Financial Statements of

CCMBC INVESTMENTS LTD.

And Independent Auditors' Report thereon

For the period from May 14, 2019 to December 31, 2019

KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of CCMBC Investments Ltd.

Opinion

We have audited the financial statements of CCMBC Investments Ltd. (the "Entity"), which comprise the statement of financial position as at December 31, 2019, the statements of comprehensive loss, deficiency and cash flows for the period from May 14, 2019 to December 31, 2019, and notes to the financial statements, comprising a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the period from May 14, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the financial statements in accordance with International Financial Reporting Standards, 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 statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are/is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

April 29, 2020

CCMBC INVESTMENTS LTD.

Statement of Financial Position

As at December 31, 2019

	Note	December 31, 2019
Assets		
Cash		$ 25,754,691
Due from related party	10	16,400
Other investments	5	40,385,643
Mortgage investments	4	82,711,769
Deferred tax assets	11	202,417
Total assets		$ 149,070,920
Liabilities and Deficiency		
Accounts payable and accrued liabilities		$ 473,392
Income taxes payable	11	83,548
Promissory notes	6	147,721,475
Preferred shares	7	1,114,500
Total liabilities		149,392,915
Deficiency		(321,995)
Subsequent events	7,17	
Total liabilities and equity		$ 149,070,920

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

On behalf of the Board:

“Howard Wall” Director

“Michael Dick” Director

CCMBC INVESTMENTS LTD.

Statement of Comprehensive Loss

For the period from May 14, 2019 to December 31, 2019

	Note		Period ended December 31, 2019
Investment income:			
Mortgage interest	4	$	1,184,620
Income from other investments			733,041
Other income			22,344
Net realized gain on sale of other investments			428,522
			2,368,527
Expenses:			
Interest on promissory notes	6		1,454,000
Interest on preferred shares	7		3,794
Management fees	9, 10		146,867
Investment management fees	9		199,102
General and administrative			345,167
Donation to related party	10		125,000
			2,273,930
Net income before other income (expenses)			94,597
Other income (expenses):			
Change in unrealized appreciation in value of other investments			294,906
Provision for credit losses	4		(830,467)
			(535,561)
Net loss before taxes			(440,964)
Income taxes (recovery):			
Current	11		83,548
Deferred	11		(202,417)
			(118,869)
Net comprehensive loss		$	(322,095)

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

CCMBC INVESTMENTS LTD.

Statement of Deficiency

For the period from May 14, 2019 to December 31, 2019

	Note	Common share	Deficit	Total equity
Net comprehensive loss for the period		$ –	$ (322,095)	$ (322,095)
Issuance of common share	8	100	–	100
December 31, 2019		$ 100	$ (322,095)	$ (321,995)

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

CCMBC INVESTMENTS LTD.

Statement of Cash Flows

For the period from May 14, 2019 to December 31, 2019

	Note	December 31, 2019
Cash flows from (used in) operating activities:		
Net comprehensive loss		$ (322,095)
Adjustments for:		
Net realized gains on sale of other investments		(428,522)
Change in unrealized appreciation in value of other investments		(294,906)
Amortization of transaction costs	6	34,870
Provision for credit losses	4	830,467
Income taxes	11	83,548
Deferred taxes	11	(202,417)
Mortgage interest	4	(1,184,620)
Interest on promissory notes	6	1,419,130
Interest on preferred shares	7	3,794
Change in non-cash operating items:		
Accounts payable and accrued liabilities		473,392
Funding of mortgage investments	4	(2,524,391)
Mortgage repayments	4	3,797,886
Purchase of other investments		(40,506,363)
Proceeds from sale of other investments		65,695,702
Mortgage interest received		1,127,755
Interest paid on promissory notes		(33,026)
Interest paid on preferred shares		(48)
		27,970,156
Cash flows from (used in) financing activities:		
Proceeds on issuance of promissory notes	6	7,020,017
Repayment of promissory notes	6	(5,741,796)
Proceeds from issuance of preferred shares	7	11,500
Repayment on redemption of preferred shares	7	(33,500)
Issuance of common share	8	100
Change in due to related parties	10	(3,471,786)
		(2,215,465)
Increase in cash		25,754,691
Cash, beginning of period		–
Cash, end of period		$ 25,754,691

Excluded from proceeds on issuance of promissory notes, proceeds from issuance of preferred shares in financing activities, transaction costs paid, and change in due to related parties in financing activities and funding of mortgage investments and acquisition of other investments in operating activities are amounts related to the initial issuance or promissory notes and preferred shares and the acquisition of mortgages and other investments as described in note 1.

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

1. Organization of the Company:

CCMBC Investments Ltd. (the "Company") was incorporated under the *Canadian Business Corporations Act* on May 14, 2019. The Company commenced active operations on August 30, 2019. The head office of the Company is located at 1310 Taylor Avenue Winnipeg, Manitoba, Canada.

The Company's objective is to facilitate the raising of funds to accomplish the charitable purposes of Canadian Conference of the Mennonite Brethren Church of North America (CCMBC) and CCMBC Legacy Fund Inc. (Legacy or Manager). The Company issues redeemable preferred shares (preferred shares) and promissory notes (promissory notes) to facilitate the lending of money secured by mortgages for Mennonite Brethren Churches (MB Churches), pastors of Mennonite Brethren Churches (MB Church Pastors) and other Mennonite Brethren and affiliated institutions such as schools and camps (MB Church Entities). Any excess funds not required for lending are invested in other investments pursuant to specified investment guidelines.

The Company is managed by Legacy, a registered charity.

On August 30, 2019, as described in an Offering Memorandum dated July 17, 2019, CCMBC, Legacy and the Company completed a reorganization resulting in assets consisting of mortgage investments and other investments of $149,610,420 in the aggregate being transferred by CCMBC to the Company. Pursuant to the reorganization, the Company issued 1,136,500 preferred shares for $1,136,500 and issued promissory notes in the amount of $145,758,413 to certain of the former investors in the CCMBC deposit note program. The subscription price for the issuance of these preferred shares and promissory notes was satisfied by the transfer of the mortgage investments and other investments from CCMBC to the Company. The excess of the mortgage investments and other investments over the promissory notes and preferred shares of $2,715,507 was included in due to related parties (note 10). Transaction costs of $739,879 (note 6) were incurred related to the issuance of the promissory notes which were paid by CCMBC and included in due to related parties by the Company (note 10).

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors and authorized for issue on April 29, 2020.

2. Basis of preparation (continued):

(b) Basis of measurement:

The financial statements have been prepared on a going concern and historical cost basis, except for other investments which are measured at fair value through profit or loss (FVTPL).

(c) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Critical accounting estimates, assumptions and judgments:

The preparation of financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results could differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant items subject to estimates and assumptions include:

Measurement of expected credit losses:

The determination of expected credit losses takes into account different factors and varies by nature of mortgage investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the expected credit loss. Refer to note 3(b).

Fair value measurement:

Where the fair values of financial assets and financial liabilities recorded in the financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that may include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. The Company's other investments consistent of investments in private investment funds and are valued based on the net asset value of each of the investment funds.

2. Basis of preparation (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include:

Classification of mortgage investments:

Mortgage investments are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Company exercises judgment in determining both the business model for managing the assets and whether cash flows of the financial asset comprise solely payments of principal and interest.

Income taxes:

The Company is subject to income taxes in different jurisdictions. Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3. Significant accounting policies:

(a) Cash:

Cash is comprised of cash balances held on deposit.

(b) Financial instruments:

(i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive income (FVOCI) based on the company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

3. Significant accounting policies (continued):

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

Financial instruments at FVTPL are recognized initially on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model who objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

3. Significant accounting policies (continued):

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the policies and objectives for the portfolio and the operation of those policies in practice. These include whether the Company's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. Significant accounting policies (continued):

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Company classifies its other investments as measured at FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date.

3. Significant accounting policies (continued):

The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial instruments classified as amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Company classifies cash, investment income receivable, mortgage investments, accounts payable and accrued liabilities, due to related parties, promissory notes payable and preference shares as measured at amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

3. Significant accounting policies (continued):

(iv) Derecognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(v) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statements of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. At December 31, 2019, no amounts have been offset in the statement of financial position.

(vi) Impairment of financial assets:

The Company recognizes loss allowances for expected credit loss (ECL) on financial assets measured at amortized cost. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures the loss allowance at an amount equal to 12 months of expected losses for performing mortgages if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing mortgages that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses on mortgages which are credit impaired (Stage 3).

3. Significant accounting policies (continued):

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, or pursuant to borrower specific relative criteria as identified by the Manager.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonably and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

The Company considers a financial asset to be credit impaired when the borrower is more than 90 days past due or when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest or/and when the Company has commenced enforcement remedies available to it under its contractual agreements.

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Manager relies on estimates and exercises judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a mortgage. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms.

Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset.

3. Significant accounting policies (continued):

Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For mortgages that were modified while having a lifetime ECL, the mortgages can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). 12 month and lifetime probabilities of default are based on historical data from external credit rating agencies. Loss given default parameters generally reflect an assumed recovery rate of 80 percent. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining the expected credit loss provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Manager considers past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In considering the lifetime of a mortgage, the contractual period of the mortgage, including prepayment, extension and other options is generally used.

Credit-impaired financial assets

Allowances for Stage 3 are recorded for individually identified impaired mortgages to reduce their carrying value to the expected recoverable amount. The Company reviews its mortgage investments on an ongoing basis to assess whether any mortgages carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded. The review of individually significant problem mortgages is conducted at least quarterly by the Manager, who assesses the ultimate collectability and estimated recoveries for a specific mortgage based on all events and conditions that are relevant to the mortgage. To determine the amount the Company expects to recover from an individually significant impaired mortgage, the Company uses the value of the estimated future cash flows discounted at the mortgage’s original effective interest rate. The determination of estimated future cash flows of a collateralized impaired mortgage reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

3. Significant accounting policies (continued):

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to write-off. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(c) Preferred shares:

The Company’s preferred shares include a contractual obligation to deliver cash or another financial asset and therefore the ongoing redemption feature is not the Company’s only contractual obligation. As such, the Company’s preferred shares are classified as financial liabilities in accordance with International Accounting Standard 32, *Financial Instruments: Presentation*.

(d) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

3. Significant accounting policies (continued):

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

4. Mortgage investments:

As described in note 1, pursuant to an Offering Memorandum dated July 17, 2019, the Company acquired mortgage investments with a fair value of $84,758,866 on August 30, 2019 including accrued interest of $430,717. Of the mortgage investments acquired, $4,027,652 were purchased credit-impaired (POCI) consisting of $7,598,394 in book value and expected credit losses of $3,570,742.

As at December 31, 2019		Mortgage investments
Mortgage investments	$	83,054,654
Interest receivable		487,582
		83,542,236
Allowance for credit losses		(830,467)
Mortgage investments at amortized cost	$	82,711,769

As at December 31, 2019, unadvanced mortgage commitments under the existing gross mortgage investments amounted to $4,948,405. The mortgage investments are secured by real property and will mature between 2020 and 2044. During the period ended December 31, 2019 the Company generated net interest income of $1,184,620.

All mortgage investments bear interest at a variable rate. At December 31, 2019, the interest rate on mortgages to MB Churches and MB Church Entities is 4.15 percent and for MB Church Pastors is 3.90 percent. The Company reviews the interest rates every six months and adjusts the rates, as required, to ensure a positive difference between its outstanding promissory notes and the mortgage investments. During the period ended December 31, 2019, the weighted average interest rate earned on net mortgage investments was 4.14 percent.

A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

4. Mortgage investments (continued):

If not demanded, principal repayments are expected as follows:

2020	$	5,879,462
2021		3,893,341
2022		3,754,194
2023		3,784,539
2024 and thereafter		69,313,860
	$	86,625,396

Allowance for Credit Losses:

The allowance for credit losses is maintained at a level that the Company considers adequate to absorb expected credit-related losses on the mortgage investments. The allowance for credit losses amounted to $830,467 as at December 31, 2019 which is recorded in mortgage investments on the statement of financial position. Certain mortgage investments held by the Company do not have an allowance for credit losses due to the value of the underlying collateral.

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$51,340,125	$7,813,738	$ –	$1,535,218	$ 60,689,081
Allowance for credit losses	(52,554)	(644,811)	–	(37,722)	(735,087)
Mortgage investments, net of allowance	$51,287,571	$7,168,927	$ –	$1,497,496	$ 59,953,994

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$16,029,245	$ –	$ –	$2,495,789	$ 18,525,034
Allowance for credit losses	(65,546)	–	–	(15,206)	(80,752)
Mortgage investments, net of allowance	$15,963,699	$ –	$ –	$2,480,583	$ 18,444,282

4. Mortgage investments (continued):

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage investments, including interest receivable	$ 3,714,580	$ 613,541	$ –	$ –	$ 4,328,121
Allowance for credit losses	(9,328)	(5,300)	–	–	(14,628)
Mortgage investments, net of allowance	$ 3,705,252	$ 608,241	$ –	$ –	$ 4,313,493

The changes in the allowance for credit losses are shown in the following tables:

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of period	$ –	$ –	$ –	$ –	$ –
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	(211,619)	211,619	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	(2,520)	399,400	–	37,722	434,602
Purchases	267,672	–	–	–	267,672
Fundings	–	33,792	–	–	33,792
Repayments	(979)	–	–	–	(979)
Write-offs	–	–	–	–	–
Balance, end of period	$ 52,554	$ 644,811	$ –	$ 37,722	$ 735,087

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of period	$ –	$ –	$ –	$ –	$ –
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	7	–	–	15,206	15,213
Purchases	66,044	–	–	–	66,044
Fundings	–	–	–	–	–
Repayments	(505)	–	–	–	(505)
Write-offs	–	–	–	–	–
Balance, end of period	$ 65,546	$ –	$ –	$ 15,206	$ 80,752

4. Mortgage investments (continued):

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Balance, beginning of period	$ –	$ –	$ –	$ –	$ –
Transfer to/from:					
Stage 1	–	–	–	–	–
Stage 2	(3,110)	3,110	–	–	–
Stage 3	–	–	–	–	–
Remeasurement	(945)	2,234	–	–	1,289
Purchases	13,017	–	–	–	13,017
Fundings	507	–	–	–	507
Repayments	(141)	(44)	–	–	(185)
Write-offs	–	–	–	–	–
Balance, end of period	$ 9,328	$ 5,300	$ –	$ –	$ 14,628

The internal risk ratings presented in the table below are defined as follows:

Low risk: Mortgage investments that have lower credit risk than the Company’s risk appetite and credit standards and that have a below average probability of default.

Medium-low risk: Mortgage investments that are typical for the Company’s risk appetite and credit standards and retain a below average probability of default.

Medium-high risk: Mortgage investments that are within the Company’s risk appetite and credit standards and retain an average probability of default.

High risk: Mortgage investments within the Company’s risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default.

Default: Mortgage investments that are 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

4. Mortgage investments (continued):

The following table presents the gross carrying amounts of mortgage investments subject to impairment requirements by internal risk ratings used by the Company for credit risk management purposes:

MB Churches	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$16,819,668	$ –	$ –	$ –	$16,819,668
Medium-low risk	28,066,335	–	–	–	28,066,335
Medium-high risk	5,866,825	181,036	–	–	6,047,861
High risk	587,297	7,632,702	–	–	8,219,999
Default	–	–	–	1,535,218	1,535,218
Gross mortgage investments	51,340,125	7,813,738	–	1,535,218	60,689,081
Allowance for credit losses	(52,554)	(644,811)	–	(37,722)	(735,087)
Mortgage investments, net of allowance	$51,287,571	$ 7,168,927	$ –	$ 1,497,496	$ 59,953,994

MB Church Entities	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ 5,451,790	$ –	$ –	$ –	$ 5,451,790
Medium-low risk	10,252,446	–	–	–	10,252,446
Medium-high risk	325,009	–	–	–	325,009
High risk	–	–	–	–	–
Default	–	–	–	2,495,789	2,495,789
Gross mortgage investments	16,029,245	–	–	2,495,789	18,525,034
Allowance for credit losses	(65,546)	–	–	(15,206)	(80,752)
Mortgage investments, net of allowance	$15,963,699	$ –	$ –	$ 2,480,583	$ 18,444,282

MB Church Pastors	Stage 1	Stage 2	Stage 3	POCI	Total
Low risk	$ 1,647,954	$ –	$ –	$ –	$ 1,647,954
Medium-low risk	1,657,048	–	–	–	1,657,048
Medium-high risk	–	143,408	–	–	143,408
High risk	409,578	470,133	–	–	879,711
Default	–	–	–	–	–
Gross mortgage investments	3,714,580	613,541	–	–	4,328,121
Allowance for credit losses	(9,328)	(5,300)	–	–	(14,628)
Mortgage investments, net of allowance	$ 3,705,252	$ 608,241	$ –	$ –	$ 4,313,493

4. Mortgage investments (continued):

Geographic analysis:

December 31, 2019	MB Churches	MB Church Entities	MB Church Pastors	Total
British Columbia	$ 41,770,583	$ 7,290,417	$ 2,158,334	$ 51,219,334
Ontario	6,916,425	9,898,990	636,615	17,452,030
Alberta	6,662,379	160,553	–	6,822,932
Saskatchewan	653,743	834,858	412,718	1,901,319
Manitoba	3,702,883	–	508,896	4,211,779
Quebec	114,890	259,463	596,931	971,284
Atlantic Provinces	133,091	–	–	133,091
	$ 59,953,994	$ 18,444,281	$ 4,313,494	$ 82,711,769

5. Other investments:

As described in note 1, pursuant to an Offering Memorandum dated July 17, 2019, the Company acquired other investments with a fair value of $64,851,554 on August 30, 2019. The Company's other investments consist of the following at December 31, 2019 which are unconsolidated structured entities (note 13):

	December 31, 2019
Private mortgage funds	$ 3,002,464
Private fixed income funds	37,383,179
	$ 40,385,643

Prior to December 31, 2019, the Company redeemed certain other investments in the amount of $20,391,346 for which the cash was in-transit at December 31, 2019. Subsequent to December 31, 2019, these funds were re-invested in other investments.

6. Promissory notes:

The Company is authorized to issue an unlimited number of promissory notes which can be issued in one or more series. The initial minimum subscription amount for each holder of a promissory note is $2,500. The promissory notes are payable on demand and bear interest at a variable interest rate which is determined on January 1 and July 1 of each year. The variable interest rate is equal to the overnight lending rate of the Bank of Canada plus 115 basis points. Interest is compounded and payable on a semi-annual basis on June 30 and December 31 of each year.

6. Promissory notes (continued):

As described in note 1, pursuant to an Offering Memorandum dated July 17, 2019, the Company issued promissory notes of $145,758,413 on August 30, 2019. Aggregate transaction costs incurred related to the offering of the promissory notes were $739,879 which are amortized using the effective interest rate method over five years.

The following table summarizes the promissory notes as at December 31, 2019:

	2019
Promissory notes	$ 148,426,484
Less: transaction costs	705,009
	$ 147,721,475

The following table summarizes activity for the promissory notes for the period ending December 31, 2019:

	Note	2019
Promissory notes issued		$ 152,778,430
Transaction costs		(739,879)
Promissory notes repaid		(5,741,796)
Amortization of transaction costs		34,870
Interest on promissory notes		1,419,130
Transfer of interest on preferred shares	7	3,746
Interest paid		(33,026)
Balance, end of period		$ 147,721,475

7. Preferred shares:

Preferred shares are issued on the first $500 invested by an investor in the Company with the remainder invested in promissory notes. The preferred shares are redeemable at the option of the holder for $1, with a minimum of fourteen days' notice to the Company. The preferred shares are not entitled to vote at any meetings of shareholders, except where otherwise provided by the Canada Business Corporations Act, and, in such case, they shall then be entitled to one vote for each preferred share held. The preferred shares are entitled in each financial year of the Company, cumulative dividends at a rate equal to 1 percent of the redemption amount of $1 per preferred share. Individual holders of preferred shares must subscribe for 500 preferred shares and no holder of preferred shares can hold more than 500 preferred shares.

7. Preferred shares (continued):

Pursuant to an Offering Memorandum dated July 17, 2019, the Company issued 1,136,500 preferred shares for cash consideration of $1,136,500 on August 30, 2019.

The following tables summarize the preferred shares as at December 31, 2019:

	Number	Amount
Authorized:		
Unlimited preferred shares, non-voting, cumulative dividend entitlement of 1 percent of the redemption amount annually, redeemable at the option of the holder for $1	1,114,500	$ 1,114,500

The following table summarizes activity for the preferred shares for the period ending December 31, 2019:

	Note	2019
Preferred shares issued		$ 1,148,000
Preferred shares repurchased		(33,500)
Accrued interest		3,794
Interest paid		(48)
Transfer of interest to promissory notes	6	(3,746)
Balance, end of period		$ 1,114,500

On January 1, 2020, 256,000 preferred shares in the amount of $256,000 were redeemed and the amount was transferred to the applicable preferred shareholder’s promissory notes (note 6).

8. Share capital:

On May 14, 2019, the Company issued 1 common share for cash consideration of $100 to Legacy.

	Number		Amount
Authorized and issued:			
1 common share	1	$	100

9. Management and investment management fees:

The Company is managed by Legacy. For the period ended December 31, 2019, the Company incurred management fees of $146,867 which are included in due to related parties at December 31, 2019.

The Company has entered into an Investment Management and Distribution Agreement with a third party that can be cancelled at any time on written notice without penalty. The investment management fees are as follows:

- $400,000 on the first $30,000,000 of assets under management (AUM)
- 0.80% on AUM from $30,000,000 to $50,000,000
- 0.60% on AUM from $50,000,000 to $150,000,000

10. Related party transactions:

The Company is managed by Legacy and pays management fees as described in note 9.

During the period ended December 31, 2019, the Company acquired mortgage investments and other investments from CCMBC as described in note 1.

During the period ended December 31, 2019, the Company donated $125,000 to Legacy.

At December 31, 2019, the Company had a receivable in the amount of $16,400 from Legacy which is due on demand with no specified terms of repayment.

Key management personnel

During the period ended December 31, 2019, no amounts were paid to the Company's Board of Directors. The compensation to the senior management of Legacy is paid through management fees paid to Legacy.

11. Income taxes:

Components of income tax expense:

		2019
Current tax expense	$	83,548
Deferred tax recovery		(202,417)
Total income tax recovery	$	(118,869)

Reconciliation of total tax recovery:

		2019
Loss before tax	$	(440,965)
Combined federal and provincial statutory tax rates		27%
Expected income taxes using combined statutory rates		(119,060)
Effects of other differences, net		191
Total income tax recovery	$	(118,869)

Deferred tax at December 31, 2019:

		Statement of financial position
		December 31, 2019
Provision for credit losses	$	211,364
Transaction costs		(8,947)
Net deferred tax assets	$	202,417

12. Fair value measurement:

When measuring the fair value of an asset or of a liability, the Company uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between levels during the period ended December 31, 2019.

The Company’s other investments are carried at fair value and fair value is based on level 2 inputs.

There is no quoted price in an active market for the mortgage investments. The Manager makes its determination of fair value based on its assessment of the current lending market for the mortgage investments of same or similar terms. As a result, the fair value of mortgage investments is based on level 3 inputs.

The promissory notes and preferred shares are due on demand and therefore their fair values approximate their carrying values. The fair values of the remaining financial assets and liabilities carried at amortized cost approximate their carrying values due to their short maturity.

13. Interest in unconsolidated structured entities:

The table below describes the types of structured entities that the Company does not consolidate, but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Company
Investments funds	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors.	Investment in units issued by the funds

The tables below set out interests held by the Company in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

December 31, 2019			
Underlying funds	Number of underlying funds held	Total net assets of underlying funds	Carrying amount
Private mortgage funds	2	$ 171,269,006	$ 3,002,464
Private fixed income funds	2	92,075,223	37,783,179

Underlying funds	Principal place of business	Country of domicile	Average cost	Carrying amount included in other investments
Private mortgage funds	Canada	Canada	$ 3,002,464	$ 3,002,464
Private fixed income funds	Canada	Canada	37,088,273	37,383,179
Total			$ 40,090,737	$ 40,385,643

During the period, the Company did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support. The Company can redeem their investment in the underlying funds weekly.

The Company has determined the funds (Investee Funds) in which it invests are unconsolidated structured entities generally because decision making about the Investee Funds' investing activities is not governed by voting rights held by the Company and other investors.

13. Interest in unconsolidated structured entities (continued):

The Investee Funds are managed by an asset manager who is unrelated to the Company (note 9) and applies various investment strategies to accomplish their respective investment objectives. These objectives include generating income and cash flow along with capital appreciation by investing in fixed income securities and mortgages. The Investee Funds invest in unconsolidated structured entities (investment funds) which comprise approximately 59 percent of the aggregate net assets of the private fixed income funds.

The change in fair value of each Investee Fund is included in the statement of income and comprehensive income in ‘Change in unrealized appreciation in value of other investments’.

14. Guarantees:

On August 22, 2019, and as amended October 25, 2019, CCMBC and Legacy entered into Letter Agreements with the Bank of Montreal providing for operating facilities for use by CCMBC and Legacy. The Company has provided a guarantee in the amount of $3,000,000 and a general security agreement over the assets of the Company to the Bank of Montreal as part of the security for the operating facility of Legacy. The Company has provided a guarantee in the amount of $400,000 and a general security agreement over the assets of the Company to the Bank of Montreal as part of the security for the operating facility of CCMBC.

At December 31, 2019, the operating facilities for use by CCMBC and Legacy were unutilized.

15. Capital risk management:

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of raising funds to accomplish the charitable purposes of CCMBC and Legacy. The Company defines its capital structure to include common shares, promissory notes and preferred shares. The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities and anticipated changes in general economic conditions.

The Company utilizes mortgage investment policies to manage the risk profile of the mortgage investments and investment guidelines to manage the risk profile of its other investments.

16. Risk management:

The Company is exposed to the symptoms and effects of national and global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Company's direct control.

16. Risk management (continued):

The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are market rate risk (interest rate risk), credit risk, and liquidity risk.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates.

As of December 31, 2019, $82,711,769 of net mortgage investments bear interest at variable rates. If there were a decrease or increase of 1 percent in interest rates, with all other variables constant, the impact from variable rate mortgage investments would be a decrease or increase in net comprehensive loss of approximately $282,000.

As of December 31, 2019, $147,721,475 of promissory notes bear interest at variable rates. If there was a decrease or increase of 1 percent in interest rates, with all other variables constant, the impacting from variable rate promissory notes would be a decrease or increase in net comprehensive loss of approximately $489,000.

The Company manages its sensitivity to interest rate fluctuations by managing the interest rate spread between its promissory notes and mortgage investments.

The Company's cash, other investment income receivable, accounts payable and accrued liabilities and due to related parties have no exposure to interest rate risk due to their short-term nature. Cash carries a variable rate of interest and is subject to minimal interest rate risk and the preferred shares have no exposure to interest rate risk due to their fixed interest rate.

The Company is also exposed to interest rate risk through its investments in Investee Funds (note 13).

The Investee Funds are exposed to interest rate risk through their investments in interest-bearing financial instruments and in underlying funds exposed to interest rate risk. The Investee Funds have high-yield (or below investment grade) exposure to mortgages and therefore net assets tend to be affected more by changes in economic growth than changes in interest rates.

16. Risk management (continued):

(b) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant direct exposure, or indirect exposure through its investment in Investee Funds, to currency risk at December 31, 2019.

(c) Credit risk:

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

(i) adhering to the mortgage investment policies and investment guidelines (subject to certain duly approved exceptions);

(ii) ensuring all new mortgage investments over a pre-determined threshold are approved by the Board of Directors, and by appropriate members of management below a pre-determined threshold before funding; and

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The exposure to credit risk at December 31, 2019 relating to net mortgages amounts to $82,711,769.

The Company has recourse under these mortgages in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral. Management believes that the potential loss from credit risk with respect to cash that is held at a Schedule I bank to be minimal.

The Company is also exposed to credit risk through its investments in Investee Funds (note 13).

The Investee Funds are exposed to credit risk through investments in debt securities, mortgage loans and promissory notes. The mortgage loans are secured by all assets of the borrower as defined by general security agreements which may be subordinate to other lenders.

16. Risk management (continued):

d) Liquidity risk:

Liquidity risk is the risk that the Company, will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The Company's promissory notes and preferred shares are due on demand. All of the rest of the Company's financial liabilities are due within one year.

The Company is also exposed to liquidity risk through its investments in Investee Funds (note 13).

The Investee Funds are exposed to liquidity risk through weekly cash redemptions on their units and therefore they invest a portion of assets in underlying funds that they can redeem within one week or less. A portion of the amounts invested in underlying funds are subject to redemption restrictions exercisable by the manager of the underlying fund to manage extraordinary liquidity pressures which includes the ability to suspend redemptions or withhold varying amounts of any redemption requested.

17. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The current challenging economic climate may lead to adverse changes in cash flows and/or working capital levels, which may also have a direct impact on the Company's operating results and financial position in the future. While the extent and duration of the impact of COVID-19 on the Canadian and local economies, financial markets, and sectors and issuers in which the Company may invest is uncertain at this point, the outbreak has the potential to adversely affect the value of the Company's mortgages and other investments and the extent of promissory note redemptions. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company's business is not known at this time.