

CANADIAN SOUTHERN BAPTIST SEMINARY
Financial Statements
Year Ended December 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Southern Baptist Seminary

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Southern Baptist Seminary, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and cash flow 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 auditors' 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 of Qualified Opinion

In common with many charitable organizations, the Seminary derives revenue from Contributions and gifts, 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 Seminary 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 Canadian Southern Baptist Seminary 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

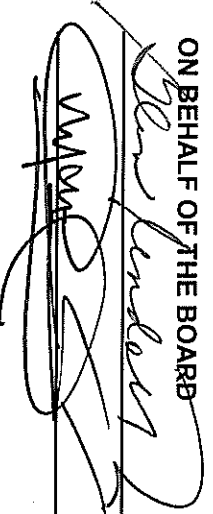
May 3, 2012



CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Financial Position
As at December 31, 2011

	General Funds	Other Restricted	Capital Restricted	Endowment Funds	2011 TOTALS	2010 TOTALS
	\$	\$	\$	\$	\$	\$
ASSETS						
CURRENT						
Cash	174,373	308,549	261,410	-	744,332	1,011,847
Accounts receivable	44,444	18,239	1,715	-	64,398	56,071
Inventories	60,598	-	-	-	60,598	54,470
Prepays and deposits	53,122	3,594	-	-	56,716	69,087
	332,537	330,382	263,125	-	926,044	1,191,475
INVESTMENTS						
(at CNBC Foundation)		1,474,757	-	98,395	1,573,152	1,617,225
PROPERTY AND EQUIPMENT						
(Note 4)	332,537	1,805,139	4,217,397	98,395	6,453,468	6,989,147
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	77,245	-	533,574	-	77,245	70,415
Deferred revenue	13,914	-	-	-	13,914	15,406
Demand loans	(Note 5)	-	533,574	-	533,574	638,504
	91,159	-	533,574	-	624,733	724,325
FUND BALANCES						
Endowment	(Note 6)	-	-	98,395	98,395	103,406
Restricted	(Note 7)	1,805,139	263,125	-	2,068,264	2,378,259
Invested in property and equipment		3,420,698	3,420,698	-	3,420,698	3,541,943
Unrestricted		-	-	-	241,378	241,214
	241,378	-	-	-	241,378	241,214
	241,378	1,805,139	3,683,823	98,395	5,828,735	6,264,822
	332,537	1,805,139	4,217,397	98,395	6,453,468	6,989,147

ON BEHALF OF THE BOARD



Trustee

Trustee

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Operation and Changes in Fund Balances
Year Ended December 31, 2011

	General Funds	Other Restricted	Capital Restricted	Endowment Funds	2011 TOTALS	2010 TOTALS
	\$	\$	\$	\$	\$	\$
REVENUES						
NAMB (Note 8)	163,233				163,233	216,816
CNBC (Note 1)	57,785				57,785	62,552
Contributions and gifts	578,098	93,554	4,383	350	676,385	1,234,143
BMI (Note 8)	116,341				116,341	114,286
Student fees	275,620				275,620	308,224
Rental Revenue	224,276				224,276	251,019
Bookstore and other sales	125,237				125,237	142,991
Investment and other income (loss) - CNBC Foundation		(49,420)		(3,507)	(52,927)	68,765
Investment Income - Other	401	4,045	3,084		7,530	-
Other income	7,153	1,070	2,200		10,423	1,486
	1,548,144	49,249	9,667	(3,157)	1,603,903	2,400,282
EXPENSES						
Administrative offices	370,796	26,400			397,196	354,797
Institutional advancement offices	221,163	8,832			229,995	240,023
Academic services	458,206	27,506			485,712	506,998
Campus Services	536,553				536,553	488,868
Amortization			275,472		275,472	268,666
Interest			22,160		22,160	22,796
Other		88,089	2,959	1,854	92,902	93,514
	1,586,718	150,827	300,591	1,854	2,039,990	1,975,662
NET OPERATIONS - prior to transfers	(38,574)	(101,578)	(290,924)	(5,011)	(436,087)	424,620
Transfers:						
Capital	(7,640)	(424)	8,064		-	-
Operating	173,468	(173,468)			-	-
Interest	(22,160)		22,160		-	-
Debt repayment	(104,930)		104,930		-	-
Net transfers	38,738	(173,892)	135,154	-	-	-
NET REVENUES (EXPENDITURES)	164	(275,470)	(155,770)	(5,011)	(436,087)	424,620
FUND BALANCES - beginning of year	241,214	2,080,609	3,839,593	103,406	6,264,822	5,840,202
FUND BALANCES - end of year	241,378	1,805,139	3,683,823	98,395	5,828,735	6,264,822

Please see Notes

CANADIAN SOUTHERN BAPTIST SEMINARY

Statement of Cash Flow

Year Ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (436,087)	\$ 424,620
Item not affecting cash:		
Amortization - Capital Restricted	<u>275,472</u>	268,666
	<u>(160,615)</u>	693,286
Changes in non-cash working capital:		
Accounts receivable	(8,327)	(38,566)
Inventory	(6,127)	10,496
Accounts payable and accrued liabilities	6,830	(503)
Deferred income / revenue	(1,491)	10,254
Prepaid expenses	<u>12,371</u>	<u>(9,297)</u>
	<u>3,256</u>	(27,616)
Cash flow from (used by) operating activities	<u>(157,359)</u>	665,670
INVESTING ACTIVITIES		
Purchase of equipment	(49,298)	(176,306)
Proceeds on disposal of equipment	-	26,167
Investments at CNBC Foundation	<u>44,073</u>	<u>(396,002)</u>
Cash flow used by investing activities	<u>(5,225)</u>	(546,141)
FINANCING ACTIVITY		
Draws on (repayment of) demand loans	<u>(104,931)</u>	(104,404)
Cash flow used by financing activity	<u>(104,931)</u>	(104,404)
INCREASE (DECREASE) IN CASH FLOW	(267,515)	15,125
Cash - beginning of year	<u>1,011,847</u>	996,722
CASH - END OF YEAR	<u>\$ 744,332</u>	<u>\$ 1,011,847</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended December 31, 2011

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 Convention.

2. SIGNIFICANT ACCOUNTING POLICIES

Introduction paragraph for policies without reference to differential reporting

The significant accounting policies of the organization are as follows:

Basis of presentation

The organization's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

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.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended December 31, 2011

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.

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

Year Ended December 31, 2011

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.

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the organization. The organization is currently evaluating the effect of adopting these standards.

The Accounting Standards Board will be implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2012. The organization intends to adopt these standards as at January 1, 2012 and expect no material change as a result.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, funds deposited with CNBC Foundation (which include investments in marketable securities, accounts receivable, accounts payable and accrued liabilities and demand loans.

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 of the deposits and investments at each year end (determined by reference to price available on public trading markets). Any increase or decrease in the fair values are reported as investment income on the statement of operations. All financial liabilities are classified as other liabilities and recorded at amortized cost, which approximates fair value due to the immediate or short term maturity of these instruments.

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 customers 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

Year Ended December 31, 2011

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land - cost	\$ 142,500	\$ -	\$ 142,500	\$ 142,500
Land improvements	1,347,068	275,667	1,071,401	1,073,011
Buildings	2,463,688	1,629,647	834,041	914,739
Housing	3,568,372	1,751,010	1,817,362	1,926,631
Library Books	243,799	222,275	21,524	19,485
Furniture and equipment	526,223	500,619	25,604	43,597
Technology and computer equipment	336,594	332,084	4,510	7,132
Machinery and equipment	191,250	163,226	28,024	40,087
Motor vehicles	88,902	79,595	9,307	13,264
	<u>\$ 8,908,396</u>	<u>\$ 4,954,123</u>	<u>\$ 3,954,273</u>	<u>\$ 4,180,446</u>

5. DEMAND LOANS

	2011	2010
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.	\$ 212,049	\$ 255,366
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.	321,525	383,138
	<u>\$ 533,574</u>	<u>\$ 638,504</u>

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

	2011	2010
Endowment Funds		
Yew-Teck Chung Memorial Scholarship Fund	\$ 31,806	\$ 33,559
DLH Scholarship Fund	21,424	22,606
Percy and Marion Lee Religious Education Scholarship Fund	12,430	12,762
Len Koster Memorial Scholarship	11,503	12,138
Encouragement Fund	10,871	11,612
The Randall Harper Preaching Award	5,249	5,437
Blackaby Chair for Spiritual leadership	5,112	5,292
	<u>\$ 98,395</u>	<u>\$ 103,406</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended December 31, 2011

7. RESTRICTED FUNDS

	<u>2011</u>	<u>2010</u>
Restricted Funds		
General restricted fund	\$732,846	\$796,624
Funded reserve	216,149	345,015
Hale Scholarship	208,759	214,573
Faculty restricted fund	200,248	206,452
McGough Seminary Day fund	52,472	54,343
Osborne/Miller Scholarship fund	49,252	54,420
Nehemiah fund	33,605	46,092
Madam Min-Tuck Chen Memorial Scholarship	32,308	34,842
Madalene Cain Scholarship	31,272	32,976
Heng-Lan Cheng Memorial Scholarship fund	30,102	31,733
Blackaby Spiritual Leadership Award	27,029	24,928
The Jimmie & Dolores Nelson Memorial Adjunct Professor fund	26,291	27,525
Library fund	23,615	22,235
Current Scholarship fund	17,303	23,888
Muriel F Blackwell Childhood Education Scholarship	17,278	17,894
Student housing deposits fund	16,120	16,197
The Brandon Harvest Baptist Church Scholarship	11,031	11,636
Stephen Gover Memorial First Nations/Metis Scholarship fund	10,793	11,385
General Scholarship fund	10,580	11,160
TBM Scholarship fund	9,949	10,496
Morales Evangelism Award	9,805	9,222
Miscellaneous fund	8,396	46,419
David & Judi Young Scholarship	7,618	8,038
Justice Award fund	6,056	6,388
Blackaby Leadership Lecture Series	5,112	5,292
Price Memorial Scholarship	4,569	4,520
Academic/Administration fund	4,293	2,555
Student Services fund	2,276	3,720
Student Recruitment fund	10	-
Special Events fund	-	41
	<u>\$1,805,139</u>	<u>\$2,080,609</u>
Capital Fund		
Technology fund	\$176,101	172,710
Spears Seminary Recreation fund	82,592	79,899
Capital fund	4,432	4,091
Project fund	-	\$40,950
	<u>\$263,125</u>	<u>\$297,650</u>
Grand total	<u>\$2,068,264</u>	<u>\$2,378,259</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended December 31, 2011

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 and College (CSBS&C).

The Nehemiah Professor of Church Planting is paid directly by NAMB and is jointly supervised by NAMB and CSBS&C. NAMB does not have any influence in the day-to-day operations nor the creation and implementation of policies at CSBS&C. Their role is one of support in helping CSBS&C 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 and College, 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&C in any regard. It is strictly an organization in voluntary partnership with this institution.
