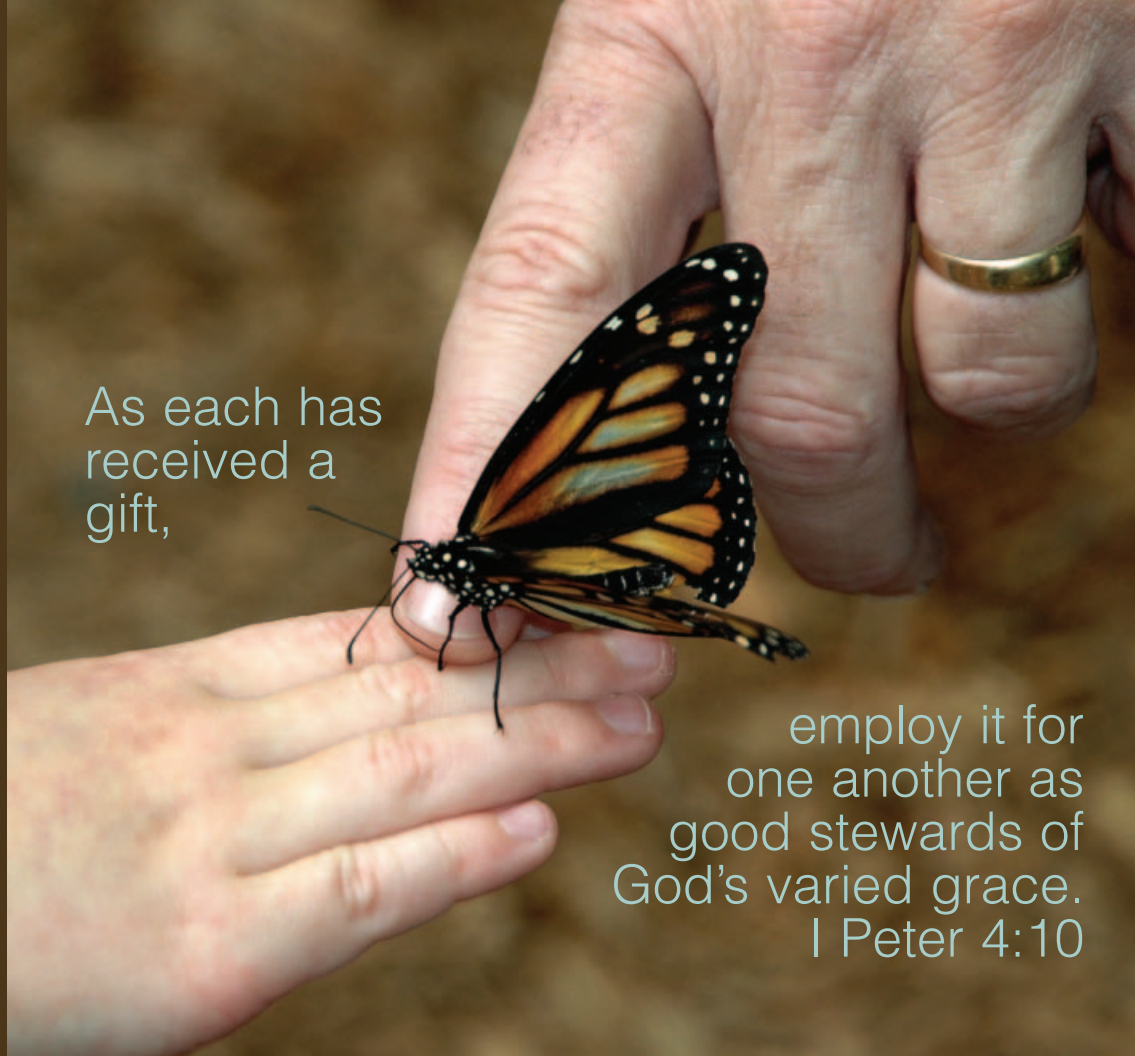




ANNUAL REPORT 2006

As each has
received a
gift,

employ it for
one another as
good stewards of
God's varied grace.
1 Peter 4:10



The generosity of people continues to amaze us.

People are responding to the bounty of God by returning gifts of worship and sharing. The growth in assets and the jump in distributions to charity are testimony to the fact that our services as a foundation for the Christian community are filling a need.

Mennonite Foundation of Canada provides a variety of financial services that foster generosity and teach responsible Christian stewardship in the constituency.

I encourage you to read through this annual report. Consider how Scott and Cindy Beech have used MFC to help them simplify the giving procedure



Anita Tiessen BOARD CHAIRPERSON

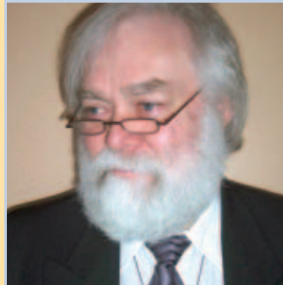
and practice charitable discipline. Look at the wonderful spirit of generosity demonstrated by Annelise Buma, a student at Emmanuel Bible College. Johnny and Joyce Wieler called on MFC to help them develop a responsible estate plan. Read about their experience.

The new study series, *First Things First*, that is introduced on page six, was created in response to pressing requests for more stewardship education. Read the reactions of people who have studied the pilot draft.

I encourage you to make yourself more aware of the work of MFC. Perhaps we will be able to help put wings to your charitable goals. May you enjoy God's blessing and respond with joy.

Mennonite Foundation of Canada has seen another year of tremendous growth,

most evident in its financial position: at the end of 2006, over \$5 million had been paid out to charities, and we had almost \$88 million under management. But growth was also evident in MFC's human resources: we took on an additional stewardship consultant to work out of the Kitchener office, and we started looking for office support in the St. Catharines and Calgary offices. Our support for churches, both financial and in stewardship resources, continued to grow as more loans were approved and new stewardship resources were prepared. More subtle signs of growth showed in the development and continued nurture of so many relationships that keep MFC relevant and top-of-mind:



Erwin Warkentin GENERAL MANAGER

- with our conferences and churches;
- with our clients and donors;
- with schools and charities related to our conferences and to our donors; and
- with supporting and supportive professional advisors.

With growth come new opportunities and challenges. If MFC continues to grow at its present pace, and if it wishes to honour its dual mandate of being both stewardship educator and money manager, it will have to develop new structures and avenues to do so. Bureaucratization and institutionalization must be minimized to maintain our donor-centred focus; but at the same time procedures need to be streamlined and standardized to maximize administrative efficiency. Walking that tightrope is our continuing challenge. With God's help, we can do it!

Generosity simplified *with a gifting account*

Scott and Cindy Beech are firm believers in providing financial support to their congregation and other charities they care about. But with several young children at home, remembering to get all of the cheques written and in the mail used to lead to a scramble to make all the donation decisions by the December 31 tax deadline.

The Beech family has found a way to solve that problem. They make a single annual donation to a Mennonite Foundation of Canada gifting account, then later make decisions about which causes they want to benefit, and with how much.

Deposits to MFC gifting accounts can take a variety of forms. Some people write a cheque. Others prefer to transfer publicly traded investments. Donating

appreciated stocks or mutual funds (held outside of a retirement plan) has become an attractive way for Canadians to give since the federal government reduced the capital gains inclusion on these gifts in the late 1990s. In May of 2006, the government eliminated capital gains tax altogether when securities are gifted in-kind.

Last year, in-kind donations handled by MFC grew by 36 percent, to \$4.84 million. Since 2000, MFC has processed more than \$17.9 million of these gifts.



Scott used to work at a high-tech firm where he received stock options as part of his compensation. With the 2006 tax changes, “donating securities made all the more sense,” he said. But gifting securities is “a little bit more complicated than giving

cash.” This is particularly true for a person who wants to split a gift between several charities, many of which don’t have the expertise to process these donations. “The giving we have done (through MFC)...has been effortless.”

Cindy appreciates MFC’s practice of sending them monthly cheques made out to their congregation that they can place on the offering plate. “It’s important for the kids to be able to see that we’re doing it, that it’s part of the worship experience.” Working with MFC has also been helpful in regularizing donations, Cindy said. “I like that it has made us more disciplined in church giving.”

Donors can enjoy significant tax benefits from giving shares or mutual funds that have appreciated in value instead of giving cash. These benefits make it easier for people to give more. If a person sells \$5,000 worth of securities for which they had originally paid \$1,000, and then makes a

cash donation, the tax payable as a result of the sale would be \$900 (assuming a 45 percent marginal tax rate.) That same gift, made as an in-kind donation of securities, would not result in any tax owing. In each case, of course, the donor can use the \$5,000 charitable receipt to offset tax owing on other income.

Scott is happy to use the services of a foundation whose Christian values mesh with those of his family. MFC’s socially responsible approach to investments ensures that decisions made “are those that I would be comfortable with.”



Introducing MFC's *newest* resource

First Things First – Learn how to manage your money from a Christian perspective by putting first things first.

Churches often ask MFC staff for presentations and resources to help people manage their day to day personal and household finances. Pastors come looking for tools for congregants who are in financial distress. The best ideas and material from years' worth of presentations and seminars have been distilled into a five-session, hands-on workbook. *First Things First* is the result. The book has been designed to serve both as a presentation resource as well as a personal financial tutor.

- **Chapter 1** – leads people to determine their current financial status and practices.
- **Chapter 2** – guides participants to identify areas that need improvement and develop intentional action steps.

- **Chapter 3** – careers, marriage, children, and money can be a complex web. This chapter identifies the issues and trade-offs. Parents receive practical guidance on teaching money management skills to their children and teens.
- **Chapter 4** – looks at the long-term planning issues such as RRSPs, RESPs, life insurance, and SRI investing.
- **Chapter 5** – strips away the mysteries of such things as estate and will planning including blended family issues, powers of attorney, healthcare directives, and probate.



Faith and values matter in all areas of life but especially in finances. From giving to God “off the top” to timely payments of bills, to investments that align with faith, this material is permeated with biblical principles that will lead people to contentment, generosity, and enough margin to deal with the uncertainties of life.

During the last several years, *First Things First* material has been taught in a variety of settings. Last spring, the Chortitzer Mennonite Church in Grunthal, Manitoba hosted a weekend of personal/family financial planning sessions using the *First Things First* material. The series was sponsored as a community event with several churches participating. Pastors strongly encouraged engaged couples and newlyweds to attend. Andrew Wiebe of the Grunthal CMC said, “The material reflects a biblical, balanced approach to managing household money...very practical!”

“We learned a lot about how to teach biblical money principles to our children,” says Cynthia Plett, coordinator of the Prairie Rose Evangelical



Andrew Wiebe

Mennonite Church (Landmark, Manitoba) Morning Out for Moms program, “and I really enjoyed the real life application stories.” About 30 moms gather every other week for fellowship and learning. For the educational component, they recently invited Edwin Friesen, a stewardship consultant from MFC’s Winnipeg office, to do a presentation on “Teaching children about money” using material from *First Things First*.



Help updating a will

Johnny and Joyce Wieler appreciate the help they received from Mennonite Foundation of Canada in the process of estate planning and updating their wills. The time to update their wills was long overdue when they met with MFC consultant Gary Sawatzky. Meeting in their home set a relaxed atmosphere for discussing personal information.

Gary asked them about their family, whom they want to benefit through their will, and any special considerations. He asked about heirlooms and about their charitable intentions. Some questions were easy to answer and others required more time and thought. Some were questions the Wielers didn't really want to ask themselves. But it was a good experience to address the issues so that estate disbursement will be simplified and meet their wishes.

They were grateful that Gary also took the time to explain government

regulations and was able to recommend a financial planning/life insurance contact.

With the issues thought through and their questions answered, the Wielers took a memo of their decisions to their lawyer. The lawyer was pleased with the information gathered, and it reduced the time he needed to confirm their wishes for their will.

The Wielers appreciate that MFC provided a subsidy for the cost of preparing a will (50 percent of the lawyer's fees, up to \$200.00). Charitable bequests were also simplified by leaving one gift to MFC in their will which MFC will distribute to the Canadian charities they name.



“We found the whole process in dealing with MFC regarding our will and estate planning to be a very positive experience and would recommend the process to others.”

A spirit of generosity

Annelise Buma's generous initiative has helped improve the first-year experience of students at Emmanuel Bible College (EBC) in Kitchener, Ontario. Annelise, a returning student, thought that returning students could mentor first-year students in EBC's Mountain Top program and she gave much of her time and talent to see the program take shape.

She designed and sent out applications to both returning and first-year students, and then matched the applicants. In the fall, she implemented mentor-development sessions to give direction and guidance to the mentors. She also handled issues and concerns that cropped up through the year.

In January, she presented the program to EBC faculty in hopes that the mentor program would become an official part of the Mountain Top program. The faculty agreed, and affirmed Annelise's "significant, positive impact on the EBC community." They also

nominated her for the Spirit of Generosity award.

The Spirit of Generosity award is provided by Mennonite Foundation of Canada and is given annually to a student at each of the high schools, colleges and universities in MFC's participating conferences across Canada. The award was \$200 for the student and \$200 for a charity selected by the student.

Annelise directed her donation to Oasis Drop-In Centre in downtown Kitchener, where she has volunteered. She says, "I appreciate what Oasis offers. They strive to meet needs of people at every level, from living essentials and life skills, to

emotional and spiritual help. I want to be a part of the ministry by giving this donation to them."

Congratulations Annelise!
Mennonite Foundation of Canada appreciates your example of generosity!



New developments

New Staff

Sherri Grosz took on the new position as the third Ontario-based stewardship consultant working out of the Kitchener office. A graduate of University of Waterloo, Grosz comes from a farming background and 13 years working for an agricultural co-operative. She appreciates being able to work in an organization where sharing faith and life stories are an important part of the job.

Carol Reimer joined the Winnipeg head office staff as receptionist in fall. She brings years of experience working as receptionist for other not-for-profit organizations to this position.



Sherri Grosz



Carol Reimer

New Legislation

When the federal government eliminated the capital gains tax on securities gifted in-kind to public foundations or charities we saw a major increase in the volume of in-kind donations. In 2006 \$4.84 million worth of securities were donated to MFC.



What *you* can do

You can play a part in Mennonite Foundation of Canada's ministry of encouraging generosity and faithful Christian stewardship. In addition to using the services of MFC yourself, you can recommend MFC's services to others.

You can also make a donation to MFC to support our general ministry or one of the following funds:

MFC Grant Fund

Provides grants to churches, conferences, and related institutions. Applications are accepted each July for grants up to \$2,500 to support new program initiatives.



Spirit of Generosity Endowment Fund

Provides awards to students in related secondary and post-secondary schools who find practical ways of demonstrating a spirit of generosity and inspiring their peers to be generous.

Friends and Founders Fund

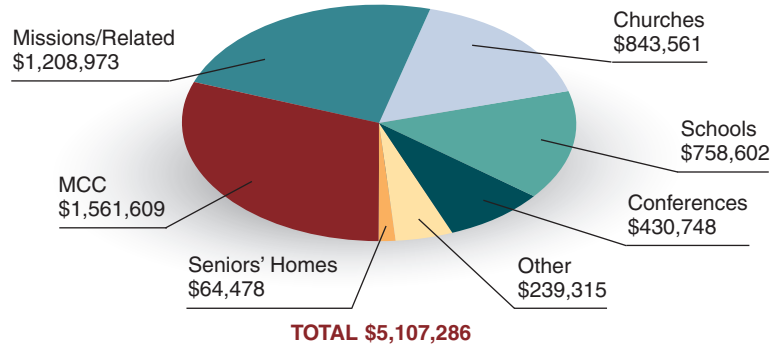
An endowed fund that provides ongoing operating support to MFC.

All donations are eligible for charitable tax receipts.

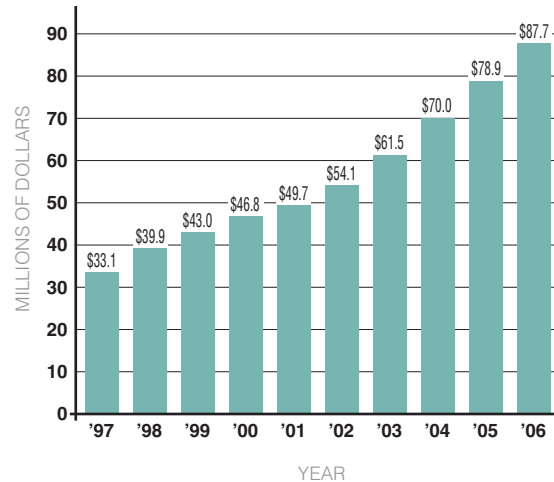
Distributions to charity

This year for the first time MFC's distributions to charities surpassed \$5 million. As a donor-advised foundation we take pleasure in forwarding funds to the churches, conferences, related organizations and other charities that our clients support. Gifts are facilitated in a variety of ways – as earnings from endowments and managed revocable funds, bequests, donations of securities, and direct gifts. The generosity of our constituency inspires and motivates us to continue promoting the message of faithful Christian stewardship.

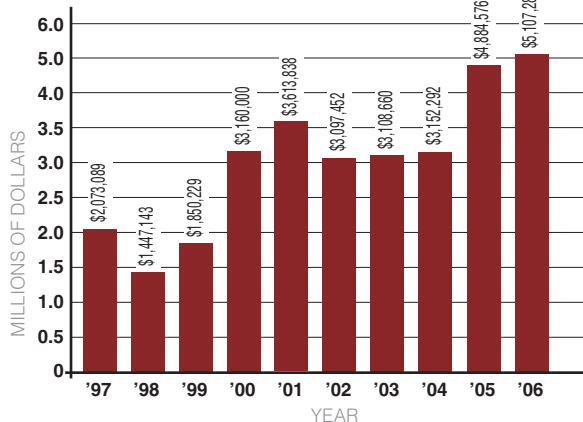
Charity Distribution for 2006



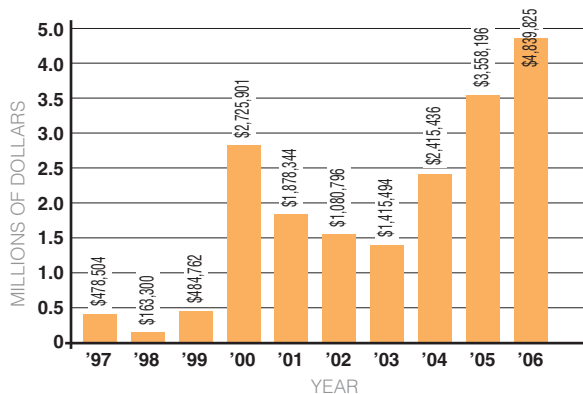
Assets Managed 1997-2006



Charity Distribution 1997-2006



Securities Donated 1997-2006



Foundation financials

as at December 31, 2006

BALANCE SHEET

Assets

Investments	86,975,165
Investment income receivable	693,198
Capital assets	46,812
Other assets	27,671

Total 87,742,846

Liabilities

Accounts payable	99,271
Earnings payable	1,382,115

Capital held for investment

Managed funds	47,434,106
Endowment funds	22,655,956
Non-endowed gifted funds	14,686,719
Invested in capital assets	46,812
Internally restricted funds	1,437,867

Total 87,742,846

STATEMENT OF OPERATING ACTIVITIES

Investment income	4,364,426
Less earnings capitalized	(748,798)
Other income	166,682
Total income	3,782,310

Earnings paid on funds	(2,469,852)
Operating expenses	(1,118,003)

Operating surplus for the year 194,455

Distributions to charity in 2006 5,107,286

Detailed audited financial statements are available upon request.

Members *and* Board of Directors

Conference Representatives

Chortitzer Mennonite Conference

Johan (Jack) Friesen
Leonard Hiebert

Evangelical Mennonite Conference

Reinnie Brandt
Matthew Kroeker
Burt Loewen
Gordon Reimer

Evangelical Mennonite Mission Conference

Henry Derksen
Ray Fehr

Evangelical Missionary Church of Canada

Ron Warder
Randy Steinwand

Mennonite Church Canada

Rudy Friesen
Nick Heide
Clayton Loewen
Lowell Thiessen

Mennonite Church Eastern Canada

Dave Bechtel
Russell Sawatsky
Richard Steinmann
Anita Tiessen

Northwest Mennonite Conference

Stan Burkholder

MFC-Appointed Member

Karin Krahn

Board of Directors

Anita Tiessen (chair)
Ron Warder (vice chair)
Clayton Loewen (treasurer)
Richard Steinmann (secretary)
Dave Bechtel
Reinnie Brandt
Stan Burkholder
Henry Derksen
Rudy Friesen
Leonard Hiebert
Burt Loewen
Lowell Thiessen



Staff

Head Office Staff

Erwin Warkentin, general manager
Rick Braun-Janzen, assistant manager
Corinne Klassen, administrative assistant
Harold Penner, accountant
Carol Reimer, receptionist

Kitchener Office Staff

Pauline Bauman,
administrative assistant

Consultants



Jim Brown
Manitoba &
Saskatchewan



Edwin Friesen
Manitoba &
Saskatchewan



Dave Kroeker
British Columbia



Gary Sawatzky
Alberta



Sherri Grosz
Ontario & East



Darren Pries-Klassen
Ontario & East



Mike Strathdee
Ontario & East



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E-mail mfcabbot@telus.net

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