

Financial Statements of

MENNONITE CHURCH CANADA

Years ended January 31, 2013 and 2012

MENNONITE CHURCH CANADA

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of Mennonite Church Canada

We have audited the accompanying financial statements of Mennonite Church Canada, which comprise the statements of financial position as at January 31, 2013, January 31, 2012 and February 1, 2011, the statements of operations, changes in fund balances, and cash flows for the years ended January 31, 2013 and January 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mennonite Church Canada as at January 31, 2013, January 31, 2012 and February 1, 2011, and its results of operations and its cash flows for the years ended January 31, 2013 and January 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

April 19, 2013

Winnipeg, Canada

MENNONITE CHURCH CANADA

Statements of Financial Position

January 31, 2013, January 31, 2012 and February 1, 2011

	General Fund			Capital Fund			January 31, 2013	January 31, 2012	February 1, 2011
	January 31, 2013	January 31, 2012	February 1, 2011	January 31, 2013	January 31, 2012	February 1, 2011	Total	Total	Total
Assets									
Current assets:									
Cash	\$ 1,916,138	\$ 1,418,060	\$ 1,570,038	\$ -	\$ -	\$ -	\$ 1,916,138	\$ 1,418,060	\$ 1,570,038
Accounts receivable (note 3)	401,993	416,651	554,255	-	-	-	401,993	416,651	554,255
Prepaid expenses	33,508	32,445	77,315	-	-	-	33,508	32,445	77,315
	2,351,639	1,867,156	2,201,608	-	-	-	2,351,639	1,867,156	2,201,608
Inter-fund balance receivable (payable)	(104,455)	(97,182)	(141,318)	104,455	97,182	141,318	-	-	-
Investments (note 4)	1,654,101	1,587,868	1,562,528	-	-	-	1,654,101	1,587,868	1,562,528
Capital assets (note 5)	-	-	-	83,088	109,122	100,296	83,088	109,122	100,296
	\$ 3,901,285	\$ 3,357,842	\$ 3,622,818	\$ 187,543	\$ 206,304	\$ 241,614	\$ 4,088,828	\$ 3,564,146	\$ 3,864,432

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:

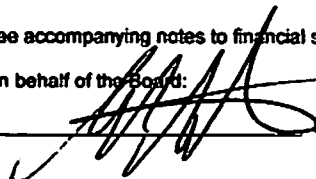
Accounts payable and accrued liabilities (note 6)	\$ 310,949	\$ 305,392	\$ 401,410	\$ -	\$ -	\$ -	\$ 310,949	\$ 305,392	\$ 401,410
Other loans payable	29,059	30,058	30,969	-	-	-	29,059	30,058	30,969
Deferred contributions (note 7)	1,149,464	1,143,773	1,220,473	4,361	5,035	5,872	1,153,825	1,148,808	1,226,345


Fund balances:

Invested in capital assets	-	-	-	51,605	70,925	55,221	51,605	70,925	55,221
Externally restricted (note 8)	297,144	294,840	291,719	-	-	-	297,144	294,840	291,719
Internally restricted (note 9)	2,114,669	1,583,779	1,678,247	131,577	130,344	180,521	2,246,246	1,714,123	1,858,768
	2,411,813	1,878,619	1,969,966	183,182	201,269	235,742	2,594,995	2,079,888	2,205,708
	\$ 3,901,285	\$ 3,357,842	\$ 3,622,818	\$ 187,543	\$ 206,304	\$ 241,614	\$ 4,088,828	\$ 3,564,146	\$ 3,864,432

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

MENNONITE CHURCH CANADA

Statements of Operations

Years ended January 31, 2013 and 2012

	General Fund		Capital Fund		2013 Total	2012 Total
	January 31, 2013	January 31, 2012	January 31, 2013	January 31, 2012		
Revenues for MC Canada programs:						
Donations and bequests	\$ 3,271,652	\$ 3,492,423	\$ -	-	3,271,652	\$ 3,492,423
Investment income	113,404	18,010	-	-	113,404	18,010
Sales, services and fees	296,382	399,769	-	-	296,382	399,769
Grants from partner agencies	74,055	61,672	-	-	74,055	61,672
Amortization of deferred contributions (note 7)	53,702	69,649	674	837	54,376	70,486
	3,809,195	4,041,523	674	837	3,809,869	4,042,360
Revenues for partner programs:						
Donations and bequests	440,229	494,065	-	-	440,229	494,065
Grants	10,910	28,167	-	-	10,910	28,167
Investment income	9,022	6,772	-	-	9,022	6,772
Sales, services and fees	28,151	55,401	-	-	28,151	55,401
Amortization of deferred contributions (note 7)	101,515	127,544	-	-	101,515	127,544
	589,827	711,949	-	-	589,827	711,949
Revenues for related organizations:						
Donations and bequests	416,437	238,113	-	-	416,437	238,113
Sales, services and fees	88,163	95,270	-	-	88,163	95,270
Grants from partner agencies	42,889	35,456	-	-	42,889	35,456
	547,489	368,839	-	-	547,489	368,839
Total revenues	4,946,511	5,122,311	674	837	4,947,185	5,123,148
Expenses for MC Canada programs:						
Christian Witness Council (schedule A)	1,492,178	1,763,532	-	-	1,492,178	1,763,532
Christian Formation Council (schedule B)	648,823	859,065	-	-	648,823	859,065
Church Engagement Council (schedule C)	661,924	657,912	-	-	661,924	657,912
General Board (schedule D)	976,078	949,867	-	-	976,078	949,867
	3,779,003	4,230,376	-	-	3,779,003	4,230,376
Expenses for Partner Programs (schedule E)	563,489	622,733	-	-	563,489	622,733
Contributions to related organizations (schedule F)	547,489	368,839	-	-	547,489	368,839
Amortization of capital assets	-	-	51,763	56,351	51,763	56,351
Total expenses and contributions	4,889,981	5,221,948	51,763	56,351	4,941,744	5,278,299
Excess (deficiency) of revenues over expenses before the undernoted	56,530	(99,637)	(51,089)	(55,514)	5,441	(155,151)
Bi-national asset distribution (note 12)	507,362	26,210	-	-	507,362	26,210
Excess (deficiency) of revenues over expenses	\$ 563,892	\$ (73,427)	\$ (51,089)	\$ (55,514)	\$ 512,803	\$ (128,941)

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Statements of Changes in Fund Balances

Years ended January 31, 2013 and 2012

January 31, 2013	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	Total
General Fund:					
Balance, beginning of year	\$ -	\$ 294,840	\$ 1,583,779	\$ -	\$ 1,878,619
Excess of revenues over expenses	-	-	-	563,892	563,892
Transfer to Capital Fund (note 9)	-	-	-	(33,002)	(33,002)
Transfer from internally restricted funds (note 9)	-	-	(41,135)	41,135	-
Transfer to internally restricted funds (note 9)	-	-	572,025	(572,025)	-
Endowment contributions	-	2,304	-	-	2,304
Balance, end of year	\$ -	\$ 297,144	\$ 2,114,669	\$ -	\$ 2,411,813
Capital Fund:					
Balance, beginning of year	\$ 70,925	\$ -	\$ 130,344	\$ -	\$ 201,269
Deficiency of revenues over expenses	(51,089)	-	-	-	(51,089)
Transfer from General Fund (note 9)	6,040	-	26,962	-	33,002
Transfer from internally restricted funds (note 9)	25,729	-	(25,729)	-	-
Balance, end of year	\$ 51,605	\$ -	\$ 131,577	\$ -	\$ 183,182
January 31, 2012					
General Fund:					
Balance, beginning of year	\$ -	\$ 291,719	\$ 1,678,247	\$ -	\$ 1,969,966
Deficiency of revenues over expenses	-	-	-	(73,427)	(73,427)
Transfer to Capital Fund (note 9)	-	-	-	(21,041)	(21,041)
Transfer from internally restricted funds (note 9)	-	-	(373,393)	373,393	-
Transfer to internally restricted funds (note 9)	-	-	278,925	(278,925)	-
Endowment contributions	-	3,121	-	-	3,121
Balance, end of year	\$ -	\$ 294,840	\$ 1,583,779	\$ -	\$ 1,878,619
Capital Fund:					
Balance, beginning of year	\$ 55,221	\$ -	\$ 180,521	\$ -	\$ 235,742
235,742					
Deficiency of revenues over expenses (55,514)	(55,514)	-	-	-	(55,514)
Transfer from General Fund (note 9)	6,041	-	15,000	-	21,041
21,041					
Transfer from internally restricted funds (note 9)	65,177	-	(65,177)	-	-
Balance, end of year	\$ 70,925	\$ -	\$ 130,344	\$ -	\$ 201,269

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Statements of Cash Flows

Years ended January 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 512,803	\$ (128,941)
Items not involving cash:		
Amortization of capital assets	51,763	56,351
Amortization of deferred contributions	(674)	(837)
Change in non-cash operating working capital:		
Accounts receivable	14,658	137,604
Prepaid expenses	(1,063)	44,870
Accounts payable and accrued liabilities	5,557	(96,018)
Accrued interest on investments	(24,062)	(11,231)
Change in deferred contributions relating to General Fund	5,691	(76,700)
	<u>564,673</u>	<u>(74,902)</u>
Financing:		
Endowment contributions received	2,304	3,121
Decrease in other loans payable	(999)	(911)
	<u>1,305</u>	<u>2,210</u>
Investing:		
Additions to capital assets	(25,729)	(65,177)
Increase in investments, net	(42,171)	(14,109)
	<u>(67,900)</u>	<u>(79,286)</u>
Increase (decrease) in cash	498,078	(151,978)
Cash, beginning of year	1,418,060	1,570,038
Cash, end of year	<u>\$ 1,916,138</u>	<u>\$ 1,418,060</u>

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Notes to Financial Statements

Years ended January 31, 2013 and 2012

1. General:

Mennonite Church Canada (MC Canada) is a Canada-wide Christian denomination within the Anabaptist-Mennonite tradition. Its mission includes the promotion of biblical faithfulness in worship, evangelism, service, peacemaking and stewardship of God's creation.

MC Canada is a body of Mennonite congregations which works in partnership with provincial/regional conferences in the mission and ministry of the church of Jesus Christ. It provides, facilitates and coordinates national and other programs that support the ministry of its congregations and partner area conferences. MC Canada works closely with other national Mennonite conferences, particularly Mennonite Church USA, cooperates with various inter-Mennonite and other Christian agencies, and represents national and international programs and concerns to its constituency.

MC Canada is a corporation without share capital incorporated under the laws of Canada and is registered with Canada Revenue Agency as a charitable organization with registration number 10696-7086-RR0001. MC Canada is exempt from income tax under Section 149 of the *Income Tax Act*.

On February 1, 2012, the MC Canada adopted Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the MC Canada has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is February 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There were no adjustments to fund balances as at January 31, 2012 and February 1, 2011 or to excess of revenue over expenses as a result of the transition to ASNPO.

2. Significant accounting policies:

(a) Fund accounting:

Assets, liabilities, revenues and expenses related to MC Canada's capital assets, capital campaigns, and internally restricted funds for future asset purchases are recorded in the Capital Fund. All other assets, liabilities, revenues and expenses are reported in the General Fund.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

2. Significant accounting policies (continued):

(b) Revenue recognition:

MC Canada follows the deferral method of accounting for contributions, which include donations and government grants.

Externally restricted contributions, other than endowment contributions, are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

MC Canada has established an internal policy to generally recognize revenue on externally restricted bequests at the lesser of the related expense incurred during the year and 10 percent of the particular deferred balance.

Unrestricted contributions are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recorded as a direct increase to the externally restricted fund balance of the General Fund. Investment income earned on endowment contributions is recognized as revenue of the General Fund.

Sales, services and fees are recognized as revenue when earned.

Investment income on unrestricted assets is recognized as revenue when earned. Investment income earned on deferred contributions is recognized as revenue in the same period as the related expenses of the deferred contribution are recognized.

Investment income earned on bequest funds and on the Church Building Fund are recognized directly into revenue of the General Fund.

Government grants relating to program delivery and administration are recognized as revenue of the General Fund in the year in which they apply.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

2. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over the asset's estimated useful life, which for buildings and improvements is 20 years and for vehicles, equipment and furnishings is 5 years. Amortization expense is reported in the Capital Fund.

(d) Employee future benefits:

MC Canada has a defined contribution plan providing pension and post-employment benefits for its salaried employees. The cost of the defined contribution plan is recognized based on contributions required to be made during each period. During the year ended January 31, 2013, MC Canada made employer contributions for its employees to the plan in the amount of \$103,069 (2012 - \$109,593).

(e) Foreign currency:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(f) 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. MC Canada has not elected to carry any such financial instruments at fair value.

Investments in pooled funds are carried at fair value. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in investment income in the statement of operations.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

2. Significant accounting policies (continued):

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, MC Canada 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 MC Canada 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.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

3. Accounts receivable:

	January 31, 2013	January 31, 2012	February 1, 2011
Donations receivable	\$ 336,686	\$ 348,755	\$ 322,837
Other	65,307	67,896	231,418
	<u>\$ 401,993</u>	<u>\$ 416,651</u>	<u>\$ 554,255</u>

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

4. Investments:

	January 31, 2013	January 31, 2012	February 1, 2011
Mennonite Foundation of Canada:			
Annuities	\$ 20,570	\$ 21,569	\$ 22,481
Church Building Fund Trust	449,587	436,697	441,545
Endowments, bequests and other	1,045,899	1,005,574	946,869
Canada Life Insurance Company	132,159	117,786	144,166
Crosstown Civic Credit Union surplus shares	5,886	6,242	7,467
	<u>\$ 1,654,101</u>	<u>\$ 1,587,868</u>	<u>\$ 1,562,528</u>

The investments held at Mennonite Foundation of Canada may be withdrawn at any time, with due notice. Investment earnings are paid by Mennonite Foundation of Canada based on its pooled rate, less a fixed percentage for administration fees.

The majority of the investments with Canada Life Insurance Company are held in a money market fund and a guaranteed fund.

5. Capital assets:

January 31, 2013	Cost	Accumulated amortization	Net book value
Land	\$ 983	\$ —	\$ 983
Buildings:			
Witness field properties	80,767	79,620	1,147
Heritage Centre	694,774	652,694	42,080
Conference administration	787,191	787,191	—
	<u>1,562,732</u>	<u>1,519,505</u>	<u>43,227</u>
Vehicles, equipment and furnishings	690,203	651,325	38,878
	<u>\$ 2,253,918</u>	<u>\$ 2,170,830</u>	<u>\$ 83,088</u>

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

5. Capital assets (continued):

January 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 983	\$ –	\$ 983
Buildings:			
Witness field properties	80,767	77,733	3,034
Heritage Centre	694,774	646,032	48,742
Conference administration	787,191	787,191	–
	1,562,732	1,510,956	51,776
Vehicles, equipment and furnishings	664,474	608,111	56,363
	\$ 2,228,189	\$ 2,119,067	\$ 109,122

February 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 983	\$ –	\$ 983
Buildings:			
Witness field properties	80,767	75,358	5,409
Heritage Centre	694,774	639,370	55,404
Conference administration	787,191	787,191	–
	1,562,732	1,501,919	60,813
Vehicles, equipment and furnishings	599,298	560,798	38,500
	\$ 2,163,013	\$ 2,062,717	\$ 100,296

MC Canada has a commercial line of credit to a maximum of \$500,000, which is secured by a first mortgage on the property at 600 Shaftesbury, now owned by Canadian Mennonite University (note 10(a)) and a general security agreement. As at January 31, 2013, January 31, 2012 and February 1, 2011, no amounts are drawn on the facility.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$35 (January 31, 2012 - \$63; February 1, 2011 - \$31), which includes amounts payable for PST.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

7. Deferred contributions:

(a) General Fund:

Deferred contributions reported in the General Fund relate to externally restricted operating contributions which have not yet been disbursed for their intended purpose. Investment income if any, relating to these amounts are included as deferred contributions. Investment income is allocated from the General Fund based on internal policy, and in the years ended January 31, 2013 and 2012, no such income was earned based on the policy.

Changes in the deferred contributions balance reported in the General Fund are as follows:

	January 31, 2013	Investment income	Received and not disbursed	Recognized as revenue	January 31, 2012
MC Canada programs:					
Witness Council:					
Witness Bequest Fund	\$ 491,042	\$ —	\$ 56,401	\$ (48,293)	\$ 482,934
Native ministries:					
Emergency Support Fund	4,627	—	—	—	4,627
Jeremiah's Dream	1,416	—	—	(500)	1,916
Language training	3,204	—	—	—	3,204
Native education	3,801	—	—	(750)	4,551
Mexico - Cuauthemoc	7,203	—	—	—	7,203
Church Building Fund	442,191	—	—	—	442,191
	953,484	—	56,401	(49,543)	946,626
Formation Council:					
Formation Bequest Fund	58,401	—	38,199	(2,245)	22,447
Translation	7,586	—	—	—	7,586
Leadership training Fund	9,468	—	6,173	(1,000)	4,295
Russian Mennonite research	4,070	—	—	—	4,070
Anabaptist media	5,488	—	—	(914)	6,402
Pastoral Counselling Fund	3,852	—	—	—	3,852
Education Agency	7,897	—	—	—	7,897
	96,762	—	44,372	(4,159)	56,549
	1,050,246	—	100,773	(53,702)	1,003,175
Partner programs:					
Partner Projects	5,124	—	2,172	(1,600)	4,552
Kherson Partnership North American	6,253	—	6,253	(3,679)	3,679
Vietnamese Mennonite	8,616	—	8,616	(8,731)	8,731
Phillippines Partnership	1,523	—	1,523	(33,967)	33,967
IM short-term assignments	7,494	—	7,494	(11,410)	11,410
Company of 1000	50,595	—	33,977	(38,628)	55,246
Abram A. Vogt Legacy Fund	19,613	—	100	(3,500)	23,013
	99,218	—	60,135	(101,515)	140,598
	\$ 1,149,464	\$ —	\$ 160,908	\$ (155,217)	\$ 1,143,773

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

7. Deferred contributions (continued):

	January 31, 2012	Investment income	Received and not disbursed	Recognized as revenue	February 1. 2011
MC Canada programs:					
Witness Council:					
Witness Bequest Fund	\$ 482,934	\$ -	\$ -	\$ (53,659)	\$ 536,593
Native ministries:					
Emergency Support Fund	4,627	-	-	-	4,627
Jeremiah's Dream	1,916	-	-	(500)	2,416
Language training	3,204	-	-	(500)	3,704
Native education	4,551	-	1,000	(750)	4,301
Colombia leadership development (10 year)	-	-	-	(6,000)	6,000
Mexico - Cuauthemoc	7,203	-	-	-	7,203
Church Building Fund	442,191	-	-	-	442,191
	946,626	-	1,000	(61,409)	1,007,035
Formation Council:					
Formation Bequest Fund	22,447	-	-	(2,494)	24,941
Translation	7,586	-	7,134	(1,750)	2,202
Leadership training Fund	4,295	-	-	-	4,295
Russian Mennonite research	4,070	-	-	-	4,070
Anabaptist media	6,402	-	-	(914)	7,316
Pastoral Counselling Fund	3,852	-	-	-	3,852
Education Agency	7,897	-	-	(3,082)	10,979
	56,549	-	7,134	(8,240)	57,655
	1,003,175	-	8,134	(69,649)	1,064,690
Partner programs:					
Partner Projects	4,552	-	3,847	(498)	1,203
Kherson Partnership	3,679	-	3,679	(6,553)	6,553
North American Vietnamese Mennonite	8,731	-	8,731	(19,100)	19,100
Mennonite Voluntary Service Adventure	-	-	-	(7,774)	7,774
Phillippines Partnership	33,967	-	33,967	(49,266)	49,266
IM short-term assignments	11,410	-	11,410	(8,669)	8,669
Gallery donations	-	-	-	(6,728)	6,728
Company of 1000	55,246	-	50,555	(25,166)	29,857
Abram A. Vogt Legacy Fund	23,013	-	170	(3,790)	26,633
	140,598	-	112,359	(127,544)	155,783
	\$ 1,143,773	\$ -	\$ 120,493	\$ (197,193)	\$ 1,220,473

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

7. Deferred contributions (continued):

(b) Capital Fund:

Changes in the deferred contributions balance reported in the Capital Fund are as follows:

	January 31, 2013	January 31, 2012	February 1, 2011
Beginning balance	\$ 5,035	\$ 5,872	\$ 8,467
Less amount recognized as revenue in the year	(674)	(837)	(2,595)
Ending balance	\$ 4,361	\$ 5,035	\$ 5,872

8. External restrictions on General Fund balances:

External restrictions on General Fund balances are as follows:

	January 31, 2013	January 31, 2012	February 1, 2011
General Board Endowments:			
Conference administration building	\$ 100,000	\$ 100,000	\$ 100,000
MC Canada general endowment	8,445	8,445	8,445
	108,445	108,445	108,445
Witness Council Endowments:			
Native Ministries:			
Education endowment	16,753	16,753	16,753
General	2,000	2,000	2,000
Summer service	1,945	1,945	1,945
	20,698	20,698	20,698
Formation Council Endowment:			
Company of 1000	142,889	140,585	137,464
History archives endowment	25,112	25,112	25,112
	168,001	165,697	162,576
	\$ 297,144	\$ 294,840	\$ 291,719

Endowment funds are contributions designated by donors to remain in perpetuity. The investment income earned by these funds is either restricted by the donor for specific use, or for the general use of the Entity. Investment income earned on the Endowment funds is recognized as revenue of the General Fund. A portion of the investment income is redirected to rebuild the principal balance where an investment loss had occurred in the previous year.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

9. Internally restricted fund balances:

(a) General Fund:

	January 31, 2013	January 31, 2012	February 1, 2011
Witness Council:			
Witness start-up	\$ 18,816	\$ 18,816	\$ 18,816
Witness future projects	8,220	8,220	8,220
Missional resources	3,878	3,878	3,878
International Ministries	529,678	375,572	370,262
Native Ministries	113,927	131,927	136,927
Witness medical	15,371	15,371	15,371
	<u>689,890</u>	<u>553,784</u>	<u>553,474</u>
Formation Council:			
Formation reserve		–	4,177
Youth Assembly	34,132	35,132	22,479
Resource Creation	4,000	–	1,377
	<u>38,132</u>	<u>35,132</u>	<u>28,033</u>
Church Engagement Council			
Church Engagement misc. reserve	13,368	13,368	17,900
Operations:			
Major repair reserve	22,442	22,442	22,442
General Board:			
General bequests received to be used for program expenditures over a 10 year period	119,457	132,730	94,478
General	607,088	225,983	392,776
New projects	200,813	199,350	254,969
Mennonite World Conference	6,000	4,000	2,000
	<u>933,358</u>	<u>562,063</u>	<u>744,223</u>
Partner programs:			
Learning Tour	17,865	17,865	55,876
MVSA Partnership reserve	37,105	37,467	40,495
Der Bote	14,354	17,354	17,354
Gallery	200,720	198,763	175,479
Archives	37,960	20,838	3,400
Company of 1000	29,134	24,363	19,571
Mennonite Women Canada	80,341	80,340	–
	<u>417,479</u>	<u>396,990</u>	<u>312,175</u>
	<u>\$ 2,114,669</u>	<u>\$ 1,583,779</u>	<u>\$ 1,678,247</u>

These internally restricted amounts are not available for any other purpose without the approval of the respective Council or General Board.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

9. Internally restricted fund balances (continued):

During the year, the General Board authorized the following transfers:

- (i) \$41,135 (January 31, 2012 - \$373,393) from the General Fund's internally restricted funds to the General Fund's unrestricted funds to cover program expenses for the year.
- (ii) \$572,025 (January 31, 2012 - \$278,925) to the General Fund's internally restricted funds from the General Fund's unrestricted funds to cover future program expenses.
- (iii) \$26,962 (January 31, 2012 - \$15,000) to the Capital Fund's internally restricted funds and \$6,040 (2011 - \$6,041) to the invested in capital assets from the General Fund's unrestricted funds to cover current and future capital acquisitions.
- (iv) \$25,729 (January 31, 2012 - \$65,177) from the Capital Fund's internally restricted funds to cover current capital asset acquisitions.

(b) Capital Fund:

	January 31, 2013	January 31, 2012	February 1, 2011
General capital	\$ 131,577	\$ 130,344	\$ 180,521

These internally restricted amounts are not available for any other purpose without the approval of the General Board.

10. Related party transactions:

- (a) The Canadian Mennonite Bible College (CMBC), which was previously owned and operated by MC Canada, entered into a formal arrangement in prior years with two other Mennonite Colleges to form the Canadian Mennonite University (CMU). CMU was formed in order to increase the effectiveness, both in serving the Mennonite constituency and in witnessing to the larger society, by providing university level training consistent with a Christian perspective rooted in the Anabaptist-Mennonite tradition. CMU was incorporated in 1998 as a corporation without share capital by *The Mennonite College Federation and Consequential Amendments Act* of Manitoba. The members of the corporation are CMBC, Concord College and Menno Simons College.

MC Canada leases its offices and the Heritage Centre from CMU under a 99 year capital lease. MC Canada does not pay rent on this lease but is responsible for all utility and maintenance costs associated with these properties.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

10. Related party transactions:

(b) Menno Media:

Menno Media, previously known as Mennonite Publishing Network, is an organization incorporated in the state of Pennsylvania as a not-for-profit corporation. Its purpose is to serve the publishing ministry needs of MC Canada and Mennonite Church USA. MC Canada is able to appoint 3 of a maximum of 8 members on Menno Media's board of directors. During the year, MC Canada contributed \$26,147 to Menno Media (2012 - \$16,180).

- (c) MC Canada sponsors a defined contribution pension plan for its employees and its member churches and related organizations. The plan is registered under the *Pension Benefits Act* of Manitoba, registration number 0228650. The pension plan is administered by Group Retirement Services (GRS). During fiscal year 2013, MC Canada was paid \$64,136 (2012 - \$62,353) by GRS for services provided by MC Canada in relation to administering the plan.

11. Financial risks and concentration of credit risk:

(a) Currency risk:

MC Canada is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MC incurs international expenditures denominated in various foreign currencies. MC Canada does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that MC Canada will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MC Canada manages its liquidity risk by monitoring its operating requirements. MC Canada prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2012.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. MC Canada is exposed to credit risk with respect to the accounts receivable. MC Canada assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2012.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Years ended January 31, 2013 and 2012

11. Financial risks and concentration of credit risk (continued):

(d) Interest rate risk:

MC Canada is exposed to interest rate risk on its fixed interest rate investments that are held in pooled funds (note 4).

12. Bi-national asset distribution:

As part of the dissolution of the General Conference Mennonite Church and the Mennonite Church in 2002, assets and liabilities of these entities were distributed to their successor organizations, MC Canada and Mennonite Church USA. During the year ended January 31, 2013, Mennonite Mission Network (MMN) the mission agency of Mennonite Church USA informed MC Canada that it had disposed of properties which had been jointly funded by both organizations, for net realized proceeds distributed to MC Canada of \$507,362 which has been transferred to internally restricted funds during the year ended January 31, 2013.

MENNONITE CHURCH CANADA

Expenses for Christian Witness Council Program

Years ended January 31, 2013 and 2012

	2013	2012
Executive office	\$ 124,948	\$ 185,641
National ministries administration	669	686
Multi-cultural ministry	–	52,855
Native ministries	124,942	96,108
International ministries	1,241,619	1,428,242
	<u>\$ 1,492,178</u>	<u>\$ 1,763,532</u>

MENNONITE CHURCH CANADA

Expenses for Christian Formation Council Program

Years ended January 31, 2013 and 2012

	2013	2012
Executive office	\$ 202,424	\$ 188,678
Resource Centre	146,591	110,372
Ministerial and congregational leadership	92,106	90,540
Youth ministry	–	32,316
Youth assembly	7,645	97,346
Education and nurture ministries	57	42,588
Canadian Mennonite University grants	200,000	297,225
	<u>\$ 648,823</u>	<u>\$ 859,065</u>

MENNONITE CHURCH CANADA

Expenses for Church Engagement Council Program

Years ended January 31, 2013 and 2012

	2013	2012
Executive office	\$ 106,633	\$ 104,018
Communications	234,965	223,924
Development	174,819	162,720
Canadian Mennonite	145,507	167,250
	<u>\$ 661,924</u>	<u>\$ 657,912</u>

MENNONITE CHURCH CANADA

Expenses for General Board

Years ended January 31, 2013 and 2012

	2013	2012
Administration	\$ 269,939	\$ 242,515
Finance	235,186	224,603
Foreign exchange loss (gain)	1,531	(3,194)
Operations	225,584	316,576
Annual assembly	205,838	131,367
Mennonite World Conference grants	38,000	38,000
	<u>\$ 976,078</u>	<u>\$ 949,867</u>

MENNONITE CHURCH CANADA

Expenses for Partner Programs

Years ended January 31, 2013 and 2012

	2013	2012
Partner Projects/New Initiatives	\$ 5,250	\$ 14,504
Christian Peacemaker Teams	131,397	131,652
Company of 1000	35,778	20,765
North American Vietnamese Mennonite Fellowship	25,659	39,079
Philippine Partnership	76,964	62,782
Mennonite Voluntary Service Adventure	2,362	15,228
Kherson	8,520	8,520
Learning tours	-	50,052
Mennonite Women Canada	23,402	19,750
Mennonite Heritage Centre archives	68,304	72,274
Mennonite Heritage Centre gallery	113,870	108,947
IM short-term assignments	71,983	79,180
	\$ 563,489	\$ 622,733

MENNONITE CHURCH CANADA

Contributions to Related Organizations

Years ended January 31, 2013 and 2012

	2013	2012
Mennonite Mission Network	\$ 72,737	\$ 80,956
Mennonite Church USA	11,365	11,030
Associated Mennonite Bible Seminary	76,190	78,087
Canadian Mennonite University	88,164	95,270
Menno Media	26,147	16,186
Meseretes Kristos College	235,531	87,310
Mennonite Church Eastern Canada	37,355	—
	<u>\$ 547,489</u>	<u>\$ 368,839</u>