

CANADIAN SOUTHERN BAPTIST SEMINARY
Financial Statements
Year Ended June 30, 2018



DART BRYANT LLP
Chartered Professional Accountants
#250, 1319 Edmonton Trail NE
Calgary, Alberta T2E 4Y8

David R Dart, CPA, CA
Edwin L Bryant, CPA, CA

Bus: (403) 230-3764
Fax: (403) 230-3766
davedart@dartbryant.com
edbryant@dartbryant.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Southern Baptist Seminary

We have audited the accompanying financial statements of Canadian Southern Baptist Seminary, which comprise the statement of financial position as at June 30, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Canadian Southern Baptist Seminary derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Canadian Southern Baptist Seminary. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2018, current assets and net assets as at June 30, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Southern Baptist Seminary as at June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

October 25, 2018



CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Financial Position
June 30, 2018

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2018	Total 2017
ASSETS						
CURRENT						
Cash	\$ 180,089	\$ 291,692	\$ 187,816	\$ 4,179	\$ 663,776	\$ 771,940
Accounts receivable	109,155	360,828	370	-	470,353	401,912
GST recoverable	5,121	-	-	-	5,121	3,335
Prepays and deposits	56,456	3,594	-	-	60,050	51,318
	350,821	656,114	188,186	4,179	1,199,300	1,228,505
INVESTMENTS (at CNBC Foundation)	-	3,417,174	-	122,965	3,540,139	2,918,794
PROPERTY AND EQUIPMENT (Net) (Note 4)	-	-	3,613,244	-	3,613,244	3,895,800
	\$ 350,821	\$ 4,073,288	\$ 3,801,430	\$ 127,144	\$ 8,352,683	\$ 8,043,099
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable	\$ 92,943	\$ 25,350	\$ -	\$ -	\$ 118,293	\$ 121,949
Deferred revenue	30,972	-	-	-	30,972	25,890
	123,915	25,350	-	-	149,265	147,839
FUND BALANCES						
Endowment (Note 5)	-	-	-	127,144	127,144	124,834
Restricted (Note 6)	-	4,047,938	188,186	-	4,236,124	3,648,497
Invested in property and equipment	-	-	3,613,244	-	3,613,244	3,895,800
Unrestricted	226,906	-	-	-	226,906	226,129
	226,906	4,047,938	3,801,430	127,144	8,203,418	7,895,260
	\$ 350,821	\$ 4,073,288	\$ 3,801,430	\$ 127,144	\$ 8,352,683	\$ 8,043,099
LEASE COMMITMENTS (Note 9)						

ON BEHALF OF THE BOARD


Trustee


Trustee

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Operations and Changes in Net Assets
For the Year Ended June 30, 2018

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2018	Total 2017
REVENUES						
Contributions - General	\$ 545,431	\$ 604,097	\$ 9,264	\$ 250	\$ 1,159,042	\$ 2,275,352
Contributions - CNBC (Notes 1, 7)	77,982	-	-	-	77,982	56,741
Contributions - BMI (Note 7)	40,958	-	-	-	40,958	39,700
Student fees	469,600	-	-	-	469,600	407,430
Rental revenue - Housing	394,514	-	-	-	394,514	385,482
- Facilities	102,265	-	-	-	102,265	90,838
Investment income - CNBC Foundation	-	181,228	-	6,132	187,360	233,521
Investment income - other	508	2,730	1,631	-	4,869	3,949
Other Income	2,946	712	3,420	-	7,078	6,314
	<u>1,634,204</u>	<u>788,767</u>	<u>14,315</u>	<u>6,382</u>	<u>2,443,668</u>	<u>3,499,327</u>
EXPENSES						
Administrative offices	424,367	40,000	-	-	464,367	444,149
Institutional advancement offices	255,761	-	-	-	255,761	235,768
Academic Services	412,864	-	-	-	412,864	419,657
Campus Services	534,020	-	-	-	534,020	519,965
Amortization	-	-	311,596	-	311,596	309,210
Other	-	148,522	4,308	4,072	156,902	113,018
	<u>1,627,012</u>	<u>188,522</u>	<u>315,904</u>	<u>4,072</u>	<u>2,135,510</u>	<u>2,041,767</u>
NET REVENUE (EXPENDITURES) - prior to other	7,192	600,245	(301,589)	2,310	308,158	1,457,560
GAIN ON DISPOSALS	-	-	-	-	-	218,658
NET OPERATIONS - prior to transfers	7,192	600,245	(301,589)	2,310	308,158	1,676,218
TRANSFER COSTS						
Capital	(6,265)	(5,318)	11,583	-	-	-
	<u>(6,265)</u>	<u>(5,318)</u>	<u>11,583</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES (EXPENDITURES) - after transfer costs	927	594,927	(290,006)	2,310	308,158	1,676,218
FUND BALANCES - beginning of year	225,979	3,453,011	4,091,436	124,834	7,895,260	6,219,042
FUND BALANCES - end of year	<u>\$ 226,906</u>	<u>\$ 4,047,938</u>	<u>\$ 3,801,430</u>	<u>\$ 127,144</u>	<u>\$ 8,203,418</u>	<u>\$ 7,895,260</u>

See notes to financial statements

CANADIAN SOUTHERN BAPTIST SEMINARY

Statement of Cash Flows

For the Year Ended June 30, 2018

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2018	Total 2017
OPERATING ACTIVITIES						
Net revenues (expenditures) - after transfer costs	\$ 927	\$ 594,927	\$ (290,006)	\$ 2,310	\$ 308,158	\$ 1,676,218
Items not affecting cash:						
Amortization	-	-	311,596	-	311,596	309,210
Gain on disposal of property & equipment	-	-	-	-	-	(218,658)
Gifts in kind received	-	-	-	-	-	(975,000)
	<u>927</u>	<u>594,927</u>	<u>21,590</u>	<u>2,310</u>	<u>619,754</u>	<u>791,770</u>
Changes in non-cash working capital:						
Accounts receivable	(55,516)	(13,101)	177	-	(68,440)	(277,411)
Accounts payable	(12,391)	8,735	-	-	(3,656)	3,114
Deferred income / revenue	5,082	-	-	-	5,082	12,444
Prepaid expenses	(8,732)	-	-	-	(8,732)	(3,801)
GST payable (receivable)	(1,787)	-	-	-	(1,787)	(806)
	<u>(73,344)</u>	<u>(4,366)</u>	<u>177</u>	<u>-</u>	<u>(77,533)</u>	<u>(266,460)</u>
Cash flow from operating activities	<u>(72,417)</u>	<u>590,561</u>	<u>21,767</u>	<u>2,310</u>	<u>542,221</u>	<u>525,310</u>
INVESTING ACTIVITIES						
Purchase of property & equipment	-	-	(29,040)	-	(29,040)	(156,585)
Proceeds on disposal of property & equipment	-	-	-	-	-	218,659
Investments at CNBC Foundation	-	(618,125)	-	(3,220)	(621,345)	(341,014)
Cash flow from (used by) investing activities	<u>-</u>	<u>(618,125)</u>	<u>(29,040)</u>	<u>(3,220)</u>	<u>(650,385)</u>	<u>(278,940)</u>
INCREASE (DECREASE) IN CASH FLOW						
	<u>(72,417)</u>	<u>(27,564)</u>	<u>(7,273)</u>	<u>(910)</u>	<u>(108,164)</u>	<u>246,371</u>
Cash - beginning of year	252,506	319,256	195,089	5,089	771,940	525,569
CASH - END OF YEAR	<u>\$ 180,089</u>	<u>\$ 291,692</u>	<u>\$ 187,816</u>	<u>\$ 4,179</u>	<u>\$ 663,776</u>	<u>\$ 771,940</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

1. ORGANIZATION

The Canadian Southern Baptist Seminary (the "organization"), a wholly controlled subsidiary organization of the Canadian National Baptist Convention (the "CNBC"), provides services pursuant to the Canadian Southern Baptist Seminary Act. On July 6, 1988, the Canadian Southern Baptist Seminary was incorporated by private members petition in the Legislative Assembly of Alberta. The organization is a charitable organization registered under the Income Tax Act and as such is exempt from income tax.

The purpose of the organization is to provide training and theological education of pastors and other church workers to carry out the Great Commission of the Lord Jesus Christ in and through local churches throughout the world.

The organization consists of students who are from member churches and other evangelical churches, administrative staff and faculty instructors. The organization is governed by a Board of Trustees elected by messengers of cooperating churches of the CNBC. The President, as Chief Executive Officer, is appointed to handle the organization's affairs and carry on the general operations of the organization.

While the organization earns revenue from those registered in its programs, the continued operation of the organization is dependent on the donations of interested individuals and the support of the CNBC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied on a going concern basis.

Fund accounting

The organization uses fund accounting to report its activities. A description of the purposes for the various funds is as follows:

- (a) Unrestricted general funds are used by the Board of Trustees to carry on the general operations of the organization. The general fund consists primarily of organization approved budget items for programs and administration. The principal sources of support and contributions are from supporting churches, the CNBC, the International Mission Board and the North American Mission Board of the Southern Baptist Convention.
- (b) Restricted funds account for amounts given for specific purposes.
- (c) Capital funds account for amounts contributed by donors for specific capital purposes, designated funds expended for the organization's capital additions and for funds obtained through financing of the additions to the facilities.
- (d) Endowment funds account for amounts contributed by donors for funds whose principal amounts are retained in perpetuity in order to provide investment earnings to be expended for organization operations or other designated purposes.

(continues)

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income with transaction costs capitalized. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Cash and cash equivalents

Cash and cash equivalents consist primarily of bank accounts and deposits with an original maturity date of purchase of three months or less.

Funds invested with CNBC Foundation

All marketable securities are carried at fair value.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Land development costs	20 years	straight-line method
Buildings and improvements	30 years	straight-line method
Student housing complex	30 years	straight-line method
Water storage tanks	20 years	straight-line method
Library books	10 years	straight-line method
Machinery and equipment	10 years	straight-line method
Furniture and fixtures	10 years	straight-line method
Library and computer equipment	5 years	straight-line method
Automotive	10 years	straight-line method

The organization regularly reviews its property and equipment to eliminate obsolete items.

Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Unrestricted contributions from donors are recognized as revenue in the general fund when received. Restricted contributions are recognized as revenue of the specific restricted fund or, when a restricted fund does not exist, as deferred contributions and brought into income when the related expense is incurred.

Student fees are recognized upon commencement of the academic program.

Rental revenue is recognized as revenue in the period in which it is earned.

Investment income is recorded as earned and includes fair value adjustments to financial assets.

(continues)

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

Significant estimates included in these financial statements include the useful life of property and equipment and the ability to collect on accounts receivable.

Allocated expenses

The organization had fundraising costs of \$60,656 (2017: \$61,539) during the year, all of which are included in general fund administrative offices costs.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, investments (including CNBC Foundation investments which are primarily invested in marketable securities), accounts payable and demand loans.

Investments are adjusted to fair value at each reporting date (determined by reference to price available on public trading markets). All other financial instruments are recorded at amortized cost and are reviewed each year for indications of impairment.

Interest rate risk

The organization was exposed to interest rate risk with respect to its demand debt which was repaid. Interest is calculated at the bank prime rate plus 0.98% (2017: 0.98%) and is accordingly subject to fluctuation.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from student receivables. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of smaller amount student receivables which minimizes concentration of credit risk.

Currency Risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

4. PROPERTY & EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land - cost	\$ 142,500	\$ -	\$ 142,500	\$ 142,500
Land improvements	1,357,813	513,719	844,094	844,092
Buildings	2,630,256	2,208,506	421,750	540,500
Housing	4,456,330	2,406,721	2,049,609	2,158,879
Library books	281,735	254,141	27,594	28,601
Furniture and equipment	544,221	520,661	23,560	17,616
Technology and computer equipment	53,473	35,680	17,793	23,868
Machinery and equipment	312,100	259,265	52,835	101,937
Motor vehicles	130,853	97,343	33,510	37,806
	\$ 9,909,281	\$ 6,296,036	\$ 3,613,245	\$ 3,895,799

5. ENDOWMENT FUNDS

	2018	2017
Yew-Teck Chung Memorial Scholarship Fund	\$ 36,907	\$ 36,544
DLH Scholarship Fund	25,890	25,604
Percy and Marion Lee Religious Education Scholarship Fund	17,431	16,947
Len Koster Memorial Scholarship	19,650	19,167
Encouragement Fund	12,620	12,423
Blackaby Chair for Spiritual leadership	7,781	7,402
The Randall Harper Preaching Award	6,865	6,747
	\$ 127,144	\$ 124,834

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

6. RESTRICTED FUNDS

	<u>2018</u>	<u>2017</u>
Restricted Funds		
Hale Scholarship	\$2,182,465	\$1,572,215
General restricted fund	820,537	812,676
Faculty restricted fund	381,347	362,783
Public relations & development fund	72,229	120,971
Osborne/Miller Scholarship fund	61,106	60,484
McGough Seminary Day fund	59,374	58,817
Jeffrey Way Scholarship fund	55,215	54,562
Madam Min-Tuck Chen Memorial Scholarship	42,917	41,856
Heng-Lan Cheng Memorial Scholarship fund	39,631	38,576
Madalene Cain Scholarship	37,577	37,183
Blackaby Spiritual Leadership Award	35,009	34,351
The Jimmie & Dolores Nelson Memorial Adjunct Professor fund	29,627	29,551
Library fund	26,746	26,056
TBM Scholarship fund	21,736	21,397
Muriel F Blackwell Childhood Education Scholarship	21,349	21,679
Blackaby Leadership Lecture Series	19,791	16,256
Academic/Administration fund	19,023	25,664
Current Scholarship fund	16,177	8,420
Nehemiah fund	15,257	15,341
Miscellaneous fund	14,929	19,640
Morales Evangelism Award	14,445	13,666
Stephen Gover Memorial First Nations/Metis Scholarship fund	13,587	12,977
The Brandon Harvest Baptist Church Scholarship	12,324	12,185
General Scholarship fund	12,174	12,050
David & Judi Young Scholarship	9,267	9,123
Justice Award fund	6,923	7,052
Price Memorial Scholarship	5,950	5,865
Funded reserve	660	649
Student Services fund	566	521
Mitra Scholarship	-	445
	<u>\$4,047,938</u>	<u>\$3,453,011</u>
Capital Fund		
Spears Seminary Recreation fund	\$83,093	\$84,445
Technology fund	65,252	63,095
Capital fund	39,840	47,946
	<u>\$188,186</u>	<u>\$195,486</u>
Grand total	<u>\$4,236,124</u>	<u>\$3,648,497</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

7. RELATED PARTIES

The Seminary received support from the following related parties during the year:

The **Canadian National Baptist Convention (CNBC)** has sole ownership of the CSBS and the school is the only institution of higher education operated by the denomination of over 390 churches. As such, the school receives regular monthly support from the denomination. The CNBC exists because the churches that make it up believe that no one church can effectively carry out the Great Commission by herself. It will be best done in cooperation with other churches that believe essentially the same doctrines and that are committed to total evangelism. Total evangelism begins with church planting so that lost persons may be won to Christ, baptized and taught. It includes training leaders to plant and lead churches and training those who come to Christ. It includes works of ministry and mercy to meet the physical needs and hurts of a lost and hurting world. The CSBS is an essential vehicle for accomplishing the task of training of leaders.

The **North American Mission Board (NAMB)** is an agency of the Southern Baptist Convention. This agency assists Southern Baptists in the United States and Canadian National Baptists in Canada in their task of fulfilling the Great Commission in the United States, Canada and their territories through a North American strategy for sharing Christ, starting churches and sending missionaries, in cooperation with Acts 1:8 Partners. In keeping with its strategy NAMB has assumed responsibility for funding one of the professorships at the Canadian Southern Baptist Seminary (CSBS).

The CSBS Professor of Church Planting is paid directly by NAMB and is jointly supervised by NAMB and CSBS. NAMB does not have any influence in the day-to-day operations nor the creation and implementation of policies at CSBS. Their role is one of support in helping CSBS achieve its purpose of training God-called men and women for twenty-first century leadership in tough places. The Seminary funded all expenses from surplus Nehemiah funds in prior years.

Blackaby Ministries International (BMI) is an organization that focuses on three key areas of Christian ministry: Experiencing God; Helping people to experience God; Revival; Helping people and churches return to God and Spiritual Leadership: Helping church, business and family leaders move people on to God's agenda. BMI was founded by Henry T. Blackaby (now president emeritus) and is now led by Richard G. Blackaby (president).

Because of the decades long work of the Blackaby family in Canada helping to establish what is now the Canadian National Baptist Convention and the Canadian Southern Baptist Seminary, the family chooses to partner now with the seminary to ensure that the purpose of the school is accomplished. The organization exercises no influence over CSBS in any regard. It is strictly an organization in voluntary partnership with this institution.

The **International Mission Board (IMB)** is an agency of the Southern Baptist Convention. The agency partners with churches to empower limitless missionary teams who are making disciples and multiplying churches among unreached peoples and places for the glory of God. The Mission of the agency is evangelizing, discipling and planting reproducing churches among all peoples in fulfillment of the Great Commission. The Vision of the agency is a multitude from every language, people, tribe and nation knowing and worshipping our Lord Jesus Christ.

Two of the agency's seven Core Values have a direct bearing on its partnership with the Canadian Southern Baptist Seminary (CSBS): partner with Baptists and other Christians around the world in accordance with IMB guidelines and understand and fulfil God's mission through God's word, prayer and the leadership of the Holy Spirit. In keeping with its strategy IMB has assumed responsibility for placing three missionary units (couples) at the CSBS. During 2017, three housing units were gifted for a total value of \$975,000 and CSBS has committed to provide accommodation to the three missionary units (couples) while they are assigned to CSBS.

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

For the Year Ended June 30, 2018

8. DEFERRED GIFTS

The organization is the owner of certain life insurance policies totaling \$370,000 which have been gifted by donors. Charitable donation receipts have been issued by the organization to the donors for the premiums which they have paid on the policies.

9. LEASE COMMITMENTS

The organization has the following lease commitments for office equipment and electricity consumption:

2019	\$ <u>27,090</u>
------	------------------
