

Annual Report for the year 2020

Canadian Mennonite Publishing Service
50th Annual Meeting
Saturday, May 8, 2021, 4:00 p.m. PDT
by Zoom

1. Agenda for the 2021 Annual Meeting
2. Minutes of the 2020 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

50th Annual Meeting of
CANADIAN MENNONITE PUBLISHING SERVICE

Saturday, May 8, 2021, 4:00 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 2020 annual meeting
 - b) Acceptance of 2020 financial statements
 - c) Appointment of auditor for 2021
 - d) Elections of CMPS directors
3. Other business and discussion
4. Adjournment

The CMPS 2020 Annual Report contains board, editorial and circulation reports as well as audited financial statements for 2020.

2020 Chairperson's Report

As with all of us, personally, the work of our churches and institutions this last year has been a challenging one with the COVID-19 pandemic. Despite the complications of working from home and managing office space and distancing protocols, *Canadian Mennonite* has continued to create and produce a magazine and online content for our churches.

Thanks to the staff for their ongoing good work during these difficult times and especially coupled with the already challenging times for magazines and newspapers as the move to digital content continues. The work of producing quality content in the paper magazine, the online magazine and articles is most appreciated. 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.

A big thanks to Ginny Hostetler and Tobi Thiessen, executive editor and publisher, for their collaborative work in giving good direction to the magazine and to all the staff in the main office and the reporters who do their work from their various locations across the country. Without this dedicated group our understandings of the theological issues, news about our work locally, nationally and internationally as well as our relationships as churches and congregations across Canada would be much poorer.

This last year CM continued to work at expanding its presence online through the work of Aaron Epp, CM's full time online media manager. This continues to grow as more people engage in the various online platforms such as Facebook and Twitter, as well as through the comment section of the CM website. In 2020 CM again published four digital-only issues and continued to be committed to producing a paper magazine by publishing 22 print issues. CM still has a very strong base that appreciates having a physical magazine in their hands.

Financially the magazine came through 2020 well, even though advertising revenue was down significantly. Thank you to all the donors who gave to the work of CM, providing a large increase in donation revenue. Many regular donors as well as new ones helped make this challenging year one that was financially positive. With much gratitude we offer thanks to all those who shared and continue to share in this ministry.

Helping with the bottom line this year was the fact that some staff had reduced hours as they were moving to retirement which resulted in reduced payroll expenses. And, given the pandemic restrictions, there were no travel costs for staff or board in 2020. Finally, a thank you to the Canadian Periodical Fund for their grant again this year. This has been an ongoing grant that is very much appreciated.

CM is also thankful for the good partnership we have with Mennonite Church Canada and the five Regional Churches. As the restructuring of the Mennonite Church across Canada continues to work itself out there has been good work done in building capacity for communication across the national Church. This has resulted in good interaction with the Regional and National

communication directors and CM staff. The Every Home plan continues with some changes to reflect the new church structure. A two-year covenant was signed between the various Churches and CM for the ongoing work of CM as it partners in providing good communication channels for our national church.

We trust that the pandemic will lessen its impact on our lives as more people are vaccinated. 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 *Canadian Mennonite*. We have excellent staff and a vision for strengthening and supporting the church in its various forms and ministries across the country and so I look forward to what the future will bring.

—Henry Krause
Langley, B.C.

2020 Publisher's Report

Throughout the pandemic, *Canadian Mennonite* heeded God's call to help build the church community. When congregations can't worship in-person and neighbours can't visit over coffee, CM helps people connect with the church and strengthens a sense of common purpose. By sharing news, columns, letters, and photos, we get to know one another better. Reading together with our church family across the country helps us care for one another and work together.

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 magazine goes to about 9,500 households across Canada; by mail or email, every two weeks. In the same two-week period, *Canadian Mennonite* shares some content through social media. In 2020, we started developing an Instagram presence to complement our work on Facebook and Twitter.

Paid circulation and readership

Canadian Mennonite published 26 issues in 2020, including four that were emailed out as digital-only issues.

Paid circulation (the number of copies sold to readers) continues to decline while readership online through the website grows strongly. At the end of 2020, there were just over 9,000 subscriptions in Canada, down from 9,673 at the end of 2019.

The bulk of subscribers continue to prefer reading their magazine by mail. We deliver 1330 copies by email, up from 1148 at the end of 2019.

In contrast to the decline in paid circulation, traffic on the CM website grew to 200,300 visitors in 2020, an increase of 6% over 2019.

Finances

In 2020, both revenue and expenses were lower than expected due to the COVID-19 pandemic, allowing CM to close the year with a surplus of \$7,660.

CM recorded revenue of \$767,750 (down \$11,800 from 2019) against expenses of \$760,100 (down \$60,260 from 2019). Below is a summary of major changes compared to 2019.

Revenue:

- Advertising fell to \$89,500 (\$29,500 less than 2019). All media organizations reported dramatic declines in advertising when the pandemic began.
- Donations grew to \$177,700 (\$38,400 more than 2019). Readers seemed supportive of the magazine coming to their doors given that in-person worship and social gatherings could not occur.
- Grant revenue fell to \$240,650 (\$18,700 less than 2019)
 - 2019 grant revenue included a large Canada Periodical Fund – Business Innovation (CPF-BI) grant of \$22,000.
 - 2020 CPF-BI grant of \$12,000 was received in the last week of December. The work connected with this grant will take place in March 2021 so the revenue will be recorded in 2021.
 - CM received one COVID-related federal emergency temporary wage subsidy of \$7,400.

Expenses:

- Head office payroll was down (\$3,500 less than 2019)
- Cost of correspondents (salaries and expenses combined) was down (\$18,700 less than 2019)
- Head office staff travel and expenses were down (\$9,500 less than 2019)
- Printing and postage were both down since we mail to fewer subscribers each year. In 2020 we had the same number of issues but had one less 40-page issue than in 2019 (printing down \$7,000, postage down \$4,300)
- Board travel and expenses were down (\$8,300 less than 2019)

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. There were no major capital expenses in 2020. 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 are able to work remotely from their homes. This was always necessary for the correspondents who work in different provinces and for the Online Media Manager, who is based in Winnipeg. Since the pandemic began in March 2020, CM head office implemented a rotation for staff to limit work onsite to one or two people per day.

—Tobi Thiessen, Publisher

Canadian Mennonite Publishing Service

Board of Directors as of Dec. 31, 2020

Representing	Term
Canadian Mennonite Publishing Service	
Carl DeGurse, Winnipeg, MB	2020 – 2023, first term
Lois Epp, Calgary, AB	2018 - 2021, second term
Kathryn Lymburner, Stouffville, ON-	2019 – 2022, first term
Mennonite Church Canada	
• Aaron Penner, Winnipeg, MB	2019 - 2022, first term
• Henry Krause, Langley, BC	2020 - 2023, third term
Rod Wiens, Herschel, SK	2018 - 2021, second term
Mennonite Church British Columbia	
• Annika Krause, Vancouver, BC	2018 - 2021, first term
Mennonite Church Alberta	
Art Koop, Calgary, AB	2020 – 2023, second term
Mennonite Church Saskatchewan	
• Larry Epp, Rosthern, SK	2019 - 2021, second term
Mennonite Church Manitoba	
Ken Reddig, Pinawa, MB	2020 - 2023, third term
Mennonite Church Eastern Canada	
vacant	
• <i>indicates Executive Committee of the Board</i>	

Staff as of Dec. 31, 2020

Head office	Started	Time
Betty Avery, Graphic Designer	2017	50%
Barb Draper, Editorial Assistant	2001	40%
Aaron Epp, Online Media Manager	2019	100%
Michael Hostetler, Advertising Representative	2013	40%
Virginia Hostetler, Executive Editor	2017	100%
Lisa Jacky, Circulation/Finance	2005	100%
Ross W. Muir, Managing Editor	2005	80%
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	20%
Senior Writer: Will Braun, Morden	2011	40%
		7.0FTE

**Canadian Mennonite Publishing
Service
Financial Statements**
For the year ended December 31, 2020

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Independent Auditor's Report

To the Members of Canadian Mennonite Publishing Service

Opinion

We have audited the financial statements of Canadian Mennonite Publishing Service (the Organization), which comprise the statement of financial position as at December 31, 2020, 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 Organization as at December 31, 2020, 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 Organization 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 Organization's 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's 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 Organization's 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 Organization's 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 Organization 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

May 1, 2021

**Canadian Mennonite Publishing Service
Statement of Financial Position**

December 31 2020 2019

	General Fund	Stabilization Fund	Professional Development Fund	Capital Fund	Total
Assets					
Current					
Cash (Note 2)	\$ 156,547	\$ 93,336	\$ 31,706	\$ 16,680	\$ 298,269
Short-term investments (Note 3)	-	110,269	-	-	110,269
Accounts receivable	17,877	-	-	-	17,877
Prepaid expenses	1,528	-	-	-	1,528
	175,952	203,605	31,706	16,680	427,943
Tangible capital assets (Note 4)	60,923	-	-	-	60,923
	\$ 236,875	\$ 203,605	\$ 31,706	\$ 16,680	\$ 488,866

Liabilities and Fund Balances

Current					
Accounts payable and accrued liabilities (Note 5)	\$ 22,292	\$ -	\$ -	\$ -	\$ 22,292
Deferred grant revenue (Note 6)	69,381	-	-	-	69,381
Other deferred revenue	25,782	-	-	-	25,782
Interfund payables (receivables) (Note 7)	(4,313)	3,575	509	229	-
	113,142	3,575	509	229	117,455
Fund balances					
Internally restricted	60,923	200,030	31,197	16,451	308,601
Unrestricted	62,810	-	-	-	62,810
	123,733	200,030	31,197	16,451	371,411
	\$ 236,875	\$ 203,605	\$ 31,706	\$ 16,680	\$ 488,866

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

2020 2019

	Budget (unaudited)	General Fund	Stabilization Fund	Professional Development Fund	Capital Fund	Total	Total
Revenue							
Individual and group subscriptions	\$ 256,300	\$ 256,894	\$ -	\$ -	\$ -	\$ 256,894	\$ 255,300
Advertising and supplements	125,000	89,540	-	-	-	89,540	119,053
Grants (Note 8)	255,000	240,649	-	-	-	240,649	259,356
Donations	153,500	177,673	-	-	-	177,673	139,242
Interest	4,500	974	1,685	196	103	2,958	5,269
Unrealized gain (loss) on investments	-	-	39	-	-	39	1,315
	794,300	765,730	1,724	196	103	767,753	779,535
Expenses (Schedule 1)	794,100	760,093	-	-	-	760,093	820,355
Surplus (deficit) for the year	200	5,637	1,724	196	103	7,660	(40,820)
Fund balances, beginning of year	-	116,112	199,991	31,197	16,451	363,751	404,571
Transfer (from) to Professional Development Fund (Note 9)	-	196	-	(196)	-	-	-
Transfer (from) to Stabilization Fund (Note 9)	-	1,685	(1,685)	-	-	-	-
Transfer (from) to Capital Fund (Note 9)	-	103	-	-	(103)	-	-
Fund balances, end of year	\$ -	\$ 123,733	\$ 200,030	\$ 31,197	\$ 16,451	\$ 371,411	\$ 363,751

The accompanying notes are an integral part of these financial statements.

Canadian Mennonite Publishing Service Statement of Cash Flows

For the year ended December 31	2020	2019
Cash flows from operating activities		
Surplus (deficit) for the year	\$ 7,660	\$ (40,820)
Items not involving cash		
Amortization of tangible capital assets	8,123	8,632
Unrealized gain on short term investment	(39)	(1,315)
	<u>15,744</u>	<u>(33,503)</u>
Changes in non-cash working capital balances		
Accounts receivable	(6,751)	3,889
Prepaid expenses	95	(340)
Accounts payable and accrued liabilities	7,959	(1,112)
Deferred contributions	10,300	(4,866)
Deferred revenue	(2,631)	(10,341)
	<u>24,716</u>	<u>(46,273)</u>
Cash flows from investing activities		
Purchase of tangible capital assets	-	(5,920)
Proceeds on sale of investments	-	614
	<u>-</u>	<u>(5,306)</u>
Increase (decrease) in cash during the year	24,716	(51,579)
Cash, beginning of year	273,553	325,132
Cash, end of year	\$ 298,269	\$ 273,553

Canadian Mennonite Publishing Service Notes to Financial Statements

December 31, 2020

1. Summary of Significant Accounting Policies

Nature of Business	Canadian Mennonite Publishing Service ("the organization") is incorporated under the laws of Canada as a not-for-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	<p>The organization follows the restricted fund method of accounting for fund contributions.</p> <p>The General Fund accounts for the organization's publishing and administrative activities.</p> <p>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 approximately 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.</p> <p>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.</p> <p>The Capital Fund was established to fund future equipment purchases. Transfers to the fund are made as required and are approved by the Board. Revenue earned by the assets of this fund are to be transferred to the General Fund.</p>

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2020

1. Summary of Significant Accounting Policies (continued)

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.

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations.

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

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.

Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2020

1. Summary of Significant Accounting Policies (continued)

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.

Other grant revenue received during the year for current expenses is included in the determination of net income for the year. When grant revenue is received which relates to expenses of future periods, the amount is deferred and amortized to income as 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, 2020

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

	2020	2019
Short-term investments	\$ 10,269	\$ 10,230
GIC Investment	100,000	100,000
Balance, end of year	\$ 110,269	\$ 110,230

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

The guaranteed investment earns interest at 0.65% per annum, maturing on January 4, 2021.

4. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 18,530	\$ -	\$ 18,530	\$ -
Building	166,771	128,416	166,771	121,745
Computer equipment	27,858	26,892	27,858	26,434
Computer software	5,489	5,488	5,489	5,488
Office equipment	27,255	24,184	27,255	23,190
	\$ 245,903	\$ 184,980	\$ 245,903	\$ 176,857
Net book value		\$ 60,923		\$ 69,046

5. Accounts Payable and Accrued Liabilities

Government remittances payable at the year end totaled \$5,627 (2019 - \$5,076).

Canadian Mennonite Publishing Service Notes to Financial Statements

December 31, 2020

6. Deferred Grant Revenue

	2020	2019
Balance, beginning of year	\$ 59,081	\$ 63,947
Grants received (Note 8)	243,508	254,490
Amortized into revenue (Note 8)	(233,208)	(259,356)
	<hr/>	<hr/>
Balance, end of year	\$ 69,381	\$ 59,081

7. Interfund Payables (Receivables)

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

8. Government Assistance and Economic Dependence

The organization receives funding from the Federal government. During the year, the organization received \$243,508 (2019 - \$254,490) as a grant under the Canada Periodical Fund. Of this amount, \$233,208 was recognized as revenue in the year. The organization is economically dependent on this funding to continue its operations. The organization also received \$7,441 from the federal government relating to the Temporary Wage Subsidy.

9. Interfund Transfers

Investment income earned in the Stabilization Fund of \$1,685, Professional Development Fund of \$196 and Capital Fund of \$103 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, 2020 was \$21,277 (2019 - \$21,177) and interest earned during the year amounted to \$239 (2019 - \$289).

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2020

11. 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 and accrued liabilities. The risk has increased due to the impact of COVID-19. The extent of any future impact on the organization's operational results is unknown.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. Due to the economic impacts of COVID-19, there is expected to be an increase in volatility in market interest rates, increasing the organization's exposure to this risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to this risk through its short-term investments. Due to the economic impacts of COVID-19, there is expected to be an increase in the volatility of the market value of equity instruments.

Canadian Mennonite Publishing Service

Notes to Financial Statements

December 31, 2020

11. Financial Instrument Risks (continued)

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. Financial instruments which potentially subject the organization to concentrations of credit risk consist of cash, accounts receivable and short term investments. The short and long term investments are described in Note 3. The organization has deposited the cash and investments with a reputable financial institution, from which management believes the risk of loss to be remote. The credit risk on accounts receivable arises from credit provided to customers in the normal course of operations. Due to the outbreak of COVID-19, credit risk has increased for the organization as there is increased uncertainty whether customers will be able to make the required payments. This may impact the ability to fund the programs of the Organization in the future.

12. Uncertainty due to COVID-19

During the year, the impact of COVID-19 in Canada and on the global economy increased significantly. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry, and workforce. In order to help mitigate costs, the organization applied for and received the Temporary Wage Subsidy.

Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

Canadian Mennonite Publishing Service Schedule 1 - Expenses

For the year ended December 31	Budget	2020	2019
	(unaudited)		
Head office - salaries & sub-contractors	\$ 317,000	\$ 331,934	\$ 335,420
Postage	135,000	129,334	133,677
Regional correspondents	94,000	74,031	92,692
Printing and production	75,000	67,925	75,105
Head office - benefits	55,000	54,900	57,873
Fundraising	22,000	23,671	23,400
Facility costs	14,000	13,608	13,207
Board travel and insurance	10,000	1,669	9,968
Professional fees	12,500	13,377	14,146
Staff travel	10,000	3,829	13,143
Office	11,000	7,617	7,661
Amortization	8,000	8,123	8,632
News service	10,000	8,357	10,097
Special projects	10,000	8,753	10,442
Equipment maintenance Insurance	4,000	2,909	2,976
Telephone	2,000	2,128	1,991
Advertising representative	-	3,461	3,549
Promotion	-	-	391
Other	1,100	1,053	1,933
	3,500	3,414	4,052
	\$ 794,100	\$ 760,093	\$ 820,355

The accompanying notes are an integral part of these financial statements.