

**CANADIAN SOUTHERN BAPTIST SEMINARY**  
**Financial Statements**  
**Year Ended June 30, 2016**



**DART BRYANT**  
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## INDEPENDENT AUDITOR'S REPORT

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### 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, 2016 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, 2016, current assets and net assets as at June 30, 2016.

### 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, 2016 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.

October 28, 2016



Chartered Accountants

**CANADIAN SOUTHERN BAPTIST SEMINARY**  
**Statement of Financial Position**  
**June 30, 2016**

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2016	Total 2015
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	\$ 229,130	\$ 112,487	\$ 180,992	\$ 2,960	\$ 525,569	\$ 708,218
Accounts receivable	54,935	68,884	583	100	124,502	365,776
GST recoverable	2,528	-	-	-	2,528	3,214
Prepays and deposits	43,923	3,594	-	-	47,517	44,827
	330,516	184,965	181,575	3,060	700,116	1,122,035
<b>INVESTMENTS (at CNBC Foundation)</b>						
	-	2,467,266	-	110,514	2,577,780	2,083,107
<b>PROPERTY AND EQUIPMENT (Net) (Note 4)</b>						
	-	-	3,073,426	-	3,073,426	3,300,010
	\$ 330,516	\$ 2,652,231	\$ 3,255,001	\$ 113,574	\$ 6,351,322	\$ 6,505,152
<b>LIABILITIES AND FUND BALANCES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 91,938	\$ 26,897	\$ -	\$ -	\$ 118,835	\$ 117,962
Deferred revenue	13,446	-	-	-	13,446	13,288
Demand loans (Note 5)	-	-	-	-	-	133,559
	105,384	26,897	-	-	132,281	264,809
<b>FUND BALANCES</b>						
Endowment (Note 6)	-	-	-	113,574	113,574	115,059
Restricted (Note 7)	-	2,625,334	181,575	-	2,806,909	2,716,923
Invested in property and equipment	-	-	3,073,426	-	3,073,426	3,166,452
Unrestricted	225,132	-	-	-	225,132	241,909
	225,132	2,625,334	3,255,001	113,574	6,219,041	6,240,343
	\$ 330,516	\$ 2,652,231	\$ 3,255,001	\$ 113,574	\$ 6,351,322	\$ 6,505,152

LEASE COMMITMENTS (Note 10)

ON BEHALF OF THE BOARD



Richard MacNeil



Terry Branscombe

Trustee

Trustee

**CANADIAN SOUTHERN BAPTIST SEMINARY**  
**Statement of Operation and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	General Fund	Other Funds	Capital Fund	Endowment Funds	Total 2016	Total 2015
<b>REVENUES</b>						
Contributions & gifts	\$ 482,075	\$ 415,864	\$ 30,675	\$ 2,747	\$ 931,361	\$ 1,244,995
CNBC (Note 1)	52,956	-	-	-	52,956	66,052
BMI (Note 8)	48,885	-	-	-	48,885	122,987
NAMB (Note 8)	-	-	-	-	-	164,065
Student fees	295,974	-	-	-	295,974	336,744
Rental revenue	472,779	-	-	-	472,779	467,835
Investment income - CNBC Foundation	-	29,703	-	1,094	30,797	111,179
Investment income - other	104	2,934	1,369	-	4,407	5,655
Other Income	56,560	2,285	4,920	-	63,765	56,105
	1,409,333	450,786	36,964	3,841	1,900,924	2,575,617
<b>EXPENSES</b>						
Administrative offices	249,648	183,000	-	-	432,648	432,418
Institutional advancement offices	125,683	78,000	-	-	203,683	245,314
Academic services	418,652	43,807	-	-	462,459	497,753
Campus services	486,382	-	-	-	486,382	471,244
Amortization	-	-	259,768	-	259,768	257,581
Interest	-	-	2,131	-	2,131	7,105
Other	-	67,063	2,767	5,325	75,155	80,832
	1,280,365	371,870	264,666	5,325	1,922,226	1,992,247
NET OPERATIONS - prior to transfers	128,968	78,916	(227,702)	(1,484)	(21,302)	583,370
<b>TRANSFERS</b>						
Capital	(10,056)	(6,580)	16,636	-	-	-
Operating	-	-	-	-	-	-
Interest	(2,131)	-	2,131	-	-	-
Debt repayment (advances)	(133,559)	-	133,559	-	-	-
	(145,746)	(6,580)	152,326	-	-	-
<b>NET REVENUES (EXPENDITURES)</b>	(16,778)	72,336	(75,376)	(1,484)	(21,302)	583,370
FUND BALANCES - beginning of year	241,910	2,552,998	3,330,377	115,058	6,240,343	5,656,973
<b>FUND BALANCES - end of year</b>	\$ 225,132	\$ 2,625,334	\$ 3,255,001	\$ 113,574	\$ 6,219,041	\$ 6,240,343

**CANADIAN SOUTHERN BAPTIST SEMINARY**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

	General	Other	Capital	Endowment	Total	Total
	Fund	Funds	Fund	Funds	2016	2015
<b>OPERATING ACTIVITIES</b>						
Net revenues (expenditures)	\$ (16,778)	\$ 72,336	\$ (75,376)	\$ (1,484)	\$ (21,302)	\$ 583,370
Items not affecting cash:						
Amortization	-	-	259,768	-	259,768	257,581
	(16,778)	72,336	184,392	(1,484)	238,466	840,951
Changes in non-cash working capital:						
Accounts receivable	7,099	228,768	201	5,207	241,275	(289,702)
Accounts payable	10,816	(7,200)	(2,743)	-	873	14,838
Deferred revenue	158	-	-	-	158	2,757
Prepaid expenses	(2,690)	-	-	-	(2,690)	30,626
GST payable (receivable)	685	-	-	-	685	(2,264)
	16,068	221,568	(2,542)	5,207	240,301	(243,745)
	(710)	293,904	181,850	3,723	478,767	597,206
Cash flow from operating activities	-	-	(34,684)	-	(34,684)	(58,256)
<b>INVESTING ACTIVITIES</b>						
Purchase of equipment	-	-	1,500	-	1,500	934
Proceeds on disposal of property & equipment	-	(493,681)	-	(992)	(494,673)	(237,365)
Investments at CNBC Foundation	-	-	-	-	-	-
Cash flow from (used by) investing activities	-	(493,681)	(33,184)	(992)	(527,857)	(294,687)
<b>FINANCING ACTIVITY</b>						
Draws on (repayment of) demand loans	-	-	(133,559)	-	(133,559)	(119,784)
	(710)	(199,777)	15,107	2,731	(182,649)	182,735
<b>INCREASE (DECREASE) IN CASH FLOW</b>						
	229,840	312,264	165,885	229	708,218	525,483
Cash - beginning of year	\$ 229,130	\$ 112,487	\$ 180,992	\$ 2,960	\$ 525,569	\$ 708,218
<b>CASH - END OF YEAR</b>						

# CANADIAN SOUTHERN BAPTIST SEMINARY

## Notes to Financial Statements

Year Ended June 30, 2016

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### 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.

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) 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, 2016**

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**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 unrealized 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, 2016

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### 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 \$65,411 during the year. All general expenses are included in general fund administrative offices costs.

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### 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 was exposed to interest rate risk with respect to its demand debt which was repaid. 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.

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**CANADIAN SOUTHERN BAPTIST SEMINARY**

**Notes to Financial Statements**

**Year Ended June 30, 2016**

**4. PROPERTY & EQUIPMENT**

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land - cost	\$ 142,500	\$ -	\$ 142,500	\$ 142,500
Land improvements	1,357,811	470,339	887,472	930,851
Buildings	2,624,422	2,003,505	620,917	706,973
Housing	3,568,372	2,242,723	1,325,649	1,434,919
Library books	269,857	242,623	27,234	24,228
Furniture and equipment	532,008	509,345	22,663	27,711
Technology and computer equipment	356,151	334,571	21,580	15,593
Machinery and equipment	204,598	186,987	17,611	16,985
Motor vehicles	97,402	89,602	7,800	250
	<b>\$ 9,153,121</b>	<b>\$ 6,079,695</b>	<b>\$ 3,073,426</b>	<b>\$ 3,300,010</b>

**5. DEMAND LOANS**

	2016	2015
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 was repaid in full.	\$ -	\$ 46,923
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 was repaid in full.	-	86,636
	<b>\$ -</b>	<b>\$ 133,559</b>

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**

	2016	2015
Yew-Teck Chung Memorial Scholarship Fund	\$ 34,650	\$ 36,122
DLH Scholarship Fund	24,276	25,294
Percy and Marion Lee Religious Education Scholarship Fund	15,668	15,508
Len Koster Memorial Scholarship	14,208	13,013
Encouragement Fund	11,551	12,041
Blackaby Chair for Spiritual leadership	6,806	6,729
The Randall Harper Preaching Award	6,415	6,352
	<b>\$ 113,574</b>	<b>\$ 115,059</b>

**CANADIAN SOUTHERN BAPTIST SEMINARY**

**Notes to Financial Statements**

**Year Ended June 30, 2016**

**7. RESTRICTED FUNDS**

	<u>2016</u>	<u>2015</u>
<b>Restricted Funds</b>		
Hale Scholarship	\$1,023,828	\$690,365
General restricted fund	753,257	776,119
Faculty restricted fund	333,570	329,768
Osborne/Miller Scholarship fund	57,343	59,695
McGough Seminary Day fund	56,323	57,792
Jeffrey Way Scholarship fund	50,243	-
Madam Min-Tuck Chen Memorial Scholarship	39,083	40,625
Heng-Lan Cheng Memorial Scholarship fund	35,962	36,832
Madalene Cain Scholarship	35,238	36,702
Blackaby Spiritual Leadership Award	32,617	33,334
The Jimmie & Dolores Nelson Memorial Adjunct Professor fund	28,317	29,038
Library fund	26,243	25,348
TBM Scholarship fund	20,179	17,883
Muriel F Blackwell Childhood Education Scholarship	20,006	20,814
Nehemiah fund	15,647	15,700
Morales Evangelism Award	12,969	13,201
Blackaby Leadership Lecture Series	12,533	11,021
Stephen Gover Memorial First Nations/Metis Scholarship fund	11,976	12,461
The Brandon Harvest Baptist Church Scholarship	11,570	12,060
General Scholarship fund	11,439	11,930
Current Scholarship fund	11,193	21,168
David & Judi Young Scholarship	8,649	9,017
Justice Award fund	6,560	6,696
Price Memorial Scholarship	5,550	5,771
Academic/Administration fund	2,122	43,861
Miscellaneous fund	1,299	5,259
Student Services fund	906	899
Mitra Scholarship	445	-
Funded reserve	267	229,639
	<u>\$2,625,334</u>	<u>\$2,552,998</u>
<b>Capital Fund</b>		
Spears Seminary Recreation fund	\$81,828	\$82,044
Technology fund	70,120	77,485
Capital fund	29,627	4,395
	<u>\$181,575</u>	<u>\$163,925</u>
Grand total	<u>\$2,806,909</u>	<u>\$2,716,923</u>

# CANADIAN SOUTHERN BAPTIST SEMINARY

## Notes to Financial Statements

Year Ended June 30, 2016

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### 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.

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### 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.

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**CANADIAN SOUTHERN BAPTIST SEMINARY**

**Notes to Financial Statements**

**Year Ended June 30, 2016**

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**10. LEASE COMMITMENTS**

The organization has the following lease commitments for office equipment:

2017	\$	7,355
2018		6,230
2019		604
2020		403
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	\$	<u>14,592</u>

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