

**CANADIAN NATIONAL BAPTIST CONVENTION
FOUNDATION**

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 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, 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.

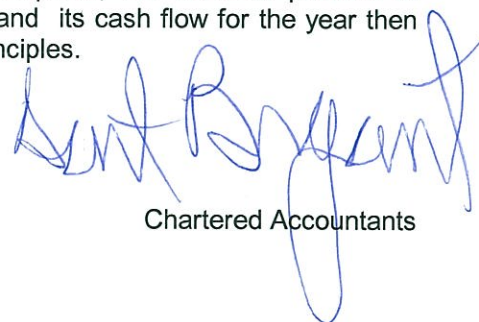
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation 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 Foundation 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 the Foundation 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.



Chartered Accountants



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

	2011		2010	
ASSETS	Unrestricted Funds	Restricted Funds	Endowment Funds	Total
CURRENT				
Cash	\$ 60,872	\$ -	\$ -	\$ 60,872
Accounts receivable	1,359	-	-	1,359
	62,231	-	-	62,231
INVESTMENTS				
Marketable securities	-	2,640,440	1,036,109	3,676,549
Interfund	6,287	(45,828)	39,541	-
Mortgages receivable - Note 4	-	76,712	-	76,712
	6,287	2,671,324	1,075,650	3,753,261
	\$ 68,518	\$ 2,671,324	\$ 1,075,650	\$ 3,815,492
LIABILITIES & FUND BALANCES				
CURRENT				
Accounts payable and accrued liabilities	\$ 6,868	\$ -	\$ -	\$ 6,868
DUE TO OTHERS - Note 5		468,066		468,066
DUE TO RELATED ORGANIZATIONS - Note 6	-	2,203,258	-	2,203,258
FUND BALANCES				
Unrestricted	61,650	-	-	61,650
Endowment - Note 7	-	-	1,075,650	1,075,650
	61,650	-	1,075,650	1,137,300
	\$ 68,518	\$ 2,671,324	\$ 1,075,650	\$ 3,815,492
				\$ 3,999,800

APPROVED ON BEHALF OF THE BOARD:


 _____ Member


 _____ Member

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Operations and Changes in Fund Balances
Year Ended December 31, 2011

	2011			2010		
	Unrestricted Funds	Restricted Funds	Endowment Funds	Total	Total	Total
REVENUES						
Investment income (loss)	-	-	\$ (41,618)	\$ (41,618)	\$ (41,618)	\$ 80,885
Contributions	938	-	1,445	2,383	2,383	3,848
Canadian National Baptist Convention	3,750	-	-	3,750	3,750	15,000
Management fees - Note 8	37,276	-	-	37,276	37,276	-
	41,964	-	(40,173)	1,791	1,791	99,733
EXPENSES						
Donations	-	-	51,152	51,152	51,152	45,020
Wages and benefits	2,518	-	-	2,518	2,518	23,164
Office and general	4,504	-	-	4,504	4,504	3,929
Professional fees	8,000	-	-	8,000	8,000	14,004
Travel	-	-	-	-	-	2,990
Office rent	-	-	-	-	-	-
	15,022	-	51,152	66,174	66,174	89,107
NET REVENUES (EXPENSES) BEFORE INTERFUND TRANSFERS	26,942	-	(91,325)	(64,383)	(64,383)	10,626
Interfund transfer - management fees	25,192	-	(25,192)	-	-	-
NET REVENUES (EXPENSES)	52,134	-	(116,517)	(64,383)	(64,383)	10,626
FUND BALANCES						
Beginning of year	9,516	-	1,192,167	1,201,683	1,201,683	1,191,057
FUND BALANCES - End of year	\$ 61,650	\$ -	\$ 1,075,650	\$ 1,137,300	\$ 1,137,300	\$ 1,201,683

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION**Statement of Cash Flows
Year Ended December 31, 2011**

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (64,383)	\$ 10,626
Changes in non-cash working capital:		
GST payable (receivable)	12	(598)
Accounts payable and accrued liabilities	(2,499)	2,017
	<u>(2,487)</u>	<u>1,419</u>
Cash flow from (used by) operating activities	<u>(66,870)</u>	<u>12,045</u>
INVESTING ACTIVITIES		
Marketable securities	213,841	(1,029,634)
Mortgages receivable	13,434	12,766
	<u>227,275</u>	<u>(1,016,868)</u>
Cash flow from (used by) investing activities	<u>227,275</u>	<u>(1,016,868)</u>
FINANCING ACTIVITIES		
Advances from members	44,601	422,635
Advances from related organizations	(109,830)	473,920
Advance from Westcoast Baptist Association	(7,596)	475,662
	<u>(72,825)</u>	<u>1,372,217</u>
Cash flow from (used by) financing activities	<u>(72,825)</u>	<u>1,372,217</u>
INCREASE IN CASH FLOW	87,580	367,394
Cash - beginning of year	<u>17,893</u>	<u>73,134</u>
CASH - END OF YEAR	\$ 105,473	\$ 440,528

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

1. ORGANIZATION

Canadian National Baptist Convention Foundation (the "Foundation"- formerly Convention of Southern Baptists Foundation), a wholly controlled subsidiary organization of the Canadian Convention of Southern Baptists 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

These statements are prepared in accordance with Canadian generally accepted accounting principles, the most significant being:

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.

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.

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

Investments

Investments are recorded originally at cost and adjusted to fair value at each reporting date.

(continues)

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

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

Measurement uncertainty

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 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 general fund operations and support.

Change in accounting framework

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has approved Part III of the CICA Handbook - Accounting Standards for Not-for-Profit Organizations, effective for fiscal years commencing after December 31, 2011. The Foundation will adopt these standards for its 2012 fiscal year and does not anticipate that there will be any material effect on its financial statements.

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

3. FINANCIAL INSTRUMENTS

The Foundation financial assets being cash, accounts receivable, and investments which include marketable securities and interfund balances all of which are recorded as held for trading. Mortgages receivable are recorded at amortized cost using the effective interest rate method. Financial liabilities include accounts payable, due to Westcoast Baptist Association and due to related parties all of which are recorded as other liabilities. All these items are recorded at fair value. 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. Mortgages receivable, investments and deposits 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 "Held for Trading" investments and deposits 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.

Financial Asset Impairment

The Foundation assesses impairment of all its financial assets (except those classified as held for trading as they are recorded 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.

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

4. MORTGAGES RECEIVABLE

Mortgages are provided to associated churches on an approved basis.

	<u>2011</u>	<u>2010</u>
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.	\$ 26,809	\$ 38,780
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 is due December 2013.	<u>49,903</u>	<u>51,366</u>
	<u>\$ 76,712</u>	<u>\$ 90,146</u>

5. DUE TO OTHERS

	<u>2011</u>	<u>2010</u>
Due to WestCoast Baptist Association	\$ 468,066	\$ 475,662

The Foundation takes on investments from member churches and affiliated organizations and invests the funds according to the Foundation investment mandate (see Note 3) 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.

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

6. 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>2011</u>	<u>2010</u>
Convention - restricted		
International Missions	\$ 423,857	\$ 446,964
Missions Reserve	57,030	60,139
Partnership and Volunteer Missions	56,267	59,335
MK Scholarship	27,484	28,982
Partner in the Harvest Alberta	20,016	20,337
Jeremy	14,564	14,798
International Mission RSP	16,046	14,371
Keystone New Work	10,004	10,549
Reserve	4,838	5,102
	<u>630,106</u>	<u>660,577</u>
Seminary - restricted		
General Restricted	\$ 729,072	\$ 765,780
Hale Scholarship	208,759	224,765
Faculty Restricted	200,248	211,487
McGough Seminary Day	52,472	55,416
Osborne Miller Scholarship	49,252	53,774
Madalene Cain Scholarship	31,272	33,640
Madam Min-Tuck Chen Memorial Scholarship	32,308	31,620
Heng-Lan Cheng Memorial Scholarship	30,102	28,797
Jimmie & Delores Nelson Memorial Adjunct Professor	26,291	28,068
Blackaby Spiritual Leadership Award	27,029	20,620
Muriel F Blackwell Childhood Education Scholarship	17,278	18,248
The Brandon Harvest Baptist Church Scholarship	11,031	11,867
Stephen Gover Memorial First Nations/Metis Scholarship	10,793	11,610
General Scholarship	10,580	11,380
TBM Scholarship	9,949	10,703
Jesse Morales Memorial	9,535	9,322
David & Judy Young Scholarship	7,618	8,196
Justice Award	6,056	6,515
Blackaby Leadership Lecture Series	5,112	5,399
	<u>1,474,757</u>	<u>1,547,207</u>
Seminary - endowments		
Yew Teck Chung Memorial Scholarship	31,806	34,222
DLH Scholarship	21,424	23,052
Percy & Marion Lee Religious Education Scholarship	12,430	13,014
Len Koster Memorial Scholarship	11,503	12,378
Encouragement Fund	10,871	11,695
Randall Harper Preaching Award	5,249	5,544
Blackaby Chair for Spiritual Leadership	5,112	5,399
	<u>98,395</u>	<u>105,304</u>
	<u>\$ 2,203,258</u>	<u>\$ 2,313,088</u>

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

7. ENDOWMENT FUNDS

	<u>2011</u>	<u>2010</u>
Convention		
Martha Hawkins Puckett Memorial Fund	\$ 41,434	\$ 45,926
BSM Endowment Fund	5,173	6,621
Cunningham Fund	6,208	5,734
	<u>52,815</u>	<u>58,281</u>
 Foundation		
Armstrong Avenue Baptist Endowment	\$ 507,837	\$ 559,638
Church Building Endowment Fund	330,581	364,381
Freeman Trust Fund	81,098	89,390
John & Mary Nance Scholarship Fund	35,534	37,634
Hale Trust Fund	25,271	27,855
Ian Evans Endowment Fund	17,678	19,485
Church Planting Endowment Fund	9,715	10,708
Poverty & Disaster Relief Endowment Fund	9,992	10,594
Scarborough Baptist Church Endowment Fund	-	8,547
Foundation Endowment Fund	5,129	5,654
	<u>1,022,835</u>	<u>1,133,886</u>
	<u>\$ 1,075,650</u>	<u>\$ 1,192,167</u>

8. 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. No fees were charged in 2010 but in 2011 fees were charged for both 2010 and 2011 as follows:

	<u>2011</u>	<u>2010</u>
Convention - 2011	\$ 4,825	\$ -
- 2010	9,174	-
Seminary - 2011	12,013	-
- 2010	7,731	-
Other	3,533	-
	<u>\$ 37,276</u>	<u>\$ -</u>