

Canadian Mennonite Publishing Service

490 Dutton Drive, Unit 5C
Waterloo, Ontario N2L 6H7
1-800-378-2524 or (519) 884-3810
www.canadianmennonite.org

Annual Report For the year 2019

Canadian Mennonite Publishing Service
49th Annual Meeting

Saturday, April 18, 2020, 12:30 p.m. PDT
By Zoom

1. Agenda for the 2019 Annual Meeting
2. Minutes of the 2018 Annual Meeting
3. Report from the Board Chair
4. Report from the Publisher
5. Board Member and Staff List
6. Auditor's Report
7. Audited Financial Statements

49th Annual Meeting of
CANADIAN MENNONITE PUBLISHING SERVICE

Saturday, April 19, 2020, 1:00 p.m. PDT
By Zoom

Agenda

1. List of members of the corporation
2. Items requiring actions by CMPS members:
 - a) Approval of minutes from 2019 annual meeting
 - b) Acceptance of 2019 financial statements
 - c) Appointment of auditor for 2020
 - d) Elections of CMPS directors
3. Other business and discussion
4. Adjournment

The CMPS 2019 Annual Report contains board, editorial and circulation reports as well as audited financial statements for 2019.

CANADIAN MENNONITE PUBLISHING SERVICE

48th Annual Meeting

Saturday, April 6, 2019, 4:00 – 4:15 pm
at Mennonite Heritage Village Museum
231 PTH 12 North Steinbach Manitoba R5G 1T8

Minutes

Members present:

MC Canada: Doreen Martens, Henry Krause

MCBC: Annika Krause

MC Alberta: Art Koop

MC Saskatchewan: Larry Epp

MC Manitoba: Ken Reddig

MCEC: Sylvia Hook

Individuals registered as members: none

Tobi Thiessen (staff)

Minutes recorded by Bryce Miller.

1. Henry Krause called the meeting to order
2. Moved by Art Koop / Seconded by Doreen Martens / Carried: That the minutes of the 2018 annual general meeting be approved as presented.
3. Moved by Sylvia Hook / Seconded by Art Koop / Carried: That the 2018 financial statements be received as presented
4. Moved by Doreen Martens / Seconded by Sylvia Hook / Carried: That BDO be appointed auditors for 2018.
5. Elections of CMPS directors: One Vacancy to be filled by future nominations.
6. Other business: Bryce Miller resigned from the board with regrets
7. For information: The 2020 AGM will be held in British Columbia.

Adjourned at 4:15 pm

2019 Chairperson's Report

It was a good year for *Canadian Mennonite*, and I want to extend a big thank-you to all the staff and writers for their excellent work in producing a well-written magazine both on paper and digitally. CM continues to do the work of reporting on the life and ministries of the Mennonite church across Canada from local congregations to the regional churches to the work that is done nationally and internationally.

Thank you to Tobi Thiessen and Ginny Hostetler, publisher and executive editor, for their collaborative work in giving good direction to the magazine. The decision to have the positions held by two people was affirmed this year after a trial period of two years. Dividing the work in this way continues to be an excellent way to manage the magazine.

This year included a new look to both the print and digital version of the magazine as well as a change in some of the columns. Also given that more and more content and reading is done online Aaron Epp came on as the fulltime online media manager which has resulted in more online activity. This year as well CM published 4 digital-only issues and 22 print issues, still keeping a strong commitment to paper as well as providing content every other week.

We said good bye to some long time writers: Donita Wiebe Neufeld finished her time as the Alberta correspondent and Melissa Miller's long running column 'Family Ties' came to an end this year. We also said good-bye to Rachel Bergen who had been a contributing editor. Thanks to all for their good work over the years. We were also able to welcome some new faces: Joanne De Jong who took over the Alberta correspondent role and two new columnists: Christine Barkman and Arli Klassen.

It takes good people to create a good magazine with excellent content and it also takes donors willing to donate to this important work and so thank you to all those who supported the magazine financially. Thank you as well for a grant from the Canadian Periodical Fund received again this year as well as a Business Innovation grant. CM also generates funds through advertising revenue and the support of organizations and agencies that see the magazine as a good investment for them to share their vision and ministry.

The work of restructuring the Mennonite Church in Canada continues as the Regional Churches give direction to the work both locally and nationally. Work continues on how best to communicate across the country to individual congregations and regionally, and the role of Canadian Mennonite continues to be seen as an important part of this communication network. We are grateful for the Every Home Plan that continues to provide funds for the work of Canadian Mennonite.

As we look back on last year and plan for the future I continue to be optimistic that we can meet the challenges before us and find ways to continue to serve the church through the magazine and through online platforms. We have excellent staff and a vision for strengthening and supporting the church in its various forms and ministries across the country and I look forward to what the future will bring.

—Henry Krause
Langley, B.C.

2019 Publisher's Report

Canadian Mennonite continues to offer several ways for people across Canada to connect with one another on issues of faith. Whether a person reads the magazine on paper or on a mobile device; whether a person visits our website, follows us on social media or not; whether the person writes letters, posts comments, discusses the articles with others or not; *Canadian Mennonite* brings people into conversations about faith and discipleship that are relevant today.

The mission of *Canadian Mennonite* is to educate, inspire, inform and foster dialogue on issues facing Mennonites in Canada. Most of our articles focus on the congregations and the people of Mennonite Church Canada, although many articles are of broad interest. We see how people are carrying out their lives as disciples of Christ. These are stories of love in action; of doing good; of witnessing for peace and justice.

The content of *Canadian Mennonite* is focused on our church body, but the internet has made us aware that *Canadian Mennonite* also has a role in representing the church to the general public.

The magazine goes to about 10,000 households across Canada; by mail or email, every two weeks. In the same two-week period, more than 8,000 people come to our website. The vast majority of website visitors are not connected to a Mennonite Church congregation. They found us through a Google search while they looked for news or information about Mennonite thought and practice. Some people search for faith-based articles but our most popular online articles are the ones that explain who Mennonites are.

Paid circulation and readership

Canadian Mennonite published 26 issues in 2019, including four that were emailed out as digital-only issues. We created the digital-only issues to be more user-friendly for someone on a mobile device. Print issues are emailed to digital subscribers as a PDF attachment. It looks like the print magazine, which is fine on a large computer monitor or tablet but is less readable for someone who accesses news through a mobile device. The digital issue offers links to articles that the person can click on directly through the email.

Any subscriber is welcome to receive digital delivery and keep the print magazine coming by mail. We acknowledge that a segment of CM's readership does not have internet access, whether due to age, geographic location or lack of interest in accessing material in a digital format.

Paid circulation (the number of copies sold to readers) continues to decline while readership online through the website grows strongly. In 2019, there were 9,673 subscriptions in Canada. It is a net loss of 674 subscriptions, or 6.5 percent compared to 2018.

The bulk of subscribers continue to prefer reading their magazine by mail. We deliver 1148 copies by email, up from 970 at the end of 2018. This increase of 178 digital copies was prompted by CM's announcement to add the four digital-only issues to our annual publishing cycle.

In contrast to the decline in paid circulation, traffic on the CM website grew 22% in 2018. On average, there were 17,330 people on the website each month. Of these, approximately 1,600 are returning visitors. The remainder are new and found a CM article through a Google search or a link in an article somewhere else. In total in 2019, there were 188,372 people who visited the CM website, compared to 146,680 in 2018.

CM is active on social media through Facebook and Twitter. Posts include links to articles on the CM website as well as links to articles from other sources that fit under our mission statement to educate, inspire, inform and foster dialogue on issues facing Mennonites in Canada.

Finances

Revenue grew \$7,500 in 2019 to \$779,500 but that was insufficient to offset increased expenses. In 2019, Canadian Mennonite recorded a deficit of \$40,820 in 2019, covered by surpluses of the previous three years.

Revenue

Subscription revenue was steady compared to 2018, at \$255,000. Grant revenue from the Canada Periodical Fund was up \$4000 over 2018 and donation revenue grew by \$11,600 over 2018 to \$139,200. However, advertising revenue fell sharply to \$119,000 compared to \$131,200 the previous year, leaving CM with net revenue growth of \$7,500.

Grant revenue consisted of two grants from the Canada Periodical Fund (CPF). The main grant, called Aid to Publishers, accounted for \$237,000 of the \$259,000 recorded in 2019. A second grant, called Business Innovation (BI), was worth \$22,000. The BI grant was designated specifically to pay for a new subscriber/donor database system and for a social media campaign that CM undertook to help build up our digital audience. In both cases, CM received the grants partway through the year. A portion of each of those grants remains in deferred revenue for expenses that will be incurred early in 2020.

Advertising is sold for the print and digital magazine, as well as for spots on the CM website, and in the free e-newsletter *CM Now*. The decline in advertising was due to the loss of some large contracts early in 2019. The advertising representative worked hard during the year to make up the lost business by generating some new clients.

Expenses

On the expense side, CM hired a new full-time Online Media Manager in 2019, accounting for the largest portion of increased expenses. The annual cost-of-living adjustment given to all staff was 2.8 percent. In total, salaries were up \$56,700 over 2018, and the cost of benefits were also higher by \$13,700.

In terms of postage and printing, there were some savings. Since there were only 22 print issues, compared to 23 or 24 in previous years, the cost of postage was \$133,700, a savings of \$13,350 over 2018. The cost of printing was \$75,100, approximately \$1,100 less than in 2018.

Office expenses were \$11,200 in 2019 compared to \$10,000 in 2018. Promotion expenses were \$2,000 in 2019 compared to only \$300 in 2018. With the Mennonite Church Canada Assembly in

Abbotsford, CM paid for a display table where we could promote the magazine and interact with people at the conference. We purchased pens to hand out and printed some “Reader Challenge” cards for people to pick up. The cards had trivia questions that people could answer if they went to the website. CM also made some “Suggestion” cards with the editor’s email address. We encouraged readers to send in their suggestions for story ideas.

There were two major digital infrastructure expenses in the year, which account for the \$10,400 shown in the financial statements under Special Projects. Approximately \$2,200 of this amount was to update our outdated email server to a Microsoft suite, which allows all staff better remote access to email as well as access to cloud storage for shared files. The larger portion of the money was for the development of an updated subscriber/donor database that is connected to CM’s website. While \$8,000 was paid for the new system in 2019, there is a \$8,000 balance owed on the project that will be paid in early 2020 when the project is complete.

Overall, CM incurred expenses of \$820,354 in 2019 compared to \$747,181 in 2018.

As mentioned above, the deficit of \$40,820 was covered by surpluses in previous years.

As well, during the year:

- the board authorized a transfer of \$14,180 to the Stabilization Fund. The goal of the Stabilization Fund is to hold an amount equal to 25% of annual expenses. It is currently valued at \$204,000.
- CM replaced its printer/copier and one computer at a combined cost of \$4,020. Purchases of office equipment are made from the Capital Fund, which presently has a balance of \$16,450.

Facilities and Equipment

CMPS owns its unit at 490 Dutton Drive. Annual condominium fees cover snow removal and exterior maintenance. CMPS is responsible for interior maintenance, including heating, cooling and plumbing. The furnace is nearly 20 years old but continues to function well. We have designated \$10,000 of the Capital Fund to pay for furnace replacement when needed.

All staff members have the ability to work remotely from their homes. This is necessary for the correspondents who work in different provinces and for the Online Media Manager, who is based in Winnipeg. However, head office staff also have the option to work from home and several of us appreciate the flexibility this allows us.

—*Tobi Thiessen, Publisher*

Canadian Mennonite Publishing Service

Board of Directors as of Dec. 31, 2019

| Representing | Term |
|---|--------------------------|
| Canadian Mennonite Publishing Service | |
| • Lois Epp, Calgary, AB | 2018 - 2021, second term |
| vacant | |
| vacant | |
| Mennonite Church Canada | |
| Elmer Hildebrand, Winnipeg, MB | 2019 - 2022, second term |
| • Henry Krause, Langley, BC | 2017 - 2020, second term |
| Rod Wiens, Herschel, SK | 2018 - 2021, second term |
| vacant | |
| Mennonite Church British Columbia | |
| • Annika Krause, Vancouver, BC | 2018 - 2021, first term |
| Mennonite Church Alberta | |
| Art Koop, Calgary, AB | 2017 - 2020, first term |
| Mennonite Church Saskatchewan | |
| • Larry Epp, Rosthern, SK | 2019 - 2021, second term |
| Mennonite Church Manitoba | |
| Ken Reddig, Pinawa, MB | 2017 - 2020, second term |
| Mennonite Church Eastern Canada | |
| Sylvia Hook, Kitchener, ON | 2018 - 2021, first term |
| • <i>indicates Executive Committee of the Board</i> | |

Staff as of Dec. 31, 2019

| Head office | Started | Time |
|--|---------|------------|
| Betty Avery, Graphic Designer | 2017 | 50% |
| Barb Draper, Editorial Assistant | 2001 | 50% |
| Aaron Epp, Online Media Manager | 2019 | 100% |
| Michael Hostettler, Advertising Representative | 2013 | 40% |
| Virginia Hostettler, Executive Editor | 2017 | 100% |
| Lisa Jacky, Circulation/Finance | 2005 | 100% |
| Ross W. Muir, Managing Editor | 2005 | 100% |
| Tobi Thiessen, Publisher | 2017 | 50% |
| Regional Correspondents/editors | | |
| B.C. Amy Rinner Waddell, Abbotsford | 2005 | 20% |
| Alberta: Joanne De Jong, Edmonton | 2000 | 20% |
| Saskatchewan: Donna Schulz, Rosthern | 2014 | 20% |
| Manitoba: Nicolien Klassen-Wiebe, Winnipeg | 2016 | 20% |
| Eastern Canada: Janet Bauman, Kitchener | 2006 | 30% |
| Senior Writer: Will Braun, Morden | 2011 | <u>40%</u> |
| | | 7.4FTE |

Canadian Mennonite Publishing
Service
Financial Statements
For the year ended December 31, 2019

Contents

| | |
|--|--------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Revenue and Expenses and Changes in Fund Balances | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 11 |
| Schedule 1 - Expenses | 12 |



Tel: 519 576 5220
Fax: 519 576 5471
www.bdo.ca

BDO Canada LLP
The Bauer Buildings
150 Caroline St S Suite 201
Waterloo ON N2L 0A5 Canada

Independent Auditor's Report

To the Members of
Canadian Mennonite Publishing Service

Opinion

We have audited the financial statements of Canadian Mennonite Publishing Service, which comprise the statement of financial position as at December 31, 2019, and the statements of revenue and expenses and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Canadian Mennonite Publishing Service as at December 31, 2019, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Canadian Mennonite Publishing Service in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statement's, management is responsible for assessing the Canadian Mennonite Publishing Service ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Canadian Mennonite Publishing Service or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Canadian Mennonite Publishing Service financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Canadian Mennonite Publishing Service internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Canadian Mennonite Publishing Service ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Canadian Mennonite Publishing Service to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
April 13, 2020

Canadian Mennonite Publishing Service
Statement of Financial Position

| December 31 | | | | | 2019 | 2018 |
|---|-------------------|--------------------|-------------------------------|------------------|-------------------|-------------------|
| | General Fund | Stabilization Fund | Professional Development Fund | Capital Fund | Total | Total |
| Assets | | | | | | |
| Current | | | | | | |
| Cash (Note 2) | \$ 131,053 | \$ 93,807 | \$ 31,895 | \$ 16,798 | \$ 273,553 | \$ 325,132 |
| Short-term investments (Note 3) | - | 110,230 | - | - | 110,230 | 109,529 |
| Accounts receivable | 11,126 | - | - | - | 11,126 | 15,015 |
| Prepaid expenses | 1,623 | - | - | - | 1,623 | 1,283 |
| | <u>143,802</u> | <u>204,037</u> | <u>31,895</u> | <u>16,798</u> | <u>396,532</u> | <u>450,959</u> |
| Tangible capital assets (Note 4) | <u>69,046</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>69,046</u> | <u>71,758</u> |
| | <u>\$ 212,848</u> | <u>\$ 204,037</u> | <u>\$ 31,895</u> | <u>\$ 16,798</u> | <u>\$ 465,578</u> | <u>\$ 522,717</u> |
| Liabilities and Fund Balances | | | | | | |
| Current | | | | | | |
| Accounts payable and accrued liabilities (Note 5) | \$ 14,333 | \$ - | \$ - | \$ - | \$ 14,333 | \$ 15,445 |
| Deferred contributions (Note 6) | 59,081 | - | - | - | 59,081 | 63,947 |
| Deferred revenue | 28,413 | - | - | - | 28,413 | 38,754 |
| Interfund payables (receivables) (Note 7) | (5,091) | 4,046 | 698 | 347 | - | - |
| | <u>96,736</u> | <u>4,046</u> | <u>698</u> | <u>347</u> | <u>101,827</u> | <u>118,146</u> |
| Fund balances | | | | | | |
| Internally restricted | 69,046 | 199,991 | 31,197 | 16,451 | 316,685 | 299,881 |
| Unrestricted | 47,066 | - | - | - | 47,066 | 104,690 |
| | <u>116,112</u> | <u>199,991</u> | <u>31,197</u> | <u>16,451</u> | <u>363,751</u> | <u>404,571</u> |
| | <u>\$ 212,848</u> | <u>\$ 204,037</u> | <u>\$ 31,895</u> | <u>\$ 16,798</u> | <u>\$ 465,578</u> | <u>\$ 522,717</u> |

On behalf of the Board:

_____, Director

_____, Director

Canadian Mennonite Publishing Service Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended December 31

2019

2018

| | Budget (unaudited) | General Fund | Stabilization Fund | Professional Development Fund | Capital Fund | Total | Total |
|---|-----------------------|--------------|-----------------------|-------------------------------------|--------------|------------|------------|
| Revenue | | | | | | | |
| Individual & group subscriptions | \$ 257,700 | \$ 255,300 | \$ - | \$ - | \$ - | \$ 255,300 | \$ 254,880 |
| Advertising and supplements | 135,000 | 119,053 | - | - | - | 119,053 | 131,235 |
| Grants (Note 8) | 250,000 | 259,356 | - | - | - | 259,356 | 255,149 |
| Donations - Individual | 155,000 | 135,102 | - | - | - | 135,102 | 125,899 |
| Donations - Publishing partners | 1,500 | 4,140 | - | - | - | 4,140 | 1,750 |
| Interest | 1,000 | 3,650 | 1,013 | 385 | 221 | 5,269 | 4,040 |
| Unrealized gain (loss) on investments | - | - | 1,315 | - | - | 1,315 | (898) |
| | 800,200 | 776,601 | 2,328 | 385 | 221 | 779,535 | 772,055 |
| Expenses (Schedule 1) | 814,600 | 820,355 | - | - | - | 820,355 | 747,181 |
| Surplus (deficit) for the year | (14,400) | (43,754) | 2,328 | 385 | 221 | (40,820) | 24,874 |
| Fund balances, beginning of year | 135,124 | 176,448 | 184,494 | 31,197 | 12,432 | 404,571 | 379,697 |
| Transfer (from) to Professional Development Fund (Note 9) | - | 385 | - | (385) | - | - | - |
| Transfer (from) to Stabilization Fund (Note 9) | - | (13,169) | 13,169 | - | - | - | - |
| Transfer (from) to Capital Fund (Note 9) | - | (3,798) | - | - | 3,798 | - | - |
| Fund balances, end of year | \$ 120,724 | \$ 116,112 | \$ 199,991 | \$ 31,197 | \$ 16,451 | \$ 363,751 | \$ 404,571 |

Canadian Mennonite Publishing Service Statement of Cash Flows

| For the year ended December 31 | 2019 | 2018 |
|---|-------------|------------|
| Cash flows from operating activities | | |
| Deficit for the year | \$ (40,820) | \$ 24,874 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 8,632 | 8,046 |
| Unrealized (gain) loss on short term investment | (1,315) | 898 |
| | (33,503) | 33,818 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 3,889 | (8,660) |
| Prepaid expenses | (340) | 366 |
| Accounts payable and accrued liabilities | (1,112) | 402 |
| Deferred contributions | (4,866) | 643 |
| Deferred revenue | (10,341) | 9,872 |
| | (46,273) | 36,441 |
| Cash flows from investing activities | | |
| Purchase of tangible capital assets | (5,920) | - |
| Purchase of short term investments | (1,566) | (100,614) |
| | (7,486) | (100,614) |
| Decrease in cash during the year | (53,759) | (64,173) |
| Cash, beginning of year | 325,132 | 389,305 |
| Cash, end of year | \$ 271,373 | \$ 325,132 |

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature of Business Canadian Mennonite Publishing Service ("the organization") is incorporated under the laws of Canada as a non-profit organization and is a registered charity under the Income Tax Act. It publishes the bi-weekly periodical "Canadian Mennonite" for the Mennonite community in Canada.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund Accounting The organization follows the restricted fund method of accounting for fund contributions.

The General Fund accounts for the organization's publishing and administrative activities.

The Stabilization Fund was established to protect the organization from operating fluctuations that may occur from time to time. The goal is to accumulate, from surpluses, an amount equal to 25% of annual expenses in the fund for this purpose. Revenue earned by the assets of this fund are to be transferred to the General Fund.

The Professional Development Fund was established to provide a fixed amount out of the annual expenditure budget for the salaries of the individuals replacing a staff member on professional development leave. Revenue earned by the assets of this fund are to be transferred to the General Fund.

The Capital Fund was established to fund future equipment purchases. Revenue earned by the assets of this fund are to be transferred to the General Fund.

Tangible Capital Assets Tangible capital assets are stated at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

| | |
|--------------------|-------------------------------|
| Building | - 25 year straight-line basis |
| Computer equipment | - 3 year straight-line basis |
| Computer software | - 3 year straight-line basis |
| Office equipment | - 5 year straight-line basis |

One half of the normal amortization is provided in the year of acquisition and no amortization is provided in the year of disposal.

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Income Taxes The organization is a registered charity and therefore is not subject to income taxes.

Revenue Recognition Subscription revenue is recognized on a straight-line basis over the term of the subscription. Deferred subscription revenue results from advance payments for subscriptions received from subscribers.

Advertising revenue is recorded upon release of the periodical to subscribers. Deferred advertising revenue results from advertising funds received in advance of the periodical releases.

Grant revenue is received annually from the Canadian Periodical Fund, under the Aid to Publishers component. Funds received are to be spent on eligible expenditures. Unexpended amounts received in the year are deferred until the year in which the related expenses are incurred.

All restricted donations are recognized as revenue of the appropriate restricted fund.

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

Investment income earned on the assets of the Stabilization, Professional Development and Capital Funds is recognized as revenue of those funds. Other investment income is recognized as revenue of the General Fund when earned.

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Contributed Services and Materials

Contributed materials which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable.

2. Cash

The organization's bank accounts are held at one credit union. The bank accounts earn interest of less than 1% per annum.

3. Short-Term Investments

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------------|-------------------|
| Short-term investments | \$ 10,230 | \$ 8,915 |
| GIC Investment | 100,000 | 100,614 |
| Balance, end of year | <u>\$ 110,230</u> | <u>\$ 109,529</u> |

Short-term investments consist of an index fund equity instrument presented at fair value.

The guaranteed investment earns interest at 1.65% per annum, maturing on January 10, 2020.

Canadian Mennonite Publishing Service
Notes to Financial Statements

December 31, 2019

4. Tangible Capital Assets

| | 2019 | | 2018 | |
|--------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 18,530 | \$ - | \$ 18,530 | \$ - |
| Building | 166,771 | 121,745 | 166,771 | 114,518 |
| Computer equipment | 27,858 | 26,434 | 26,908 | 26,105 |
| Computer software | 5,489 | 5,488 | 5,489 | 5,488 |
| Office equipment | 27,255 | 23,190 | 22,284 | 22,113 |
| | <u>\$ 245,903</u> | <u>\$ 176,857</u> | <u>\$ 239,982</u> | <u>\$ 168,224</u> |
| Net book value | | <u>\$ 69,046</u> | | <u>\$ 71,758</u> |

5. Accounts Payable and Accrued Liabilities

Government remittances payable at the year end totaled \$5,076 (2018 - \$4,053).

6. Deferred Contributions

| | 2019 | 2018 |
|---------------------------------|------------------|------------------|
| Balance, beginning of year | \$ 63,947 | \$ 63,304 |
| Contributions received (Note 8) | 254,490 | 255,792 |
| Amortized into revenue (Note 8) | (259,356) | (255,149) |
| | <u>\$ 59,081</u> | <u>\$ 63,947</u> |

7. Interfund Payables (Receivables)

The interfund balances are interest free and have no fixed terms of repayment.

Canadian Mennonite Publishing Service Notes to Financial Statements

December 31, 2019

8. Government Assistance and Economic Dependence

The organization receives funding from the Federal government. During the year, the organization received \$230,713 (2018 - \$255,792) as a grant under the Canada Periodical Fund. Of this amount, \$236,983 was recognized as revenue in the year. The organization is economically dependent on this funding to continue its operations.

9. Interfund Transfers

During the year, the Board of Directors authorized a transfer of \$18,201 from the General fund to the Stabilization Fund and Equipment Fund of \$14,182 and \$4,019, respectively.

Investment income earned in the Stabilization Fund of \$1,013, Professional Development Fund of \$385 and Capital Fund of \$221 were transferred to the General Fund.

10. Endowment Funds

Contributions made for endowment purposes are forwarded to Abundance Canada ("Foundation") which acts as trustee on behalf of the Organization for these funds. Under the terms of an agreement dated January 21, 1991, all donations to the Endowment Fund belong to the Foundation. Only interest earned is forwarded to the organization for use in the operations of the periodical. The balance on deposit in the fund at December 31, 2019 was \$21,177 (2018 - \$20,402) and interest earned during the year amounted to \$289 (2018 - \$302).

11. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

Canadian Mennonite Publishing Service Notes to Financial Statements

December 31, 2019

12. Financial Instrument Risks

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable.

Market Risk

The organization is exposed to fluctuations in equity markets on its short-term investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable and cash. The organization provides credit to its clients in the normal course of its operations. The organization has considered the credit risk for all cash being held at one credit union in excess of CDIC insurance. The organization has concluded the risk of loss to be remote.

13. Uncertainty related to COVID 19

Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on future financial results. The organization is a news organization and is considered an essential service in Canada. Therefore, the organization is continuing to operate along with its printing, courier, postal suppliers which are also considered essential. At the time of this report, the full potential impact of COVID-19 on the entity is not known.

Canadian Mennonite Publishing Service
Schedule 1 - Expenses

For the year ended December 31

2019 2018

| | Budget (unaudited) | General Fund | Stabilization Fund | Professional Development Fund | Capital Fund | Total | Total |
|----------------------------|-----------------------|-------------------|-----------------------|-------------------------------------|--------------|-------------------|-------------------|
| Head office - salaries | \$ 332,000 | \$ 335,420 | \$ - | \$ - | \$ - | \$ 335,420 | \$ 276,890 |
| Postage | 145,000 | 133,677 | - | - | - | 133,677 | 147,028 |
| Regional correspondents | 94,000 | 92,692 | - | - | - | 92,692 | 93,522 |
| Printing and production | 75,000 | 75,105 | - | - | - | 75,105 | 76,290 |
| Head office - benefits | 56,000 | 57,873 | - | - | - | 57,873 | 44,189 |
| Fundraising | 23,000 | 23,400 | - | - | - | 23,400 | 22,894 |
| Facility costs | 14,000 | 13,207 | - | - | - | 13,207 | 13,450 |
| Board travel and insurance | 13,000 | 9,968 | - | - | - | 9,968 | 10,454 |
| Professional fees | 12,500 | 14,146 | - | - | - | 14,146 | 11,121 |
| Staff travel | 12,000 | 13,143 | - | - | - | 13,143 | 11,019 |
| Office | 11,000 | 7,661 | - | - | - | 7,661 | 6,994 |
| Amortization | 8,000 | 8,632 | - | - | - | 8,632 | 8,046 |
| News service | 7,500 | 10,097 | - | - | - | 10,097 | 6,366 |
| Special projects | 5,000 | 10,442 | - | - | - | 10,442 | 5,013 |
| Equipment maintenance | 4,500 | 2,976 | - | - | - | 2,976 | 3,710 |
| Insurance | 2,100 | 1,991 | - | - | - | 1,991 | 1,956 |
| Telephone | - | 3,549 | - | - | - | 3,549 | 2,999 |
| Advertising representative | - | 391 | - | - | - | 391 | 1,860 |
| Promotion | - | 1,933 | - | - | - | 1,933 | 300 |
| Other | - | 4,052 | - | - | - | 4,052 | 3,080 |
| | \$ 814,600 | \$ 820,355 | \$ - | \$ - | \$ - | \$ 820,355 | \$ 747,181 |