

**CANADIAN NATIONAL BAPTIST CONVENTION
FOUNDATION**

Financial Statements

Year Ended December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian National Baptist Convention Foundation

We have audited the accompanying financial statements of Canadian National Baptist Convention Foundation, which comprise the statement of financial position as at December 31, 2014 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 National Baptist Convention Foundation derives revenue from contributions 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 National Baptist Convention Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2014, current assets and net assets as at December 31, 2014.

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 National Baptist Convention Foundation as at December 31, 2014 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.

May 26, 2015

Chartered Accountants

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Financial Position
December 31, 2014

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2014	Total 2013
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 104,155	-	-	\$ 104,155	\$ 99,651
Goods and services tax recoverable	812	-	-	812	1,001
	104,967	-	-	104,967	100,652
INVESTMENTS - Marketable securities (Note 4)					
	-	3,225,515	1,192,203	4,417,718	4,290,148
- Mortgages receivable (Note 5)	-	44,871	-	44,871	47,801
- Interfund	(1,038)	2,143	(1,105)	-	-
	(1,038)	3,272,529	1,191,098	4,462,589	4,337,949
	\$ 103,929	\$ 3,272,529	\$ 1,191,098	\$ 4,567,556	\$ 4,438,601
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 21,001	-	-	\$ 21,001	\$ 3,063
DUE TO OTHERS (Note 6)	-	-	-	-	974
DUE TO RELATED ORGANIZATIONS (Note 7)	-	3,272,529	-	3,272,529	3,156,943
	21,001	3,272,529	-	3,293,530	3,160,980
FUND BALANCES					
Unrestricted	82,928	-	-	82,928	75,960
Endowment (Note 8)	-	-	1,191,098	1,191,098	1,201,661
	82,928	-	1,191,098	1,274,026	1,277,621
	\$ 103,929	\$ 3,272,529	\$ 1,191,098	\$ 4,567,556	\$ 4,438,601

Member

Member

APPROVED ON BEHALF OF THE BOARD

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2014

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2014	Total 2013
REVENUES					
Investment income	\$ -	\$ -	\$ 103,166	\$ 103,166	\$ 126,908
Contributions	-	-	6,400	6,400	900
Canadian National Baptist Convention	633	-	-	633	1,001
Management fees (Note 9)	23,768	-	-	23,768	21,749
	24,401	-	109,566	133,967	150,558
EXPENSES					
Donations	-	-	111,359	111,359	48,602
Office and general	15,705	-	-	15,705	13,788
Professional fees	10,500	-	-	10,500	10,500
	26,205	-	111,359	137,564	72,890
EXCESS (DEFICIENCY) OF OPERATIONS BEFORE INTERFUND TRANSFERS	(1,804)	-	(1,793)	(3,597)	77,668
INTERFUND TRANSFERS - management fees	8,771	-	(8,771)	-	-
NET OPERATIONAL EXCESS (DEFICIENCY)	6,967	-	(10,564)	(3,597)	77,668
FUND BALANCES, beginning of year	75,961	-	1,201,662	1,277,623	1,199,953
FUND BALANCES, end of year	\$ 82,928	\$ -	\$ 1,191,098	\$ 1,274,026	\$ 1,277,621

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2014

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2014	Total 2013
OPERATING ACTIVITIES					
Net operational excess (deficiency)	\$ 6,967	\$ -	\$ (10,564)	\$ (3,597)	\$ 77,668
Changes in non-cash working capital:					
Accounts payable and accrued liabilities	17,939	-	-	17,939	(1)
Goods and services tax payable	189	-	-	189	30
	18,128	-	-	18,128	29
Cash flow from operating activities	25,095	-	(10,564)	14,531	77,697
INVESTING ACTIVITIES					
Marketable securities	-	(96,709)	(30,861)	(127,570)	146,155
Mortgages receivable	-	2,930	-	2,930	7,493
Cash flow from (used by) investing activities	-	(93,779)	(30,861)	(124,640)	153,648
FINANCING ACTIVITIES					
Advances from (to) related parties	-	115,586	-	115,586	265,710
Advances from (to) others	(20,591)	(21,807)	41,425	(973)	(470,900)
Cash flow from (used by) financing activities	(20,591)	93,779	41,425	114,613	(205,190)
INCREASE IN CASH FLOW					
Cash - beginning of year	4,504	-	-	4,504	26,155
	99,651	-	-	99,651	73,496
CASH - END OF YEAR	\$ 104,155	\$ -	\$ -	\$ 104,155	\$ 99,651

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements Year Ended December 31, 2014

1. ORGANIZATION

Canadian National Baptist Convention Foundation (the "Foundation"), a wholly controlled subsidiary organization of the Canadian National Baptist Convention (the "Convention") was incorporated on July 12, 1988 under the provisions of the Societies Act of the Province of British Columbia. The Foundation was formed to fund, facilitate and promote the carrying out of Christ's mission of preaching, teaching, healing, and ministering to all persons throughout the world.

The Foundation is a registered charity and as such is not subject to income taxes.

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.

Going concern

Management assesses regularly whether there are any events or conditions that may cast significant doubt upon the Foundation's ability to continue as a going concern. Management is not aware of any such material uncertainties. Accordingly, these financial statements have been prepared using the going concern assumption.

Fund accounting

The Foundation follows the restricted fund method of accounting for donations. A description of the purposes for the various funds is as follows:

- a) Unrestricted general funds are used by the Directors to carry on the general operations of the Foundation.
- b) Restricted funds account for amounts designated for specific purposes.
- c) Endowment funds account for resources received with the stipulation that the original contribution not be spent. Investment income earned on resources of the Endowment Fund is reported in the Investment Revenue account depending on the nature of any restrictions imposed by contributions of funds for endowments.

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 unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and cash equivalents

Cash includes cash and cash equivalents consist of bank accounts. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	20%	straight-line method
Furniture and fixtures	20%	straight-line method

Revenue recognition

Canadian National Baptist Convention Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions from donors are recognized as revenue in the unrestricted 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.

Contributions for endowment are recognized as revenue in the Endowment Fund.

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

Management fees are recognized as revenue of the unrestricted fund in the period in which it is earned..

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In the financial statements of the Foundation, the more significant areas for which management is required to make near-term estimates is in the assessment of the net realizable value of loans and direct investments. Actual results could differ from these estimates.

Significant estimates included in these financial statements include valuation of investments.

Allocation of expenses

The organization had no fundraising or donation soliciting activities during the year and incurred no relating expenses in this regard. All general expenses are included in unrestricted fund office and general expenses.

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

**Notes to Financial Statements
Year Ended December 31, 2014**

3. FINANCIAL INSTRUMENTS

All financial instruments are recorded originally at Fair Value and are subsequently recorded at each year end date as follows:

Financial assets measured at amortized cost:

Cash
GST receivable
Mortgages receivable
Accounts payable
Due to others
Due to related parties

Financial assets measured at fair value:

Investments - Equities in an active market (Note 4)

Any increase or decrease in the fair values is reported as investment income in the statement of operations or as increase/decrease in Due to Related Parties.

Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the ministry and the associated operating environment. Cash and deposits and investments are primarily exposed to market, interest rate, and credit risk.

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

Interest rate risk refers to the effect on the market value of the fund's mortgages receivable, investments and deposits due to fluctuation of interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Foundation actively manages interest rate exposure. All loans and deposits are due on demand with interest rates set every six months to market rates.

Credit risk is the risk that a party to a financial instrument will fail to fully honour its financial obligations. It is management's opinion that there is no significant exposure to credit risk arising from financial instruments given credit policies, security taken, and diversification.

To examine and mitigate the impact of risk, the Foundation has established an investment policy in order to ensure the best possible return at an acceptable risk level. The investment procedures and objectives for the Foundation are linked to this policy and include an appropriately diversified asset mix. Investment risk is reduced by asset class diversification, by diversification within each asset class, and by quality constraints on fixed income instruments.

Fair Value

The fair value for investments and deposits in an actively traded market is determined by reference to published quotations in an active market. Where such quoted market prices are not available, fair value would be estimated by reference to the current fair value of another instrument having substantially the same terms, conditions, and risk characteristics.

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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2014

3. FINANCIAL INSTRUMENTS (continued)

Financial Asset Impairment

The Foundation assesses impairment of all its financial assets (except those measured at fair value). Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment which is not considered temporary is included in current year earnings.

4. MARKETABLE SECURITIES INVESTMENTS

Investments are recorded in the following classifications:

	Restricted Funds	Endowment Funds	2014	2013
<u>Measured at fair value</u>				
Equity: Canadian publicly traded	\$ 1,222,952	\$ 459,993	\$ 1,682,945	\$ 2,288,065
Equity: International	928,135	334,908	1,263,043	1,115,036
	<u>2,151,087</u>	<u>794,901</u>	<u>2,945,988</u>	<u>3,403,101</u>
<u>Measured at amortized cost</u>				
Cash	151,721	51,760	203,481	309,183
Fixed Income	922,907	345,542	1,268,449	577,864
	<u>1,074,628</u>	<u>397,302</u>	<u>1,471,930</u>	<u>887,047</u>
	<u>\$ 3,225,715</u>	<u>\$ 1,192,203</u>	<u>\$ 4,417,918</u>	<u>\$ 4,290,148</u>

5. MORTGAGES RECEIVABLE

Mortgages are provided to associated churches on an approved basis.

	2014	2013
Managed funds were advanced to Eglise Evangelical Baptist Church, Eben Ezer pursuant to the refinancing of a first and second fixed charge on the land and building. The mortgage bears interest at 6.75% compounded semi-annually with payments of \$1,200 per month including interest. This mortgage is due May 2016.	\$ -	\$ 1,123
Managed funds were advanced to Miramichi Valley Church, pursuant to a mortgage registering a fixed charge on certain land and buildings. The mortgage bears interest at 7.20% compounded semi-annually with payments of \$422 per month including interest. This mortgage was due December 2013.	<u>44,871</u>	<u>46,678</u>
	<u>\$ 44,871</u>	<u>\$ 47,801</u>

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2014

6. DUE TO OTHERS

	<u>2014</u>	<u>2013</u>
Due to Westcoast Baptist Association	\$ -	\$ 974

The Foundation takes on investments from member churches and affiliated organizations and invests the funds according to the Foundation investment mandate (see Note 2) in a separate investment pool in the same manner as it does for the Seminary and the Convention. The earnings from the pool are paid out to the lender or reinvested in the pool.

7. DUE TO RELATED ORGANIZATIONS

The Convention controls the Foundation. The Seminary is related to the Foundation and is controlled by the Convention. All transactions between the related parties are recorded at fair value.

	<u>2014</u>	<u>2013</u>
Convention - restricted		
International Missions	\$ 965,029	\$ 917,922
Missions Reserve	64,413	65,450
Partnership and Volunteer Missions	61,858	62,414
MK Scholarship	32,222	32,085
Partner in the Harvest Alberta	22,870	23,042
Jeremy	17,108	17,343
International Mission RSP	26,269	24,170
Keystone New Work	11,082	11,097
Reserve	130,747	120,302
	<u>1,331,598</u>	<u>1,273,825</u>

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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2014

7. DUE TO RELATED ORGANIZATIONS (continued)

Seminary - restricted

General Restricted	\$ 807,027	\$ 858,353
Hale Scholarship	295,783	234,625
Faculty Restricted	320,228	292,784
McGough Seminary Day	59,713	59,096
Osborne Miller Scholarship	57,968	56,000
Madalene Cain Scholarship	35,640	34,586
Madam Min-Tuck Chen Memorial Scholarship	38,386	36,552
Heng-Lan Cheng Memorial Scholarship	35,188	33,628
Jimmie & Delores Nelson Memorial Adjunct Professor	29,655	29,613
Blackaby Spiritual Leadership Award	33,213	31,517
Muriel F Blackwell Childhood Education Scholarship	20,213	19,580
The Brandon Harvest Baptist Church Scholarship	11,711	11,307
Stephen Gover Memorial First Nations/Metis Scholarship	12,100	11,713
General Scholarship	11,584	11,242
TBM Scholarship	17,366	16,828
Jesse Morales Memorial	13,169	11,434
David & Judy Young Scholarship	8,755	8,455
Justice Award	6,841	6,855
Blackaby Leadership Lecture Series	9,531	7,057
Price Memorial Scholarshi	5,604	5,122

1,829,675	1,776,347
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Seminary - endowments

Yew Teck Chung Memorial Scholarship	35,076	34,070
DLH Scholarship	24,562	23,807
Percy & Marion Lee Religious Education Scholarship	14,605	13,803
Len Koster Memorial Scholarship	12,321	11,915
Encouragement Fund	11,692	11,290
Randall Harper Preaching Award	6,466	5,912
Blackaby Chair for Spiritual Leadership	6,534	5,974

111,256	106,771
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\$ 3,272,529	\$ 3,156,943
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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2014

8. ENDOWMENT FUNDS

	<u>2014</u>	<u>2013</u>
Convention		
Martha Hawkins Puckett Memorial Fund	\$ 51,343	\$ 46,314
BSM Endowment Fund	6,798	6,940
Cunningham Fund	5,846	5,782
	<u>63,987</u>	<u>59,036</u>
 Foundation		
Armstrong Avenue Baptist Endowment	\$ 549,238	\$ 560,926
Church Building Endowment Fund	370,692	372,026
Freeman Trust Fund	88,673	90,648
John & Mary Nance Scholarship Fund	42,963	42,985
Hale Trust Fund	27,745	28,247
Ian Evans Endowment Fund	19,396	19,759
Church Planting Endowment Fund	10,946	10,859
Poverty & Disaster Relief Endowment Fund	10,936	11,170
Foundation Endowment Fund	6,522	6,005
	<u>1,127,111</u>	<u>1,142,625</u>
	<u>\$ 1,191,098</u>	<u>\$ 1,201,661</u>

9. MANAGEMENT FEES

The Foundation provides investment management, advisory and administrative services for the externally restricted funds. As compensation for its services, the Foundation charges management fees at 0.75% of funds managed.

	<u>2014</u>	<u>2013</u>
Convention	\$ 9,852	\$ 9,027
Seminary	13,995	13,303
Other	(79)	(581)
	<u>\$ 23,768</u>	<u>\$ 21,749</u>