

CANADIAN NATIONAL BAPTIST CONVENTION
Financial Statements
Year Ended December 31, 2011



DART BRYANT
CHARTERED ACCOUNTANTS
404 - 13th Avenue N.E.
Calgary, Alberta T2E 1C2

David R. Dart, C.A.
Edwin L. Bryant, C.A.

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

INDEPENDENT AUDITORS' REPORT

To the Members of Canadian National Baptist Convention

We have audited the accompanying financial statements of Canadian National Baptist Convention, which comprise the statement of financial position as at December 31, 2011, and the statements of operations 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 generally accepted accounting principles, 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.

Auditors' 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Convention derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Convention and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Convention as at December 31, 2011, and its financial performance and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

May 28, 2012



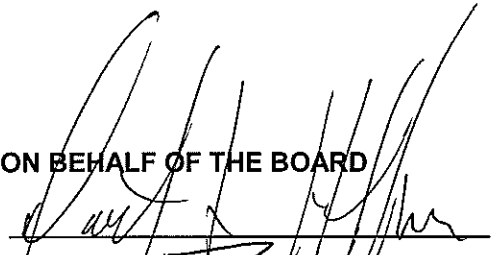
Chartered Accountants

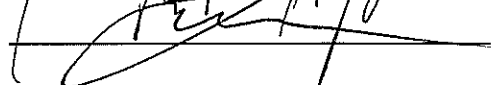


CANADIAN NATIONAL BAPTIST CONVENTION
Statement of Financial Position
December 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash		\$ 1,603,620
Accounts receivable	94,742	37,530
Pre-paid expenses & deposits	200	15
	1,844,041	1,641,165
PROPERTY AND EQUIPMENT <i>(Note 5)</i>	713,973	792,338
LOANS AND NOTES RECEIVABLE	55,000	65,000
DUE FROM RELATED PARTIES	5,051	-
INVESTMENTS - CNBC FOUNDATION	630,106	660,577
ASSETS HELD IN TRUST	152,360	152,360
	\$ 3,400,531	\$ 3,311,440
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 43,361	\$ 55,630
Current portion of long term debt <i>(Note 8)</i>	10,413	9,940
	53,774	65,570
MORTGAGES PAYABLE - LEAGUE SAVINGS & MORTGAGE	126,226	136,674
	180,000	202,244
NET ASSETS		
Unrestricted fund	563,076	451,741
Restricted fund	1,898,507	1,898,507
Capital fund	758,948	758,948
	3,220,531	3,109,196
	\$ 3,400,531	\$ 3,311,440

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

CANADIAN NATIONAL BAPTIST CONVENTION

Statement of Operations

Year Ended December 31, 2011

	2011	2010
TRADE SALES		
NAMB	\$ 1,227,983	\$ 1,499,398
Canadian sources	608,937	632,881
Lifeway Christian Resources	53,727	61,127
Other income	40,611	39,729
Northwest Baptist Convention	10,291	10,474
Investment Income	5,046	2,900
Lifeway Christian Resources - Restricted	64,524	91,691
IMB - Restricted	36,916	12,116
Investment income - restricted	(22,371)	49,146
NAMB - Restricted	1,528,791	1,109,112
Canadian Sources - Restricted	520,291	753,550
Projects - Restricted	550,686	526,181
	<u>4,625,432</u>	<u>4,788,305</u>
EXPENSES		
Amortization of tangible assets	78,364	84,584
Start - unrestricted	326,496	701,509
National ministries - unrestricted	510,393	602,232
Strengthen - unrestricted	231,993	221,415
Support - unrestricted	359,233	440,116
Send, Students - unrestricted	88,802	101,202
Send, partners and vlunteers - unrestricted	13,160	78,317
World missions (note 7) - unrestricted	82,904	170,427
Share - unrestricted	104,006	104,374
Send, missions - unrestricted	1,774	8,332
Start - restricted	668,331	746,890
National ministries - restricted	353,878	485,997
Projects - restricted	224,196	618,105
Strengthen - restricted	74,304	147,628
Send, Students - restricted	52,413	37,141
NAMB - restricted	858,106	-
International missions - restricted	410,313	399,958
Send, partners and vlunteers - restricted	65,864	74,254
Send, missions - restricted	2,996	3,400
Interest on long term debt	6,571	6,663
	<u>4,514,097</u>	<u>5,032,544</u>
EXCESS (DEFICIENCY) OF TRADE SALES OVER EXPENSES	<u>\$ 111,335</u>	<u>\$ (244,239)</u>

CANADIAN NATIONAL BAPTIST CONVENTION

**Statement of Cash Flows
Year Ended December 31, 2011**

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of trade sales over expenses	\$ 111,335	\$ (244,239)
Item not affecting cash:		
Amortization of property, plant and equipment	<u>78,364</u>	84,584
	<u>189,699</u>	<u>(159,655)</u>
Changes in non-cash working capital:		
Accounts receivable	(57,213)	59,038
Pre-paid expenses & deposits	(185)	1,084
Accounts payable and accrued liabilities	<u>(12,267)</u>	<u>(8,806)</u>
	<u>(69,665)</u>	51,316
Cash flow from (used by) operating activities	<u>120,034</u>	<u>(108,339)</u>
INVESTING ACTIVITIES		
Investments - CNBC Foundation	30,471	(42,631)
Investments - purchase of property held (\$1 plus assumption of mortgage)	-	(152,360)
Property and equipment purchases	-	(39,704)
Loans and notes receivable	<u>10,000</u>	-
Cash flow from (used by) investing activities	<u>40,471</u>	<u>(234,695)</u>
FINANCING ACTIVITIES		
Advances to related parties	(5,051)	-
Mortgages payable - assumption re property held	(10,448)	136,674
Current portion of mortgage payable	<u>473</u>	<u>9,940</u>
Cash flow from (used by) financing activities	<u>(15,026)</u>	146,614
INCREASE (DECREASE) IN CASH FLOW	145,479	(196,420)
Cash - beginning of year	<u>1,603,620</u>	1,800,040
CASH - END OF YEAR	<u>\$ 1,749,099</u>	<u>\$ 1,603,620</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ 13,154</u>	<u>\$ 6,165</u>
Interest paid	<u>\$ 6,572</u>	<u>\$ 6,666</u>

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

1. ORGANIZATION

The Canadian National Baptist Convention (Convention) (formerly Canadian Convention of Southern Baptists (the "Convention")) commenced operations on January 1, 1985 as an unincorporated, not-for-profit organization. The Convention was incorporated on April 8, 1987 Society Act of the Province of British Columbia. The Convention changed its name to Canadian National Baptist Convention effective December 24, 2008. The Convention is a registered charitable organization and, as such, is not subject to income taxes.

The purpose of the Convention is to provide a channel for co-operating churches to work together to carry out Christ's mission of preaching, teaching, healing and ministering to all persons throughout the world.

The Convention consists of messengers who are members elected and certified by Baptist churches co-operating with and contributing financially to its work. The National Leadership Board, elected by the Convention, handles the Convention's affairs and functions as the Convention between its annual meetings.

Continued operation of the Convention is dependent on the continued donations of interested parties including the North American Mission Board (NAMB), Canadian churches, and interested individuals.

In 2011, there was a change in the NAMB structure which included the setting up of a regional office in Canada. Significant additional funding for this regional office is included in restricted funds.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Convention are as follows:

Basis of presentation

The Convention's financial statements are prepared in accordance with Canadian generally accepted accounting principles. They include the assets and operations of the Convention. They do not include constituent churches. They do not include the controlled entities being the Seminary and Foundation (see note 9).

Going concern

Management assesses regularly whether there are any events or conditions that may cast significant doubt upon the Convention'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.

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CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting

The Convention follows the restricted fund method of accounting for contributions (donations) and reports operations through various funds and a description of the purposes of each fund is as follows:

(a) Unrestricted general funds are used by the Executive Board to carry on the general operations of the Convention. The general fund consists primarily of Convention approved budget items for programs and administration. The principal sources of support and contributions are from supporting churches, 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 Convention's capital additions and for funds obtained through financing of the additions to the facilities. As well, property held for future church development is recorded in this fund.

(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 Convention operations or other designated purposes. The endowment balances were gifted to the Canadian National Baptist Convention Foundation during 2009 with the same trust conditions precedent.

Cash equivalents

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

Investments

All investments held at CNBC Foundation are carried at fair value (Note 3).

At times, property is acquired from churches as they close with the intent to hold the property until the property can be transferred to another suitable church body. This property is recorded at the lower of cost and fair value.

Allowance for impaired loans

Management reviews the member Church loans and records specific allowances, when required, to reduce their carrying amounts to their estimated realizable values.

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CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings - cost	4%	straight-line method
Machinery, equipment, furniture & fixtures - cost	20%	straight-line method
Motor vehicles	20%	straight-line method
Computer equipment	20%	straight-line method

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

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 valuation of financial instruments, amortization of property and equipment, and collectibility of accounts receivable.

Contributed services

Volunteers contribute their time during the year to assist the Convention in carrying out its service and completing various building projects. Contributed services are recognized in the financial statements only when a reasonable market value for volunteer labour hours is determined.

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 operations and support.

Future Accounting Standards

The Convention intends to implement the new Accounting Standards for Not-for-Profit Organizations effective for the December 31, 2012 year end. No material changes are expected.

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

3. FINANCIAL INSTRUMENTS

The Convention's financial instruments consist of cash, accounts receivable, investments, notes receivable, accounts payable and accrued liabilities and mortgages payable.

All financial assets have been classified as held for trading and accordingly are initially recorded at cost. Carrying values are adjusted to the fair value at each year end (determined by reference to prices available in public trading markets) when fair value can be determined. Property held for future church development is recorded at the lower of cost and market as there is intent to transfer, gift or sell the the property but not necessarily for fair value. Any increase or decrease in the fair values are reported as investment income on the statement of operations. Financial liabilities are classified as other liabilities and recorded at amortized cost.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Convention is exposed to credit risk from ministry partners and customers. In order to reduce its credit risk, the Convention reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Convention has a significant number of customers which minimizes concentration of credit risk.

Currency Risk

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

4. NOTES RECEIVABLE

Investments consist of non-interest bearing notes receivable due from member churches. Of the \$55,000 outstanding, \$15,000 is due in 2012 and \$40,000 is due in 2014.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land - cost	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Buildings - cost	1,256,893	575,626	681,267	731,544
Machinery, equipment, furniture & fixtures - cost	218,380	214,815	3,565	7,624
Computer equipment	353,474	353,474	-	18,758
Motor vehicles	73,015	68,874	4,141	9,412
	<u>\$ 1,926,762</u>	<u>\$ 1,212,789</u>	<u>\$ 713,973</u>	<u>\$ 792,338</u>

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

6. WORLD MISSIONS

It is the Convention's policy to give 27.5% (27% in 2010) of its total Cooperative Program receipts to World Missions. The National Leadership Board of the Convention has elected to increase the percentage amount by one half a percent each year (to a maximum of 50%). These World Mission funds are distributed as follows:

	<u>2011</u>	<u>2010</u>
Disbursed to the Executive Committee, SBC	\$ 33,162	\$ 42,620
Canadian Southern Baptist Seminary Operating Fund transfer	41,452	42,619
Baptist Global Response	8,290	-
	<u>\$ 82,904</u>	<u>\$ 85,239</u>

7. PROPERTY HELD

In 2010 a church closed and the property was gifted for \$1 plus their mortgage outstanding at \$152,359 (Note 8). The property was recorded at cost (fair market value estimated at \$485,000) with the intention to transfer the property to a future church plant.

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

8. LONG TERM DEBT

	<u>2011</u>	<u>2010</u>
League Savings and Mortgage loan bearing interest at 4.65% per annum, repayable in monthly blended payments of \$1,379. The loan matures on March 31, 2022 and is secured by the property held (Note 7 - 3284 St. Margaret's Bay Road, Halifax, NS).	\$ 136,638	\$ 146,615
Amounts payable within one year	<u>(10,413)</u>	<u>(9,940)</u>
	<u>\$ 126,225</u>	<u>\$ 136,675</u>

Principal repayment terms are approximately:

2012	\$ 10,411
2013	10,906
2014	11,424
2015	11,967
2016	12,535
Thereafter	<u>79,393</u>
	<u>\$ 136,636</u>

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2011

9. CONTROLLED ENTITIES AND RELATED TRANSACTIONS

The following is a summary of the charitable organizations which are not included in these financial statements:

	Canadian Southern Baptist Seminary	Canadian National Baptist Convention Foundation
Invested with Foundation	\$ 1,573,152	\$ -
Other Assets	4,880,316	3,815,492
Total Assets	6,453,468	3,815,492
Liabilities - regular	624,733	6,868
Due to Convention	-	630,106
Due to Seminary	-	1,573,152
Due to Westcoast Baptist Association	-	468,066
Total Liabilities	624,733	-
Net Assets	5,828,735	-
Revenues	1,603,903	18,464
Expenses	2,039,990	82,847
Operations net	(436,087)	(64,383)
Cash flows - operations	(157,359)	(66,870)
Cash flows - financing / investing	(110,156)	109,848

All entities follow substantially the same accounting principles.

(1) Canadian Southern Baptist Seminary (Seminary) provides for certain educational needs of the constituency. Seminary revenue and Convention expenses includes \$ (2010 : \$279,368) of program resourcing. At December 31, 2011, accounts payable included \$8,797 (2010: \$0) owing to the Seminary.

(2) Canadian National Baptist Convention Foundation (Foundation) purpose is to financially support, enable and facilitate the ministry of the Convention and its associated and affiliated charitable organizations. Foundation revenue and Convention expenses includes \$3,750 (2010- \$15,013) of program resourcing. As well, Convention revenue includes net investment income/(loss) of \$(30,471) (2010 : \$100,823) from the Foundation.

10. LEASE COMMITMENTS

2012	\$ 79,665
2013	79,665
2014	56,165
2015	28,341
2016	23,583
Thereafter	7,752
	<u>\$ 275,171</u>

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.