

## Canadian Conference of Mennonite Brethren Churches

### Financial Report

#### Year Ended December 31, 2017

#### 2017 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, 2017. The deficit for the year was \$10,612 compared to a surplus of \$873,226 in 2016.

#### Financial Position (Balance Sheet)

The Conference balance sheet remains strong and includes a decrease in net assets of \$10,612 over the balance of the prior year. The current assets in the amount of \$21,165,774 have increased by \$8,919,063 from the 2016 balance of \$12,246,711. Two components of this change are most significant. First, there is the increase of cash in the amount of \$8,557,702. (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 \$910,217 for assets held for sale (two Calgary properties and the Crossfield property) for which the conference has received and accepted offers for sale to occur in 2018. Cash relating to this sale and the \$750,000 account receivable from a prior year sale have been received and have been added to the cash balance. Current liabilities have decreased in the amount of \$1,293,298. The working capital (current assets less current liabilities) of the conference is \$19,019,956.

Mortgages and loans receivable have increased by \$178,666 as a result of the value of new mortgages being issued in 2017 exceeding the repayments of the existing mortgages and loans. Land held for development decreased by \$3,249,032 which represents the cost of the properties that were sold in 2017 reclassified as current assets and the write downs of the Crossfield property. Funds invested in mortgage, corporate and bond funds decreased by \$41,892,194. The withdrawals of these funds were used to repay deposits in the amount of \$35,391,059, noted below and increasing the cash balance. Capital assets decreased by \$717,375. This decrease is made up of furniture and equipment relating to properties which were sold in 2017 and depreciation expense which occurred during the year.

Trust Deposit liabilities have decreased by \$35,432,638. During the year there were one hundred fifty two (152) accounts closed representing \$14,282,144. There was also \$21,150,494 in net withdrawals from accounts which were not closed. The registered funds (RRSP and TSFA accounts) increased by \$41,579.

Deferred contributions decreased by \$66,779. Deferred contributions are funds that have been received for specific ministry and will be expended in a future period. Details of the deferred contributions are included in Note 12 of the consolidated financial statements.

The overall net assets of the conference decreased by \$9,746 of which primarily relates to the operating loss of \$10,612.

#### Consolidated Statement of Operations

Total revenue of \$18,794,400 was a decrease of \$2,155,277 below the \$20,949,677 recognized in 2016. The decrease of \$2,155,277 is made up of an increase in Church Contributions - \$88,634; a decrease in grants - \$185,317; a decrease in interest - \$2,599,157; an increase in capital gains - \$633,688; and a

decrease in other - \$18,844. It should be noted that although the Church Contributions were higher than the prior year, they were approximately \$205,000 below the 2017 budget.

Total expenditures of \$18,805,012 decreased by \$1,271,439 from the \$20,076,451 expended in 2016. Of this difference interest decreased \$644,530, land impairment increased \$139,656 and operations costs decreased \$766,565. There were no recoveries of credit losses in 2017.

### **Church Ministry Schedule**

The Schedule outlining the budget and costs of the Church Ministry division for 2017 and actuals for 2016 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 Legacy function (2018 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 2017, these operations were still integrated and the following narrative will explain the separation of these functions.

### **Revenue**

Revenue of \$8,057,104 (2017 Budget - \$5,969,698; 2016 Actual - \$8,030,232) is made up of ministry revenue from contributions and sales of \$5,258,066 (2017 Budget - \$5,425,746; 2016 Actual - \$4,853,519) and Stewardship revenues from sales and contributions of \$2,165,142 (2017 Budget - \$90,000; 2016 Actual - \$3,176,713). The contributions from the ministry, although higher than 2016, is below budget. Stewardship revenues are favorable to both the 2017 budget and the 2016 amount primarily from improvement in service recoveries and improved investment recoveries.

### **Expenditures**

Total expenditures of \$10,553,997 (2017 Budget - \$10,006,351; 2016 Actual - \$11,295,756) consist of Ministry expenditures of \$6,969,325 (2016 Budget - \$6,995,658; 2016 Actual - \$6,525,749) and Stewardship expenditures of \$3,593,672 (2016 Budget - \$3,010,693; 2016 Actual - \$4,770,007). The total Ministry expenditures are above the approved 2017 budget. The direct ministry expenditures are below the 2017 budget. The 2017 expenditures are below the 2016 expenditures, primarily as a result of decreased spending in all cost categories.

The resulting deficiency of \$2,496,893 (2016 Budget - \$4,036,653; 2016 Actual - \$3,265,524) is funded by the allocation of funds from Stewardship division in the amount of \$2,418,319 (2016 - \$3,052,429). This allocation consists of the administrative services in kind of \$1,168,319 (2015 - \$1,712,243) and direct cash payments of \$1,250,000 (2015 - \$1,344,453). The 2018 cash allocation approved at the 2017 AGM was nil.

### **Summary**

Although we have made progress in 2017 the future will have some challenges. The funding from churches was higher in 2017 than in 2016 but is still short of the amounts that are required to sustain the CCMBC ministry operations.

**Report submitted by Jim Davidson**

**Chief Executive Officer, CCMBC Legacy Fund**

*(In 2017, Interim Chief Financial Officer, Canadian Conference of Mennonite Brethren Churches)*