

CANADIAN SOUTHERN BAPTIST SEMINARY
Financial Statements
Year Ended June 30, 2015



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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 statement of financial position as at June 30, 2015 and the statements of operation and changes in fund balances 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 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 donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2015, current assets and net assets as at June 30, 2015.

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, 2015 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.



Chartered Accountants

October 29, 2015

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Financial Position
June 30, 2015

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2015	Total 2014
ASSETS						
CURRENT						
Cash	\$ 229,840	\$ 312,264	\$ 165,885	\$ 228	\$ 708,217	\$ 525,483
Accounts receivable	62,035	297,650	785	5,307	365,777	76,074
GST recoverable	3,213	-	-	-	3,213	949
Prepays and deposits	41,233	3,594	-	-	44,827	75,453
	336,321	613,508	166,670	5,535	1,122,034	677,959
INVESTMENTS (at CNBC Foundation)	-	1,973,585	-	109,524	2,083,109	1,845,742
PROPERTY AND EQUIPMENT (Net) (Note 4)	-	-	3,300,010	-	3,300,010	3,500,270
	\$ 336,321	\$ 2,587,093	\$ 3,466,680	\$ 115,059	\$ 6,505,153	\$ 6,023,971
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable	\$ 81,123	\$ 34,095	\$ 2,744	\$ -	\$ 117,962	\$ 103,124
Deferred revenue	13,288	-	-	-	13,288	10,530
Demand loans (Note 5)	-	-	133,559	-	133,559	253,343
	94,411	34,095	136,303	-	264,809	366,997
FUND BALANCES						
Endowment (Note 6)	-	-	-	115,059	115,059	114,213
Restricted (Note 7)	-	2,552,998	163,925	-	2,716,923	2,055,120
Invested in property and equipment	-	-	3,166,452	-	3,166,452	3,246,927
Unrestricted	241,910	-	-	-	241,910	240,714
	241,910	2,552,998	3,330,377	115,059	6,240,344	5,656,974
	\$ 336,321	\$ 2,587,093	\$ 3,466,680	\$ 115,059	\$ 6,505,153	\$ 6,023,971
LEASE COMMITMENTS (Note 10)						

ON BEHALF OF THE BOARD

Richard MacNeill

Richard MacNeill

Trustee

Cathery Chudalova

Cathery Chudalova

Trustee

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Operation and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2015	Total Six months 2014
REVENUES						
NAMB (Note 8)	\$ 164,064	-	-	-	\$ 164,064	\$ 82,031
CNBC (Note 1)	66,052	-	-	-	66,052	28,352
Contributions & gifts	545,265	699,170	-	560	1,244,995	580,823
BMI (Note 8)	122,987	-	-	-	122,987	60,137
Student fees	336,744	-	-	-	336,744	174,487
Rental revenue	467,835	-	-	-	467,835	201,826
Bookstore & other sales	-	-	-	-	-	74,699
Investment income - CNBC Foundation	-	105,312	-	5,868	111,180	118,682
Investment income - other	885	3,015	1,756	-	5,656	2,632
Other Income	47,020	810	8,275	-	56,105	19,292
	<u>1,750,852</u>	<u>808,307</u>	<u>10,031</u>	<u>6,428</u>	<u>2,575,618</u>	<u>1,342,961</u>
EXPENSES						
Administrative offices	372,418	-	-	-	372,418	214,437
Institutional advancement offices	245,314	-	-	-	245,314	118,223
Academic services	496,343	61,410	-	-	557,753	256,201
Campus services	471,244	-	-	-	471,244	304,693
Amortization	-	-	257,581	-	257,581	124,382
Interest	-	-	7,105	-	7,105	5,226
Other	-	72,874	2,377	5,582	80,833	79,200
	<u>1,585,319</u>	<u>134,284</u>	<u>267,063</u>	<u>5,582</u>	<u>1,992,248</u>	<u>1,102,362</u>
NET OPERATIONS - prior to transfers	165,533	674,023	(257,032)	846	583,370	240,599
TRANSFERS						
Capital	(36,634)	(106)	36,740	-	-	-
Operating	(814)	814	-	-	-	-
Interest	(7,105)	-	7,105	-	-	-
Debt repayment (advances)	(119,785)	-	119,785	-	-	-
	<u>(164,338)</u>	<u>708</u>	<u>163,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES (EXPENDITURES)	1,195	674,731	(93,402)	846	583,370	240,599
FUND BALANCES - beginning of year	240,715	1,878,267	3,423,779	114,213	5,656,974	5,416,375
FUND BALANCES - end of year	\$ 241,910	\$ 2,552,998	\$ 3,330,377	\$ 115,059	\$ 6,240,344	\$ 5,656,974

CANADIAN SOUTHERN BAPTIST SEMINARY
Statement of Cash Flows
Year Ended June 30, 2015

	General	Other	Capital	Endowment	Total	Total
	Fund	Funds	Fund	Funds	2015	Six Months 2014
OPERATING ACTIVITIES						
Excess (deficiency) of revenues over expenses	\$ 1,195	\$ 674,731	\$ (93,402)	\$ 846	\$ 583,370	\$ 240,599
Items not affecting cash:						
Amortization	-	-	257,581	-	257,581	124,382
Gift in kind donation	-	-	-	-	-	(110,000)
	1,195	674,731	164,179	846	840,951	254,981
Changes in non-cash working capital:						
Accounts receivable	9,955	(294,391)	41	(5,307)	(289,702)	(47,434)
Inventory	-	-	-	-	-	44,624
Accounts payable	4,976	7,115	2,744	-	14,835	16,167
Deferred revenue	2,757	-	-	-	2,757	(8,516)
Prepaid expenses	30,627	-	-	-	30,627	8,196
GST payable (receivable)	(2,264)	-	-	-	(2,264)	1,301
	46,051	(287,276)	2,785	(5,307)	(243,747)	14,338
	47,246	387,455	166,964	(4,461)	597,204	269,319
Cash flow from operating activities	-	-	(58,256)	-	(58,256)	(18,552)
INVESTING ACTIVITIES						
Purchase of equipment	-	-	934	-	934	-
Proceeds on disposal of property & equipment	-	(236,404)	-	(960)	(237,364)	37,377
Investments at CNBC Foundation	-	(236,404)	(57,322)	(960)	(294,686)	18,825
Cash flow from (used by) investing activities	-	-	(119,784)	-	(119,784)	(286,418)
FINANCING ACTIVITY						
Draws on (repayment of) demand loans	47,246	151,051	(10,142)	(5,421)	182,734	1,726
INCREASE (DECREASE) IN CASH FLOW						
	182,594	161,213	176,027	5,649	525,483	523,757
Cash - beginning of year	229,840	\$ 312,264	\$ 165,885	\$ 228	\$ 708,217	\$ 525,483

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended June 30, 2015

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

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (GAAP) applied on a going concern basis.

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.

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CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended June 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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CANADIAN SOUTHERN BAPTIST SEMINARY
Notes to Financial Statements
Year Ended June 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and ability to collect on accounts receivable.

Allocated expenses

The organization had fundraising costs of \$86,041 during the year. All general expenses are included in general fund administrative offices costs.

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.

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended June 30, 2015

4. PROPERTY & EQUIPMENT

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land - cost	\$ 142,500	\$ -	\$ 142,500	\$ 142,500
Land improvements	1,357,811	426,959	930,852	974,232
Buildings	2,624,422	1,917,449	706,973	763,795
Housing	3,568,371	2,133,453	1,434,918	1,544,189
Library books	262,029	237,801	24,228	24,222
Furniture and equipment	532,008	504,297	27,711	33,130
Technology and computer equipment	345,295	329,702	15,593	1,085
Machinery and equipment	198,598	181,613	16,985	16,271
Motor vehicles	88,902	88,652	250	846
	\$ 9,119,936	\$ 5,819,926	\$ 3,300,010	\$ 3,500,270

5. DEMAND LOANS

	2015	2014
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.	\$ 46,923	\$ 96,366
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.	86,636	156,977
	\$ 133,559	\$ 253,343

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

	2015	2014
Yew-Teck Chung Memorial Scholarship Fund	\$ 36,122	\$ 36,278
DLH Scholarship Fund	25,294	25,603
Percy and Marion Lee Religious Education Scholarship Fund	15,508	14,911
Len Koster Memorial Scholarship	13,013	12,690
Encouragement Fund	12,041	12,026
Blackaby Chair for Spiritual leadership	6,729	6,386
The Randall Harper Preaching Award	6,352	6,319
	\$ 115,059	\$ 114,213

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended June 30, 2015

7. RESTRICTED FUNDS

	<u>2015</u>	<u>2014</u>
Restricted Funds		
General restricted fund	\$776,119	\$792,149
Hale Scholarship	690,365	251,784
Faculty restricted fund	329,768	312,935
Funded reserve	229,638	50,168
Osborne/Miller Scholarship fund	59,695	59,648
McGough Seminary Day fund	57,792	58,354
Academic/Administration fund	43,860	2,359
Madam Min-Tuck Chen Memorial Scholarship	40,625	39,512
Heng-Lan Cheng Memorial Scholarship fund	36,832	36,387
Madalene Cain Scholarship	36,702	36,829
Blackaby Spiritual Leadership Award	33,334	32,662
The Jimmie & Dolores Nelson Memorial Adjunct Professor fund	29,038	28,980
Library fund	25,348	24,380
Current Scholarship fund	21,167	10,975
Muriel F Blackwell Childhood Education Scholarship	20,814	20,852
TBM Scholarship fund	17,884	17,921
Nehemiah fund	15,701	16,939
Morales Evangelism Award	13,202	11,838
Stephen Gover Memorial First Nations/Metis Scholarship fund	12,461	12,474
The Brandon Harvest Baptist Church Scholarship	12,060	12,044
General Scholarship fund	11,930	11,967
Blackaby Leadership Lecture Series	11,021	8,703
David & Judi Young Scholarship	9,017	9,006
Justice Award fund	6,696	6,686
Price Memorial Scholarship	5,771	5,476
Miscellaneous fund	5,259	5,712
Student Services fund	899	1,528
	<u>\$2,552,998</u>	<u>\$1,878,268</u>
Capital Fund		
Technology fund	\$77,485	92,155
Spears Seminary Recreation fund	82,045	81,179
Capital fund	4,395	3,518
	<u>\$163,925</u>	<u>\$176,852</u>
Grand total	<u>\$2,716,923</u>	<u>\$2,055,120</u>

CANADIAN SOUTHERN BAPTIST SEMINARY

Notes to Financial Statements

Year Ended June 30, 2015

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.

The **International Mission Board (IMB)** is an agency of the Southern Baptist Convention. The agency partners with churches to empower limitless missionary teams who are making disciples and multiplying churches among unreached peoples and places for the glory of God. The Mission of the agency is evangelizing, discipling and planting reproducing churches among all peoples in fulfillment of the Great Commission. The Vision of the agency is a multitude from every language, people, tribe and nation knowing and worshipping our Lord Jesus Christ.

Two of the agency's seven Core Values have a direct bearing on its partnership with the Canadian Southern Baptist Seminary (CSBS): partner with Baptists and other Christians around the world in accordance with IMB guidelines; and, understand and fulfill God's mission through God's Word, prayer and the leadership of the Holy Spirit. In keeping with its strategy IMB has assumed responsibility for placing three missionary units (couples) at the CSBS. Of these, four people are faculty members and one person is the Director of Student Services.

9. DEFERRED GIFTS

The organization is the owner of certain life insurance policies totaling \$370,000 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.

CANADIAN SOUTHERN BAPTIST SEMINARY
Notes to Financial Statements
Year Ended June 30, 2015

10. LEASE COMMITMENTS

The organization has the following lease commitments for office equipment:

2016	\$	9,025
2017		6,751
2018		<u>5,626</u>
	\$	<u>21,402</u>
