

CANADIAN SOUTHERN BAPTIST SEMINARY

Financial Statements

Six Months Ended June 30, 2014



DART BRYANT
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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 statements of financial position as at June 30, 2014 and the statements of operation and changes in fund balances and cash flows for the six months ended June 30, 2014, 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 in our audits 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the six months ended June 30, 2014, current assets and net assets as at June 30, 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 Southern Baptist Seminary as at June 30, 2014 and the results of its operations and its cash flows for the six months then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Chartered Accountants

January 16, 2015

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Financial Position
As at June 30, 2014

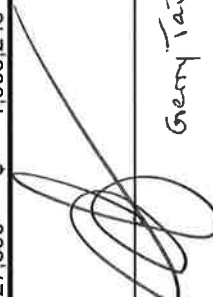
	General		Other		Capital		Endowment		TOTALS	
	Fund	Funds	Funds	Fund	Funds	Fund	Funds	TOTALS	June 30, 2014	December 31, 2013
ASSETS										
CURRENT										
Cash	\$ 182,593	\$ 161,213	\$ -	\$ 176,027	\$ 5,650	\$ -	\$ -	\$ 525,483	\$ 523,757	
Accounts receivable	71,989	3,260	-	825	-	-	-	76,074	28,639	
GST recoverable	949	-	-	-	-	-	-	949	2,250	
Inventory	-	-	-	-	-	-	-	-	44,624	
Prepays and deposits	71,859	3,594	-	-	-	-	-	75,453	83,649	
	327,390	168,067	176,852	5,650	682,919			677,959	682,919	
INVESTMENTS (at CNBC Foundation)	-	1,737,181	-	-	108,562	1,883,119		1,845,743	1,883,119	
PROPERTY & EQUIPMENT (Note 4)	-	-	3,500,270	-	-	3,496,099		3,500,270	3,496,099	
	\$ 327,390	\$ 1,905,248	\$ 3,677,122	\$ 114,212	\$ 6,023,972	\$ 6,062,137				
LIABILITIES AND FUND BALANCES										
CURRENT LIABILITIES										
Accounts payable	\$ 76,144	\$ 26,980	\$ -	\$ -	\$ -	\$ 103,124	\$ 86,957			
Deferred revenue	10,532	-	-	-	-	10,532	19,047			
Demand loans (Note 5)	-	-	253,343	-	-	253,343	539,759			
	86,676	26,980	253,343	-	366,999	645,763				
FUND BALANCES										
Endowment (Note 6)	-	-	-	-	114,212	108,971				
Restricted (Note 7)	-	1,878,268	176,852	-	-	2,055,120	2,110,518			
Invested in property and equipment	-	-	3,246,927	-	-	3,246,927	3,184,558			
Unrestricted	240,714	-	-	-	-	240,714	12,327			
	240,714	1,878,268	3,423,779	114,212	5,656,973	5,416,374				
	\$ 327,390	\$ 1,905,248	\$ 3,677,122	\$ 114,212	\$ 6,023,972	\$ 6,062,137				

ON BEHALF OF THE BOARD



DK Hale

Trustee



Gerry Tailor

Trustee

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Operation and Changes in Fund Balances
Six months ended June 30, 2014

	General		Other		Capital		Endowment		TOTALS	
	Fund		Funds		Fund		Funds		June 30, 2014	December 31, 2013
REVENUES										
NAMB (Note 8)	\$ 82,034	\$ -	-	\$ -	-	-	-	-	\$ 82,034	\$ 164,063
CNBC (Note 1)	28,352	-	-	-	-	-	-	-	28,352	61,472
Contributions and gifts	402,812	67,912	67,912	110,000	100	100	100	100	580,824	350,836
BMI (Note 8)	60,137	-	-	-	-	-	-	-	60,137	127,123
Student fees	174,487	-	-	-	-	-	-	-	174,487	301,883
Rental revenue	201,826	-	-	-	-	-	-	-	201,826	403,946
Bookstore and other sales	74,699	-	-	-	-	-	-	-	74,699	117,597
Investment income - CNBC Foundation	-	111,691	111,691	-	-	-	6,991	6,991	118,682	190,083
Investment income - other	-	1,632	1,632	1,000	-	-	-	-	2,632	6,160
Other income	16,785	226	226	2,280	-	-	-	-	19,291	39,076
	1,041,132	181,461	181,461	113,280	7,091	7,091	7,091	7,091	1,342,964	1,762,239
EXPENSES										
Administrative offices	214,439	-	-	-	-	-	-	-	214,439	431,359
Institutional advancement offices	118,223	-	-	-	-	-	-	-	118,223	258,972
Academic services	250,248	5,954	5,954	-	-	-	-	-	256,202	498,475
Campus services	304,693	-	-	-	-	-	-	-	304,693	573,312
Amortization	-	-	-	124,382	-	-	-	-	124,382	253,037
Interest	-	-	-	5,226	-	-	-	-	5,226	13,762
Other	-	76,097	76,097	1,253	1,850	1,850	1,850	1,850	79,200	48,506
	887,603	82,051	82,051	130,861	1,850	1,850	1,850	1,850	1,102,365	2,077,423
NET OPERATIONS - prior to transfers	153,529	99,410	99,410	(17,581)	5,241	5,241	5,241	5,241	240,599	(315,184)
TRANSFERS										
Capital	(18,541)	(11)	(11)	18,552	-	-	-	-	-	-
Operating	156,823	(156,823)	(156,823)	-	-	-	-	-	-	-
Interest	(5,226)	-	-	5,226	-	-	-	-	-	-
Debt repayment (advances)	(58,198)	-	-	58,198	-	-	-	-	-	-
	74,858	(156,834)	(156,834)	81,976	-	-	-	-	-	-
NET REVENUES (EXPENDITURES)	228,387	(57,424)	(57,424)	64,395	5,241	5,241	5,241	5,241	240,599	(315,184)
FUND BALANCES - beginning of year	12,327	1,935,692	1,935,692	3,359,384	108,971	108,971	108,971	108,971	5,416,374	5,731,558
FUND BALANCES - end of year	\$ 240,714	\$ 1,878,268	\$ 1,878,268	\$ 3,423,779	\$ 114,212	\$ 114,212	\$ 114,212	\$ 114,212	\$ 5,656,973	\$ 5,416,374

CANADIAN SOUTHERN BAPTIST SEMINARY

Statement of Cash Flows

Six Months Ended June 30, 2014

	General		Other'		Capital		Endowment		TOTALS	
	Fund	Funds	Funds	Fund	Fund	Funds	Funds	June 30, 2014	December 31, 2013	
OPERATING ACTIVITIES										
Excess (Deficiency) of revenues over expenses	\$ 228,387	\$ (57,424)	\$ 64,395	\$ 5,241	\$ 240,599	\$ (315,184)				
Items not affecting cash:										
Amortization - capital restricted	-	-	124,382	-	124,382	253,037				
Gift in kind donation	-	-	(110,000)	-	(110,000)	-				
	<u>228,387</u>	<u>(57,424)</u>	<u>78,777</u>	<u>5,241</u>	<u>254,981</u>	<u>(62,147)</u>				
Changes in non-cash working capital:										
Accounts receivable	(49,334)	1,737	162	-	(47,436)	37,139				
Inventory	44,624	-	-	-	44,624	5,945				
Accounts payable and accrued liabilities	15,738	430	-	-	16,168	(20,845)				
Deferred revenue	(8,516)	-	-	-	(8,516)	3,695				
Prepaid expenses	8,195	-	-	-	8,196	(26,132)				
GST payable (receivable)	1,301	-	-	-	1,301	547				
	<u>12,008</u>	<u>2,167</u>	<u>162</u>	<u>-</u>	<u>14,337</u>	<u>349</u>				
Cash flow from operating activities	<u>240,395</u>	<u>(55,257)</u>	<u>78,939</u>	<u>5,241</u>	<u>269,318</u>	<u>(61,798)</u>				
INVESTING ACTIVITIES										
Purchase of equipment	-	-	(18,552)	-	(18,552)	(42,908)				
Investments at CNBC Foundation	-	39,167	-	(1,791)	37,376	(180,224)				
Cash flow from (used by) investing activities	<u>-</u>	<u>39,167</u>	<u>(18,552)</u>	<u>(1,791)</u>	<u>18,824</u>	<u>(223,132)</u>				
FINANCING ACTIVITY										
Draws on (repayment of) demand loans	<u>(228,218)</u>	<u>-</u>	<u>(58,198)</u>	<u>-</u>	<u>(286,416)</u>	<u>115,086</u>				
INCREASE (DECREASE) IN CASH FLOW	<u>12,177</u>	<u>(16,090)</u>	<u>2,189</u>	<u>3,450</u>	<u>1,726</u>	<u>(169,844)</u>				
Cash - beginning of year	<u>170,416</u>	<u>177,303</u>	<u>173,838</u>	<u>2,200</u>	<u>523,757</u>	<u>693,601</u>				
CASH - END OF YEAR	<u>\$ 182,593</u>	<u>\$ 161,213</u>	<u>\$ 176,027</u>	<u>\$ 5,650</u>	<u>\$ 525,483</u>	<u>\$ 523,757</u>				

See notes to financial statements

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

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. SIGNIFICANT ACCOUNTING POLICIES

The organization follows Canadian accounting standards for not for profit organizations the more significant being:

Going concern

Management assesses regularly whether there are any events or conditions that may cast significant doubt upon the organization'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. The continued operation of the organization is dependent on the continued support of interested individuals & organizations.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

The organization 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 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.

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. 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 and cash equivalents consist primarily of bank accounts and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Funds invested with CNBC Foundation

All marketable securities are carried at fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- 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.
- Tuition for student fees is 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.

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 amortization of property and equipment, valuation of inventory and ability to collect on accounts receivable.

Allocated 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 general fund administrative offices costs.

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

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 is exposed to interest rate risk with respect to its demand debt. Interest is calculated at the bank prime rate plus 0.77% 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.

4. PROPERTY & EQUIPMENT

	Cost	Accumulated amortization	June 30 2014 Net book value	December 31 2013 Net book value
Land - cost	\$ 142,500	\$ -	\$ 142,500	\$ 142,500
Land improvements	1,357,811	383,579	974,232	995,920
Buildings	2,595,188	1,831,393	763,795	678,254
Housing	3,568,372	2,024,182	1,544,190	1,598,822
Library Books	257,984	233,763	24,221	23,379
Furniture and equipment	532,008	498,878	33,130	36,025
Technology and computer equipment	331,313	330,228	1,085	1,422
Machinery and equipment	193,110	176,839	16,271	18,384
Motor vehicles	88,902	88,056	846	1,393
	<u>\$ 9,067,188</u>	<u>\$ 5,566,918</u>	<u>\$ 3,500,270</u>	<u>\$ 3,496,099</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

5. DEMAND LOANS

	<i>June 30</i> 2014	<i>December 31</i> 2013
Demand loan facilities which bear interest at the prime rate plus 0.77%, repayable in monthly principal and interest payments of \$4,350. The loan expires July 2017.	\$ 96,366	\$ 120,391
Demand loan facilities which bear interest at the prime rate plus 0.77%, repayable in monthly principal and interest payments of \$6,250. The loan expires January 2018.	156,977	191,150
Revolving operating loan facilities which bear interest at the prime rate plus 0.77%, with a facility of up to \$400,000. The loan is payable on demand and for operating cash flow purposes. The loan expires June 30, 2014.	-	228,218
	\$ 253,343	\$ 539,759

Security pledged for all loans consists of demand promissory notes, general security agreement covering all present and future acquired property and equipment and a first mortgage covering land owned by the organization.

6. ENDOWMENT FUNDS

	<i>June 30</i> 2014	<i>December 31</i> 2013
Yew-Teck Chung Memorial Scholarship Fund	\$ 36,277	\$ 34,720
DLH Scholarship Fund	25,603	24,657
Percy and Marion Lee Religious Education Scholarship Fund	14,911	13,903
Len Koster Memorial Scholarship	12,690	12,315
Encouragement Fund	12,026	11,490
Blackaby Chair for Spiritual leadership	6,386	5,974
The Randall Harper Preaching Award	6,319	5,912
	\$ 114,212	\$ 108,971

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

7. RESTRICTED FUNDS

	June 30, 2014	December 31 2013
Restricted Funds		
General restricted fund	\$792,149	\$732,198
Faculty restricted fund	312,935	292,784
Hale Scholarship	251,784	239,725
Funded reserve	50,168	204,559
McGough Seminary Day fund	58,354	59,096
Osborne/Miller Scholarship fund	59,648	57,000
Madam Min-Tuck Chen Memorial Scholarship	39,512	37,096
Madalene Cain Scholarship	36,829	35,186
Heng-Lan Cheng Memorial Scholarship fund	36,387	34,773
Blackaby Spiritual Leadership Award	32,662	31,628
The Jimmie & Dolores Nelson Memorial Adjunct Professor fund	28,980	29,613
Nehemiah fund	16,939	22,773
Library fund	24,380	24,028
Muriel F Blackwell Childhood Education Scholarship	20,852	19,930
TBM Scholarship fund	17,921	16,828
Current Scholarship fund	10,975	10,666
Stephen Gover Memorial First Nations/Metis Scholarship fund	12,474	11,713
The Brandon Harvest Baptist Church Scholarship	12,044	11,307
General Scholarship fund	11,967	11,238
Morales Evangelism Award	11,838	11,434
David & Judi Young Scholarship	9,006	8,455
Justice Award fund	6,686	6,855
Blackaby Leadership Lecture Series	8,703	8,142
Price Memorial Scholarship	5,476	5,124
Miscellaneous fund	5,712	7,636
Academic/Administration fund	2,359	4,260
Student Services fund	1,528	1,645
	\$1,878,268	\$1,935,692
Capital Fund		
Technology fund	\$92,155	90,137
Spears Seminary Recreation fund	81,179	80,721
Capital fund	3,518	3,968
	\$176,852	\$174,826
Grand total	\$2,055,120	\$2,110,518

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Six Months Ended June 30, 2014

8. RELATED PARTIES

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

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 Nehemiah 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.

9. DEFERRED GIFTS

The organization is the owner of certain life insurance policies totaling \$120,000 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.
