

Financial Policy & Audit Committee (FPAC)

Financial Matters—Report on the fiscal year ending 2008

In this report book you will find the audited financial statements for the period dated February 1, 2007 to January 31, 2008. We are again fortunate to report that Mennonite Church Canada has completed another good year. Financially, it was a strong year which allowed management to work with the budget approved at Abbotsford 2007 to carry out the proposed projects with the money entrusted to us. Donation income was stronger than budgeted, which meant that MC Canada could avoid having to cover the anticipated operating deficit of \$69,000 with funds from the General Fund's internally restricted funds. Thanks to your generous support, a transfer of funds from General Fund's internally restricted funds was not necessary.

The Statement of Operations reflects the following three categories of the General Fund:

1. Core MC Canada program including Witness, Formation, Support Services Council and General Board.
2. Partner Programs
3. Contributions to Related Organizations

An analysis of each of these components allows me to underline a few of the highlights of the year.

First of all, we see that donations and bequests revenue of \$3,731,738 for core MC Canada programs increased by \$52,015 over last year. The donation component actually increased \$82,976 compared to last year and \$106,899 compared to budget. On a different note, the other budgeted income was negatively affected by our current economic situation. Namely, due to the volatility of the financial markets, our investments held at Mennonite Foundation of Canada generated a return much lower than last year and lower than budgeted. This partially explains the decrease in investment income. The other explanation for the reduced investment income is that in 2007 the Mennonite Publishing Network and Canadian Mennonite University loans were paid off, resulting in a decrease in interest or investment income for 2008 and also a decrease in finance departments' interest expenses.

Secondly, our partner programs are worth highlighting. This area of the Statement of Operations with total revenue of \$940,276 compared to \$770,365 in 2007 reflects the fact that more and more projects are being partnered by MC Canada resulting in more ministries.

Finally, our revenues directed to related organizations decreased slightly to \$367,681 compared to \$414,458 in 2007.

The fluctuations in partner programs and related organizations are not considered significant since projects are often short-term, starting and ending during the year without much notice.

As I had mentioned earlier, the strong support from our donors allowed us to avoid the expected shortfall. Instead, we were able to post a \$170,454 General Fund operating surplus that was allocated to the different internally restricted funds within the General Fund.



Randy Wiebe

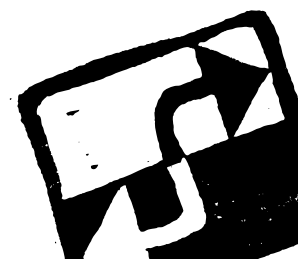
FPAC members:

Gordon Peters, Ingrid Peters-Fransen, Helen Kasdorf.

Staff:

Randy Wiebe, Director of Finance; **Lorna Friesen**, Assistant Director of Finance; **Nyomen Klassen**, Accounts Payable Clerk; **Laura Zacharias**, Coordinator—Payroll and Benefits Accounting; **Dianne Schmidt**, Accounting Administrative Assistant.

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A review of our Statement of Financial Position allows me to underline the following:

- As a result of the strong year, we see that our cash position has increased. This is positive since throughout most of the year income does not match expenses and we are forced to dip into our savings to balance our cash-flow.
- We also note a decrease in Capital Assets partially due to the current year's amortization and the sale of a Native Ministries property in Selkirk, Manitoba. The proceeds of this sale in the amount of \$110,646 were transferred to the General Fund's internally restricted funds for future native ministry program expenses.
- Contingent liabilities are disclosed in note 10 to the financial statements. These contingent liabilities have decreased from US \$ 58,000 in 2007 to US \$ 45,000 in 2008. Last year MC Canada assumed the guarantee of a loan to Mennonite Publishing Network (MPN). This loan was repaid by MPN and is therefore no longer a contingent liability for us.

Looking Ahead: Budget for the fiscal year ending 2009

Looking towards the future, 2009 donation revenue projections for MC Canada core programs were increased by \$90,000. This projection is based upon our 2008 results, as well as the counsel from our Resource Development staff. Thus we are able to present to you a balanced budget that does not require a transfer from General Fund's internally restricted funds to cover an operating deficit and shows slightly increased expenditures as per our priorities.

Two versions of the budget are again presented to you. The "net program budget" has all deferred contributions and other income subtracted from councils' expenditures. This will show you which expenditures are paid for from donation revenue.

Other Matters

The Finance Department continues to enjoy stability. We have not experienced any staffing changes in a few years. Staff on hand is knowledgeable, experienced and continue to demonstrate willing spirit. Looking at the broader MC Canada staff, there have been few significant changes resulting in smooth procedures and met expectations.

Conclusion

The results presented in the financial statements are positive. The results are due to the strong collective effort of staff, council members, board members and you, the church. With the Lord's blessing, we will continue to meet the needs of the church.

—Randy Wiebe, Director of Finance



Treasurer's Report

My first year as treasurer of Mennonite Church Canada has been a pleasure and a learning experience.

I had a number of people ask me in Abbotsford if I knew what I was getting myself into when I agreed to let my name stand for Treasurer. I told them I thought I did and I have had no regrets for doing so. The work of the church is important and I see this as my contribution to the work of Mennonite Church Canada.

This past year has been a continuation of the work done by the General Board and the congregations in "turning the ship around". The surplus that we are able to report is great news, and for me and the rest of the staff, it is an indication that we are headed in the right direction.

We at Mennonite Church Canada always remember the difficult times and therefore we will never tell you that "we've got it made". As a former church treasurer I remember the feeling of trust and hope in the membership that the money will come in as promised and the work of the church will continue. On behalf of the General Board of Mennonite Church Canada, I want to thank all of you for your generosity and support. Our budget projections were exceeded on the donation side and some planned expenses didn't happen, therefore we ended the year with a surplus.

I believe this will be the first year in many that we are able to present a budget that will reflect an increase in program spending. About \$90,000 was added to the budget because of the support shown by our congregations in Canada.

We trust that the support shown over the past few years will continue and we will be able to continue this trend. As usual, we will not exceed previous year's donations in our budget presentation. The learning experience that I referred to earlier has been in how Mennonite Church Canada reflects the desires of our membership for work in the Kingdom. We can achieve much more as a group of groups than we can as single groups or individuals.

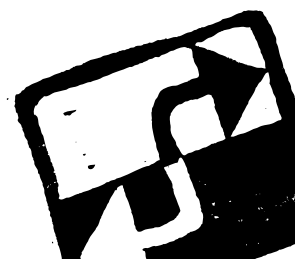
I look forward to meeting many at the assembly. Please come and talk to me if you have any questions, concerns, or other feedback. God Bless.

—submitted by Gordon Peters, Treasurer



Gordon Peters, Treasurer

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Financial Operating Statement Summary

Mennonite Church Canada—General Fund Statement of Operations

February 1, 2008 to January 31, 2009

	Gross—Actual 2008	Net—Actual 2008	Net—Budget 2008	Variance	Net—Budget 2009
REVENUE					
MC Canada Programs					
Donations	3,717,700	3,717,700	3,610,800	106,900	3,700,800
General Bequest	14,038	14,038	0	14,038	0
Recognized Deferred Contributions	49,822	0	0	-	0
Other Income	736,044	0	0	-	0
Partner Programs	940,277	504,259	546,300	-	546,300
Related Organizations	367,681	359,693	297,000	-	390,000
Total Revenue	5,825,562	4,595,690	4,454,100	120,938	4,637,100
EXPENSES					
Witness Council	2,287,882	1,865,127	1,852,168	(12,959)	1,873,635
Formation Council	534,193	353,663	376,279	22,616	396,179
Support Services Council	830,298	677,836	713,043	35,207	753,097
General Board	415,322	381,154	395,374	14,220	398,167
CMU	327,050	327,050	335,580	8,530	335,580
Partner Programs	892,682	460,713	607,600	-	561,450
Related Organizations	367,681	359,693	297,000	-	390,000
Total Expenses	5,655,108	4,425,236	4,577,044	67,614	4,708,108
Operating Surplus(Deficit)	170,454	170,454	(122,944)	293,398	(71,008)
Inter Fund transfers	(170,454)	(170,454)	122,944	(293,398)	71,008
	0	0	0	0	0

Note:

1. This schedule has not been audited.
2. The columns titled "Net" have deferred contributions and other income deducted from councils' expenditures.
3. Partner Programs and Related Organizations are not included in the variance calculation.

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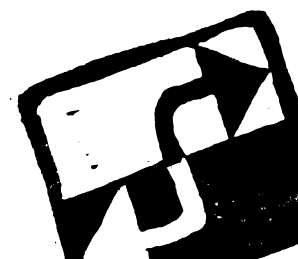
	FYE Jan-09 GROSS Annual Budget	FYE Jan-09 NET Annual Budget	FYE Jan-08 NET Actual	FYE Jan-08 NET Annual Budget
REVENUE				
MC Canada Programs				
Individual & Corporate Donations	872,800	872,800	880,019	807,300
Church Donations	2,828,000	2,828,000	2,837,681	2,803,500
General Bequest	0	0	14,038	0
Recognized Deferred Contributions	67,253	0	0	0
Other Income	570,304	0	0	0
Partner Programs	674,849	546,300	504,259	546,300
Related Organizations	390,000	390,000	359,693	297,000
TOTAL INCOME	5,403,206	4,637,100	4,595,690	4,454,100
EXPENSES				
Christian Witness Council				
Executive Office	139,248	113,949	115,853	114,057
Congregational Partnerships	169,797	169,797	173,278	182,066
National Ministries Admin.	8,516	8,516	9,092	8,339
Multi-Cultural Ministry	41,801	41,801	38,016	38,356
Native Ministries	115,183	99,995	97,374	104,441
International Ministries	1,727,366	1,439,577	1,431,514	1,404,909
Total Witness Council Expenses	2,201,911	1,873,635	1,865,127	1,852,168
Christian Formation Council				
Executive Office	157,108	154,014	152,804	148,321
Resource Centre	81,770	71,270	73,564	68,474
Min. & Cong. Leadership	98,590	94,090	82,616	82,718
Youth Ministry	27,655	27,655	26,761	27,393
Youth Assembly	0	0	(25,318)	0
Education & Nurture Ministries	49,150	49,150	43,236	49,373
Total Formation Council Expenses	414,273	396,179	353,663	376,279
Support Services Council				
Administration	351,180	254,282	245,379	265,780
Annual Assembly	156,403	(5,386)	3,051	(5,000)
Communications	195,971	195,371	151,255	157,307
Development	134,669	134,669	103,990	120,795
Canadian Mennonite	174,161	174,161	174,161	174,161
Total Support Services Council Expenses	1,012,384	753,097	677,836	713,043
General Board				
GBD Administration	169,344	161,490	157,554	164,354
Finance	222,723	198,677	185,600	193,020
CMU Grants	335,580	335,580	327,050	335,580
Mennonite World Conference Grants	38,000	38,000	38,000	38,000
Total General Board Expenses	765,647	733,747	708,204	730,954
Partner Programs				
Misc. New Initiatives	50,000	50,000	29,293	50,000
Christian Peacemaker Teams	200,000	200,000	196,109	200,000
Company of 1000	50,000	13,400	12,796	13,400
NAVMF	35,000	25,000	10,378	25,000
Phillipine Partnership	65,000	80,000	65,579	80,000
MVSA	3,000	2,000	0	2,000
Kherson Partnership	8,400	5,000	5,769	5,000
Learning Tours	50,000	20,000	(36,768)	20,000
Canadian Women in Mission	30,000	30,000	35,706	30,000
Der Bote	24,150	12,150	63,698	87,300
MHC Archives	75,949	46,500	59,319	51,000
MHC Gallery	65,000	43,900	(8,131)	43,900
Legesse Ethiopia Partnership	33,500	33,500	26,965	0
Total Partner Programs Expenses	689,999	561,450	460,713	607,600
Related Organizations				
Mennonite Mission Network	55,000	55,000	57,548	35,000
Mennonite Church USA	50,000	50,000	81,195	21,000
AMBS	85,000	85,000	81,144	85,000
Canadian Mennonite University	0	0	625	0
Mennonite Publishing Network	25,000	25,000	22,934	25,000
Messeritos Kristos College	120,000	120,000	116,247	100,000
Eastern Mennonite Missions	5,000	5,000	0	0
Mennonite World Conference	50,000	50,000	0	31,000
Total Related Organization Expenses	390,000	390,000	359,693	297,000
TOTAL EXPENSES	5,474,214	4,708,108	4,425,236	4,577,044
Operating Surplus/(Deficit)	(71,008)	(71,008)	170,454	(122,944)
Transfer To Reserves	(40,860)	(40,860)	(216,511)	(61,880)
Transfer from Reserves	132,678	132,678	101,168	206,685
Transfer To Capital Reserves	(20,810)	(20,810)	(55,111)	(21,861)
Net Transfers (to)/from Reserves	71,008	71,008	(170,454)	122,944
ENDING SURPLUS/(DEFICIT)	0	0	0	0
Note: 1. This schedule has not been audited. 2. The columns titled "Net" have deferred contributions and other income deducted from councils' expenditures.				

Budget

Mennonite Church
Canada

2008-09 GROSS &
NET Program Budget
with Comparatives

For the Twelve Months
Ending January 31,
2009



Budget

Mennonite Church
Canada

2008-09 GROSS
Program Budget with
Comparatives

For the Twelve
Months Ending
January 31, 2009

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	FYE Jan-09 GROSS Annual Budget	FYE Jan-08 GROSS Actual	FYE Jan-08 GROSS Annual Budget
REVENUE			
MC Canada Programs			
Individual & Corporate Donations	872,800	880,019	807,300
Church Donations	2,828,000	2,837,681	2,803,500
General Bequest	0	14,038	0
Recognized Deferred Contributions	67,253	49,822	60,284
Other Income	570,304	736,044	632,115
Partner Programs	674,849	940,277	695,575
Related Organizations	390,000	367,681	297,000
TOTAL INCOME	5,403,206	5,825,562	5,295,774
EXPENSES			
Christian Witness Council			
Executive Office	139,248	135,630	139,868
Congregational Partnerships	169,797	174,905	182,066
National Ministries Admin.	8,516	9,092	8,339
Multi-Cultural Ministry	41,801	38,016	38,356
Native Ministries	115,183	109,343	114,684
International Ministries	1,727,366	1,820,896	1,848,855
Total Witness Council Expenses	2,201,911	2,287,882	2,332,168
Christian Formation Council			
Executive Office	157,108	154,817	151,477
Resource Centre	81,770	79,658	78,974
Min. & Cong. Leadership	98,590	87,231	87,218
Youth Ministry	27,655	26,761	27,393
Youth Assembly	0	140,490	0
Education & Nurture Ministries	49,150	45,236	49,373
Total Formation Council Expenses	414,273	534,193	394,435
Support Services Council			
Administration	351,180	331,954	355,037
Annual Assembly	156,403	68,693	69,586
Communications	195,971	151,300	157,907
Development	134,669	104,190	120,795
Canadian Mennonite	174,161	174,161	174,161
Total Support Services Council Expenses	1,012,384	830,298	877,486
General Board			
GBD Administration	169,344	157,554	172,354
Finance	222,723	219,768	214,820
CMU Grants	335,580	327,050	335,580
Mennonite World Conference Grants	38,000	38,000	38,000
Total General Board Expenses	765,647	742,372	760,754
Partner Programs			
Misc. New Initiatives	50,000	51,109	50,000
Christian Peacemaker Teams	200,000	266,306	200,000
Company of 1000	50,000	46,632	50,000
NAVMF	35,000	40,177	25,000
Philippine Partnership	65,000	66,034	80,000
MVSA	3,000	3,149	2,000
Kherson Partnership	8,400	8,400	5,000
Learning Tours	50,000	33,840	20,000
Canadian Women in Mission	30,000	38,623	30,000
Der Bote	24,150	137,381	152,300
MHC Archives	75,949	95,210	77,575
MHC Gallery	65,000	78,713	65,000
Legesse Ethiopia Partnership	33,500	27,108	0
Total Partner Programs Expenses	689,999	892,682	756,875
Related Organizations			
Mennonite Mission Network	55,000	57,548	35,000
Mennonite Church USA	50,000	81,195	21,000
AMBS	85,000	81,144	85,000
Canadian Mennonite University	0	8,613	0
Mennonite Publishing Network	25,000	22,934	25,000
Messeritos Kristos College	120,000	116,247	100,000
Eastern Mennonite Missions	5,000	0	0
Mennonite World Conference	50,000	0	31,000
Total Related Organization Expenses	390,000	367,681	297,000
TOTAL EXPENSES	5,474,214	5,655,108	5,418,718
Operating Surplus/(Deficit) before extraordinary items	(71,008)	170,454	(122,944)
Other items	0	0	0
Operating Surplus/(Deficit)	(71,008)	170,454	(122,944)
Transfer To Reserves	(40,860)	(216,511)	(61,880)
Transfer from Reserves	132,678	101,168	206,685
Transfer To Capital Reserves	(20,810)	(55,111)	(21,861)
Transfer from Reserves for extraordinary items	0	0	0
Net Transfers (to)/from Reserves	71,008	(170,454)	122,944
ENDING SURPLUS/(DEFICIT)	0	0	0

Note: 1. This schedule has not been audited.

Audited Financial Statements

(Independently numbered section)

MENNONITE CHURCH CANADA

Audited Financial Statements
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Year ended January 31, 2008

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AUDITORS' REPORT

To the Members of Mennonite Church Canada

We have audited the statement of financial position of Mennonite Church Canada as at January 31, 2008 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at January 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules A through F is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

March 25, 2008

MENNONITE CHURCH CANADA

Statement of Financial Position

January 31, 2008, with comparative figures for 2007

			2008	2007
	General Fund	Capital Fund	Total	Total
Assets				
Current assets:				
Cash	\$ 1,586,791	\$ -	\$ 1,586,791	\$ 1,387,120
Accounts receivable (note 4)	505,679	-	505,679	523,369
	<u>2,092,470</u>	<u>-</u>	<u>2,092,470</u>	<u>1,910,489</u>
Inter-fund balance receivable (payable)	(89,247)	89,247	-	-
Investments (note 5)	1,432,107	-	1,432,107	1,371,402
Capital assets (note 6)	-	219,313	219,313	347,806
	<u>\$ 3,435,330</u>	<u>\$ 308,560</u>	<u>\$ 3,743,890</u>	<u>\$ 3,629,697</u>


Liabilities, Deferred Contributions and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 688,007	\$ -	\$ 688,007	\$ 701,112
Deferred contributions (note 7)	1,101,605	74,095	1,175,700	1,202,327
Other loans payable	32,921	-	32,921	35,038
Fund balances:				
Invested in capital assets	-	87,798	87,798	169,619
Externally restricted (note 8)	278,794	-	278,794	274,375
Internally restricted (note 9)	1,334,003	146,667	1,480,670	1,247,226
	<u>1,612,797</u>	<u>234,465</u>	<u>1,847,262</u>	<u>1,691,220</u>
Contingent liabilities (note 10)				
	<u>\$ 3,435,330</u>	<u>\$ 308,560</u>	<u>\$ 3,743,890</u>	<u>\$ 3,629,697</u>

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

MENNONITE CHURCH CANADA

Statement of Operations

Year ended January 31, 2008, with comparative figures for 2007

	General Fund	Capital Fund	2008 Total	2007 Total
Revenues for MC Canada programs:				
Donations and bequests	\$ 3,731,738	\$ —	\$ 3,731,738	\$ 3,679,723
Grants	2,000	—	2,000	—
Investment income	51,697	4,232	55,929	155,970
Sales, services and fees	360,644	—	360,644	270,786
Grants from partner agencies	321,704	—	321,704	426,331
Amortization of deferred contributions (note 7)	49,822	40,606	90,428	151,239
	4,517,605	44,838	4,562,443	4,684,049
Revenues for partner programs:				
Donations and bequests	504,259	—	504,259	392,120
Grants	45,798	—	45,798	12,909
Investment income	8,438	—	8,438	6,477
Sales, services and fees	171,915	—	171,915	162,736
Grants from partner agencies	455	—	455	—
Amortization of deferred contributions (note 7)	209,411	—	209,411	196,123
	940,276	—	940,276	770,365
Revenues for related organizations:				
Donation and bequests	359,693	—	359,693	414,458
Sales, services and fees	7,988	—	7,988	—
	367,681	—	367,681	414,458
Total revenues	5,825,562	44,838	5,870,400	5,868,872
Expenses for MC Canada programs:				
Christian Witness Council (schedule A)	2,287,882	—	2,287,882	2,282,450
Christian Formation Council (schedule B)	534,193	—	534,193	369,650
Support Services Council (schedule C)	830,298	—	830,298	903,709
General Board (schedule D)	742,372	—	742,372	829,772
	4,394,745	—	4,394,745	4,385,581
Expenses for Partner Programs (schedule E)	892,682	—	892,682	770,440
Contributions to related organizations (schedule F)	367,681	—	367,681	414,459
Amortization of capital assets	—	100,317	100,317	185,742
Total expenses and contributions	5,655,108	100,317	5,755,425	5,756,222
Excess (deficiency) of revenues over expenses before the undernoted	170,454	(55,479)	114,975	112,650
Mennonite Voluntary Service distribution	—	—	—	(9,096)
Transfer of land	—	—	—	(2,000)
Selkirk - Native Ministry property sale	—	36,647	36,647	—
Excess (deficiency) of revenues over expenses	\$ 170,454	\$ (18,832)	\$ 151,622	\$ 101,554

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Statement of Changes in Fund Balances

Year ended January 31, 2008, with comparative figures for 2007

	Invested in capital assets	Externally restricted	Internally restricted	Unrestricted	2008 Total	2007 Total
General Fund:						
Balance, beginning of year	\$ -	\$ 274,375	\$ 1,108,014	\$ -	\$ 1,382,389	\$ 1,260,418
Excess of revenues over expenses	-	-	-	170,454	170,454	184,072
Transfer from Capital Fund (note 9)	-	-	110,646	-	110,646	-
Transfer to Capital Fund (note 9)	-	-	-	(55,111)	(55,111)	(67,484)
Transfer from internally restricted funds (note 9)	-	-	(101,168)	101,168	-	-
Transfer to internally restricted funds (note 9)	-	-	216,511	(216,511)	-	-
Endowment contributions		4,419	-	-	4,419	5,383
Balance, end of year	\$ -	\$ 278,794	\$ 1,334,003	\$ -	\$ 1,612,797	\$ 1,382,389
Capital Fund:						
Balance, beginning of year	\$ 169,619	\$ -	\$ 139,212	\$ -	\$ 308,831	\$ 497,860
Excess (deficiency) of revenues over expenses	(23,064)	-	4,232	-	(18,832)	(82,518)
	146,555	-	143,444	-	289,999	415,342
Transfer to General Fund (note 9)	(110,646)	-	-	-	(110,646)	-
Transfer from General Fund (note 9)	36,439	-	18,673	-	55,112	67,484
Transfer from internally restricted funds (note 9)	15,450	-	(15,450)	-	-	-
Transfer of capital assets to CMU	-	-	-	-	-	(575,664)
Deferred contributions relating to the transfer of capital assets	-	-	-	-	-	401,669
Balance, end of year	\$ 87,798	\$ -	\$ 146,667	\$ -	\$ 234,465	\$ 308,831

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Statement of Cash Flows

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 151,622	\$ 101,554
Items not involving cash:		
Amortization of capital assets	100,317	185,742
Amortization of deferred contributions	(299,839)	(347,362)
Transfer of land	-	2,000
Gain on sale of property	(35,647)	-
Change in non-cash operating working capital:		
Accounts receivable	17,690	(46,660)
Accounts payable and accrued liabilities	(13,105)	(235,129)
Increase in deferred contributions relating to General Fund	273,212	331,420
	194,250	(8,435)
Financing:		
Endowment contributions received	4,419	5,383
Principal repayment of demand notes payable	-	(1,343,774)
Decrease in other loans payable	(2,117)	(531)
	2,302	(1,338,922)
Investing:		
Repayment of loan receivable from related party	-	1,441,932
Proceeds from disposition of capital assets	110,647	-
Additions to capital assets	(46,823)	(53,117)
Increase in investments	(60,705)	(174,628)
	3,119	1,214,187
Increase (decrease) in cash	199,671	(133,170)
Cash, beginning of year	1,387,120	1,520,290
Cash, end of year	\$ 1,586,791	\$ 1,387,120

See accompanying notes to financial statements.

MENNONITE CHURCH CANADA

Notes to Financial Statements

Year ended January 31, 2008

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.

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.

(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.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

2. Significant accounting policies (continued):

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.

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.

(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) Investments:

Effective February 1, 2007, investments are classified as held-for-trading and are carried at fair value (note 3). 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)

Year ended January 31, 2008

2. Significant accounting policies (continued):

(e) 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.

(f) 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.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(h) Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for MC Canada on February 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

2. Significant accounting policies (continued):

MC Canada is currently assessing the impact that these new standards will have on their financial statements for the year ended January 31, 2009.

3. Change in accounting policy:

MC Canada adopted the new standard, Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on February 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted fund balances.

Upon adoption of this new standard, MC Canada designated cash and investments as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities and a portion of other loans payable as other liabilities. MC Canada has neither available-for-sale or held-to-maturity instruments.

For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The implementation of the standard on February 1, 2007 and for the year ended January 31, 2008 resulted in no impact to investments and general fund balances.

4. Accounts receivable:

	2008	2007
Donations receivable	\$ 251,864	\$ 330,133
Other	253,815	193,236
	\$ 505,679	\$ 523,369

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

5. Investments:

	2008	2007
Mennonite Foundation of Canada:		
Annuities	\$ 24,474	\$ 25,096
Church Building Fund Trust	442,191	442,191
Endowments, bequests and other	776,012	732,998
Canada Life Insurance Company	179,174	160,861
Crosstown Civic Credit Union surplus shares	10,256	10,256
	<u>\$ 1,432,107</u>	<u>\$ 1,371,402</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.

For 2008, the investments are carried at fair value as described in note 2(d). For 2007, the investments were carried at cost which approximated fair value.

6. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,983	\$ —	\$ 1,983	\$ 75,983
Buildings:				
Witness field properties	80,767	67,923	12,844	15,792
Heritage Centre	694,774	619,056	75,718	71,651
Conference administration	787,191	724,878	62,313	101,672
	<u>1,562,732</u>	<u>1,411,857</u>	<u>150,875</u>	<u>189,115</u>
Vehicles, equipment and furnishings	541,728	475,273	66,455	82,708
	<u>\$ 2,106,443</u>	<u>\$ 1,887,130</u>	<u>\$ 219,313</u>	<u>\$ 347,806</u>

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

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 earnings relating to these amounts, are included as deferred contributions. Changes in the deferred contributions balance reported in the General Fund are as follows:

	2008	Investment income	Received and not disbursed	Recognized as revenue	2007
MC Canada programs:					
Witness Council:					
Witness Bequest Fund	\$ 392,284	\$ —	\$ 70,419	\$ (35,763)	\$ 357,628
Native ministries:					
Emergency Support Fund	4,581	135	—	—	4,446
Jeremiah's Dream	3,452	107	—	(339)	3,684
Language training	4,014	118	—	—	3,896
Native education	6,449	207	—	(1,150)	7,392
Youth and children's programs	—	48	—	(3,291)	3,243
Mongolia	9,137	137	9,000	—	—
Colombia leadership development (10 year)	24,000	809	—	(6,809)	30,000
Mexico - Cuauthemoc	8,122	122	8,000	—	—
Burkina - Dakuo	12,182	182	12,000	—	—
Church Building Fund (W65)	442,191	—	—	—	442,191
	906,412	1,865	99,419	(47,352)	852,480
Formation Council:					
Formation Bequest Fund	3,813	—	—	(424)	4,237
Translation	5,462	161	—	—	5,301
Anabaptist display	6,397	194	—	(350)	6,553
Russian Mennonite research	4,028	119	—	—	3,909
Pastoral Counselling Fund	4,804	142	—	—	4,662
Education Agency	13,888	432	—	(1,510)	14,966
Young Adult Resources	428	15	—	(186)	599
	38,820	1,063	—	(2,470)	40,227
	945,232	2,928	99,419	(49,822)	892,707
Partner programs:					
Partner Projects	8,026	—	8,026	(21,816)	21,816
Kherson Partnership	5,942	128	5,814	(2,631)	2,631
Christian Peacemaker Teams North American	(23,448)	344	—	(70,196)	46,404
Vietnamese Mennonite Mennonite Voluntary Service	23,728	801	22,927	(29,799)	29,799
Adventure	12,981	381	3,300	(3,149)	12,449
Phillippines Partnership	1,046	16	1,030	—	—
Legesse Ethiopia Partnership	15,134	227	14,907	—	—
Gallery donations	44,924	1,401	43,523	(48,634)	48,634
Company of 1000	30,532	954	29,578	(33,186)	33,186
Abram A. Vogt Legacy Fund	37,508	562	36,946	—	—
	156,373	4,814	166,051	(209,411)	194,919
	\$ 1,101,605	\$ 7,742	\$ 265,470	\$ (259,233)	\$ 1,087,626

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

7. Deferred contributions (continued):

(b) Capital Fund:

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

	2008	2007
Beginning balance	\$ 114,701	\$ 617,871
Less amount recognized as revenue in the year	(40,606)	(101,501)
Less transfer of capital assets	-	(401,669)
Ending balance	\$ 74,095	\$ 114,701

8. External restrictions on General Fund balances:

External restrictions on General Fund balances are as follows:

	2008	2007
General Board Endowments:		
Conference administration building	\$ 100,000	\$ 100,000
MC Canada general endowment	8,445	8,445
	108,445	108,445
Witness Council Endowments:		
Native Ministries:		
Education endowment	16,753	16,753
General	2,000	2,000
Summer service	1,945	1,945
	20,698	20,698
Formation Council Endowment:		
Company of 1000	124,539	120,120
History archives endowment	25,112	25,112
	149,651	145,232
	\$ 278,794	\$ 274,375

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

9. Internally restricted fund balances:

(a) General Fund:

	2008	2007
Witness Council:		
Witness start-up	\$ 28,530	\$ 33,600
Witness future projects	8,139	12,825
Missional resources	3,840	9,638
Mission seminar	7,164	6,953
International Ministries	192,630	140,793
Native Ministries	170,809	67,563
Witness medical	15,219	6,788
	<u>426,331</u>	<u>278,160</u>
Formation Council:		
Formation reserve	3,000	–
Youth Assembly	43,080	19,173
Youth Ministry Council Reserve	132	732
Resource Creation	7,897	7,664
	<u>54,109</u>	<u>27,569</u>
Support Services Council:		
Major Repair Reserve	22,000	–
General Board:		
General bequests received to be used for program expenditures over a 10 year period	101,121	96,758
General	347,448	332,757
New projects	137,807	149,394
Mennonite World Conference	8,420	6,201
	<u>594,796</u>	<u>585,110</u>
Partner programs:		
Learning Tour	75,678	34,111
Christian Peacemaker Teams	–	10,702
MVSA Partnership Reserve	40,094	38,911
Der Bote	36,931	59,417
Gallery	73,262	62,598
Archives	5,675	11,436
Company of 1000	5,127	–
	<u>236,767</u>	<u>217,175</u>
	<u>\$ 1,334,003</u>	<u>\$ 1,108,014</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)

Year ended January 31, 2008

9. Internally restricted fund balances (continued):

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

- (i) \$101,168 from the General Fund's internally restricted funds to the General Fund's unrestricted funds to cover program expenses for the year.
- (ii) \$216,511 to the General Fund's internally restricted funds from the General Fund's unrestricted funds to cover future program expenses.
- (iii) \$55,112 to the Capital Fund's internally restricted funds from the General Fund's unrestricted funds to cover current and future capital acquisitions.
- (iv) \$15,450 from the Capital Fund's internally restricted funds to cover current capital asset acquisitions.
- (v) \$110,646 to the General Fund's internally restricted funds from the Capital Fund's internally restricted funds to cover future witness council program expenses.

(b) Capital Fund:

	2008	2007
General capital	\$ 146,667	\$ 139,212

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

10. Contingent liabilities:

MC Canada has signed a guarantee for US\$45,176 of the total outstanding international loans of US\$112,940 which have been granted to international churches and agencies through Church Extension Services. Mennonite Mission Network has guaranteed the remaining US\$67,764.

MENNONITE CHURCH CANADA

Notes to Financial Statements (continued)

Year ended January 31, 2008

11. Related party transactions:

- (a) The Canadian Mennonite Bible College (CMBC), which was 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.

- (b) Mennonite Publishing Network:

Mennonite Publishing Network (MPN) 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 MPN's board of directors.

- (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 2008, MC Canada was paid \$54,795 by GRS for services provided in relation to administering the plan. MC Canada made employer contributions to the plan in the amount of \$115,378 (2007 - \$112,544).

12. Fair value of financial assets and liabilities:

The fair values of cash, accounts receivable, accounts payable and accrued liabilities and other loans payable approximate their carrying value due to their relative short term to maturity.

MENNONITE CHURCH CANADA

Expenses for Christian Witness Council Program

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Executive office	\$ 135,630	\$ 125,716
Congregational partnerships	174,905	148,766
National ministries administration	9,092	9,311
Multi-cultural ministry	38,016	38,442
Native ministries	109,343	110,882
International ministries	1,820,896	1,849,333
	\$ 2,287,882	\$ 2,282,450

MENNONITE CHURCH CANADA

Expenses for Christian Formation Council Program

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Executive office	\$ 154,817	\$ 139,148
Resource Centre	79,658	74,069
Ministerial and congregational leadership	87,231	76,656
Youth ministry	26,761	27,629
Youth assembly	140,490	4,756
Education and nurture ministries	45,236	47,392
	\$ 534,193	\$ 369,650

MENNONITE CHURCH CANADA

Expenses for Support Services Council Program

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Administration	\$ 331,954	\$ 381,699
Annual assembly	68,693	88,433
Communications	151,300	146,712
Development	104,190	114,676
Canadian Mennonite	174,161	172,189
	\$ 830,298	\$ 903,709

MENNONITE CHURCH CANADA

Expenses for General Board

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Administration	\$ 157,554	\$ 213,785
Finance	213,949	259,762
Foreign exchange loss (gain)	5,819	(7,378)
Mennonite World Conference grants	38,000	38,000
Canadian Mennonite University grants	327,050	325,603
	\$ 742,372	\$ 829,772

MENNONITE CHURCH CANADA

Expenses for Partner Programs

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Partner Projects/New Initiatives	\$ 51,109	\$ 41,589
Christian Peacemaker Teams	266,306	236,694
Company of 1000	46,632	49,264
North American Vietnamese Mennonite Fellowship	40,177	31,524
Philippine Partnership	66,034	46,088
Mennonite Voluntary Service Adventure	3,149	2,338
Kherson	8,400	8,400
Learning tours	33,840	40,740
Canadian Women in Mission	38,623	-
Der Bote	137,381	148,832
Mennonite Heritage Centre archives	95,210	83,770
Mennonite Heritage Centre gallery	78,713	80,368
Legesse Ethiopia Partnership	27,108	-
International Worker Special Projects	-	833
	\$ 892,682	\$ 770,440

MENNONITE CHURCH CANADA

Contributions to Related Organizations

Year ended January 31, 2008, with comparative figures for 2007

	2008	2007
Mennonite Mission Network	\$ 57,548	\$ 39,774
Mennonite Church USA	81,194	40,172
Associated Mennonite Bible Seminary	81,144	80,999
Canadian Mennonite University	8,613	2,109
Mennonite Publishing Network	22,934	32,640
Meseretes Kristos College	116,248	197,765
Eastern Mennonite Missions	-	21,000
	\$ 367,681	\$ 414,459