was made up of a ministry operating loss of \$557,461 and a surplus from the Stewardship operations in the amount of \$2,618,547.

### **Revenue and Expenditures**

Please refer to the attached document 2019 CCMBC Ministry Operations Commentary to see the details of the ministry operations variances from the approved budget and narratives that explain them. The \$557,461 deficit that is discussed in this document relates to the \$500,000+ deficit that Elton has been communicating to the denomination.

The \$2,618,547 represents the results of the operations of the Stewardship assets and liabilities that remained in CCMBC until August 30 and December 30, 2019.

### **Other Income and expenses**

At the times of the reorganizations, August 30, 2019 and December 30, 2019 it was necessary to determine the appropriate value of the assets being transferred to Investments and Legacy. This was a requirement to ensure that there were the appropriate asset values being transferred to Investments and Legacy to fully underwrite the liabilities being transferred.

In respect to the transfer to Investments, as previously noted, the mortgages were transferred at a value net of the allowance for credit losses booked in CCMBC.

As a final note to the discussion around the transfers, the decision was made to transfer some of the assets of CCMBC to Legacy by way of a donation. This decision was made to ensure that there were no tax or transfer fee issues. The impact of this transaction is that there was a significant deficit created in CCMBC and a resulting reduction in the net asset operating reserve. However, the amount of this donation was posted directly to the net asset and deferred contribution accounts in Legacy which means that on a consolidated basis it did not impact the total reserves.

## **Discussion Summary**

As of December 31, 2019, we also show an accumulated unrestricted deficit of \$1,632,863. Effectively this is the offset amount of the cash shortfall noted above. December 31, 2019 is the point in time where we can show the stand-alone position of CCMBC. The result did not just happen in 2019 but has been in the making for some time as we have noted when we told our financial story last October at Gathering. There were many events and decisions which eroded the reserve over time and when the reorganization was finalized, the resulting impacts were disclosed. As CCMBC is the sole member of Legacy, we must be clear that we have not given away the birthright of CCMBC. We have allocated assets and liabilities to Legacy and to Investments in order that we can operate in compliance with CRA and securities regulation, we can effectively manage the investments, services and infrastructure of the denomination and we can now allow CCMBC to concentrate on the ministry of the denomination.

Although there may be a perception that the CCMBC ministry entity has been unfairly impacted by these reorganization events, it should be noted that the assets and liabilities transferred were accumulated using "Stewardship" funds. Also, the primary driver for these reorganization events was to ensure that the CCMBC group of entities were in full compliance with CRA and security commissions" regulations. This objective has been completed.