

**CANADIAN NATIONAL BAPTIST CONVENTION
FOUNDATION**

Financial Statements

Year Ended December 31, 2016



DART BRYANT
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INDEPENDENT AUDITOR'S 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, 2016 and the statements of operations and changes in net assets 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 National Baptist Convention Foundation derives revenue from contributions 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 National Baptist Convention Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 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 National Baptist Convention Foundation as at December 31, 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.

May 30, 2017

Chartered Accountants



CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Financial Position
December 31, 2016

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2016	Total 2015
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 99,516	\$ -	\$ -	\$ 99,516	\$ 103,533
Goods and services tax recoverable	1,127	-	-	1,127	1,299
	<u>100,643</u>	<u>-</u>	<u>-</u>	<u>100,643</u>	<u>104,832</u>
INVESTMENTS - Marketable securities (Note 4)					
	-	4,322,001	1,259,034	5,581,035	4,809,595
- Mortgage receivable (Note 5)	-	26,749	-	26,749	42,931
- Interfund	12,508	(3,281)	(9,227)	-	-
	<u>12,508</u>	<u>4,345,469</u>	<u>1,249,807</u>	<u>5,607,784</u>	<u>4,852,526</u>
	<u>\$ 113,151</u>	<u>\$ 4,345,469</u>	<u>\$ 1,249,807</u>	<u>\$ 5,708,427</u>	<u>\$ 4,957,358</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 10,100	\$ -	\$ -	\$ 10,100	\$ 10,500
	<u>-</u>	<u>4,345,469</u>	<u>-</u>	<u>4,345,469</u>	<u>3,623,634</u>
	<u>10,100</u>	<u>4,345,469</u>	<u>-</u>	<u>4,355,569</u>	<u>3,634,134</u>
DUE TO RELATED ORGANIZATIONS (Note 6)					
	103,051	-	-	103,051	91,612
	<u>-</u>	<u>-</u>	<u>1,249,807</u>	<u>1,249,807</u>	<u>1,231,612</u>
	<u>103,051</u>	<u>-</u>	<u>1,249,807</u>	<u>1,352,858</u>	<u>1,323,224</u>
	<u>\$ 113,151</u>	<u>\$ 4,345,469</u>	<u>\$ 1,249,807</u>	<u>\$ 5,708,427</u>	<u>\$ 4,957,358</u>

APPROVED ON BEHALF OF THE BOARD

_____ Member

_____ Member

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2016	Total 2015
REVENUES					
Investment income	\$ -	\$ -	\$ 74,114	\$ 74,114	\$ 64,068
Contributions	-	-	-	-	41,820
Canadian National Baptist Convention	2,127	-	-	2,127	2,598
Management fees (Note 8)	30,272	-	-	30,272	26,776
	32,399	-	74,114	106,513	135,262
EXPENSES					
Donations	-	-	46,692	46,692	56,154
Office and general	21,062	-	-	21,062	21,510
Professional fees	9,125	-	-	9,125	8,400
	30,187	-	46,692	76,879	86,064
EXCESS (DEFICIENCY) OF OPERATIONS BEFORE INTERFUND TRANSFERS	2,212	-	27,422	29,634	49,198
INTERFUND TRANSFERS - management fees	9,227	-	(9,227)	-	-
NET OPERATIONAL EXCESS (DEFICIENCY)	11,439	-	18,195	29,634	49,198
FUND BALANCES, beginning of year	91,612	-	1,231,611	1,323,223	1,274,026
FUND BALANCES, end of year	\$ 103,051	\$ -	\$ 1,249,806	\$ 1,352,857	\$ 1,323,224

See notes to financial statements

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2016

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2016	Total 2015
OPERATING ACTIVITIES					
Net operational excess (deficiency)	\$ 11,439	\$ -	\$ 18,195	\$ 29,634	\$ 49,198
Changes in non-cash working capital:					
Accounts payable and accrued liabilities	(401)	-	-	(401)	(10,501)
Goods and services tax payable	172	-	-	172	(487)
	(229)	-	-	(229)	(10,988)
Cash flow from operating activities	11,210	-	18,195	29,405	38,210
INVESTING ACTIVITIES					
Marketable securities	-	(745,571)	(25,869)	(771,440)	(391,876)
Mortgages receivable	-	16,182	-	16,182	1,940
Cash flow from (used by) investing activities	-	(729,389)	(25,869)	(755,258)	(389,936)
FINANCING ACTIVITIES					
Advances from (to) related parties	-	721,835	-	721,835	351,105
Advances from (to) others	(15,228)	7,554	7,674	-	-
Cash flow from (used by) financing activities	(15,228)	729,389	7,674	721,835	351,105
INCREASE (DECREASE) IN CASH FLOW	(4,018)	-	-	(4,018)	(621)
Cash - beginning of year	103,534	-	-	103,534	104,155
CASH - END OF YEAR	\$ 99,516	\$ -	\$ -	\$ 99,516	\$ 103,534

See notes to financial statements

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

1. ORGANIZATION

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

Basis of presentation

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

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.

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 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

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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

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

Revenue recognition

Canadian National Baptist Convention Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions from donors are recognized as revenue in the unrestricted 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.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Investment income is recorded as earned and includes fair value adjustments to financial assets.

Management fees are recognized as revenue of the unrestricted fund in the period in which it is earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In the financial statements of the Foundation, the more significant areas for which management is required to make near-term estimates is in the assessment of the net realizable value of marketable securities and mortgages receivable. Actual results could differ from these estimates.

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 unrestricted fund office and general expenses.

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

3. FINANCIAL INSTRUMENTS

All financial instruments are recorded originally at Fair Value and are subsequently recorded at each year end date as follows:

Financial assets measured at amortized cost:

Cash
Goods and services tax recoverable
Mortgage receivable
Accounts payable
Due to related organizations

Financial assets measured at fair value:

Investments - Equities in an active market (Note 4)

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. Cash and deposits and investments 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 investments and deposits in an actively traded market 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.

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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

3. FINANCIAL INSTRUMENTS (continued)

Financial Asset Impairment

The Foundation assesses impairment of all its financial assets (except those measured 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.

4. MARKETABLE SECURITIES INVESTMENTS

Investments are recorded in the following classifications:

	Restricted Funds	Endowment Funds	2016	2015
<u>Measured at fair value</u>				
Equity: Canadian publicly traded	\$ 1,595,122	\$ 490,699	\$ 2,085,821	\$ 1,736,361
Equity: International	1,302,659	376,292	1,678,951	1,639,060
	<u>2,897,781</u>	<u>866,991</u>	<u>3,764,772</u>	<u>3,375,421</u>
<u>Measured at amortized cost</u>				
Cash	101,330	26,290	127,620	94,785
Fixed Income	1,322,889	365,754	1,688,643	1,339,389
	<u>1,424,219</u>	<u>392,044</u>	<u>1,816,263</u>	<u>1,434,174</u>
	<u>\$ 4,322,000</u>	<u>\$ 1,259,035</u>	<u>\$ 5,581,035</u>	<u>\$ 4,809,595</u>

5. MORTGAGE RECEIVABLE

Mortgages are provided to associated churches on an approved basis.

	2016	2015
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 matures December 1, 2018.	<u>\$ 26,749</u>	<u>\$ 42,931</u>

CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

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>2016</u>	<u>2015</u>
Convention - restricted		
International Missions	\$ 768,289	\$ 935,226
Regional Ministries	315,516	-
Reserve	143,729	137,409
Mortgage	89,592	-
Partnership and Volunteer Missions	68,000	65,010
Missions Reserve	65,851	62,956
MK Scholarship	33,218	31,757
International Mission RSP	28,877	27,607
Partner in the Harvest Alberta	23,158	22,139
Jeremy	18,807	17,980
Keystone New Work	12,183	11,647
	<u>1,567,220</u>	<u>1,311,731</u>
 Seminary - restricted		
General Restricted	\$ 786,945	\$ 777,121
Hale Scholarship	1,052,997	687,222
Faculty Restricted	350,158	332,573
McGough Seminary Day	59,124	58,158
Osborne Miller Scholarship	58,463	57,180
Dr Jeffrey Way Family Scholarship	52,737	-
Madam Min-Tuck Chen Memorial Scholarship	39,873	38,382
Heng-Lan Cheng Memorial Scholarship	36,701	35,269
Madelaine Cain Scholarship	35,941	35,138
Blackaby Spiritual Leadership Award	34,230	34,845
Jimmie & Delores Nelson Memorial Adjunct Professor	29,725	29,234
Muriel F Blackwell Childhood Education Scholarship	20,424	19,949
TBM Scholarship	20,679	17,150
Jesse Morales Memorial	13,614	13,302
Stephen Gover Memorial First Nations/Metis Scholarship	12,203	11,941
The Brandon Harvest Baptist Church Scholarship	11,777	11,536
General Scholarship	11,639	11,405
Blackaby Leadership Lecture Series	13,164	9,899
David & Judy Young Scholarship	8,816	8,624
Justice Award	6,886	6,740
Price Memorial Scholarshi	5,668	5,533
	<u>2,661,764</u>	<u>2,201,201</u>
 Seminary - endowments		
Yew Teck Chung Memorial Scholarship	\$ 35,324	\$ 34,553
DLH Scholarship	24,748	24,206
Percy & Marion Lee Religious Education Scholarship	16,083	15,074
Len Koster Memorial Scholarship	14,547	12,170
Encouragement Fund	11,905	11,518
Blackaby Chair for Spiritual Leadership	7,145	6,786
Randall Harper Preaching Award	6,733	6,395

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CANADIAN NATIONAL BAPTIST CONVENTION FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2016

6. DUE TO RELATED ORGANIZATIONS (continued)

	<u>116,485</u>	<u>110,702</u>
	<u>\$ 4,345,469</u>	<u>\$ 3,623,634</u>

7. ENDOWMENT FUNDS

	<u>2016</u>	<u>2015</u>
Convention		
Martha Hawkins Puckett Memorial Fund	\$ 50,478	\$ 49,857
BSM Endowment Fund	6,657	6,612
Cunningham Fund	<u>6,243</u>	<u>6,118</u>
	<u>63,378</u>	<u>62,587</u>
 Foundation		
Armstrong Avenue Baptist Endowment	\$ 542,482	\$ 535,362
Church Building Endowment Fund	392,875	387,979
Freeman Trust Fund	87,647	86,096
John & Mary Nance Scholarship Fund	42,211	41,820
Hale Trust Fund	27,468	26,941
Ian Evans Endowment Fund	18,919	18,937
Church Planting Endowment Fund	10,653	10,550
Poverty & Disaster Relief Endowment Fund	15,585	15,276
Foundation Endowment Fund	24,243	22,983
Lloyd McKay Memorial Fund	<u>24,346</u>	<u>23,081</u>
	<u>1,186,429</u>	<u>1,169,025</u>
	<u>\$ 1,249,807</u>	<u>\$ 1,231,612</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 at 0.75% of funds managed.

	<u>2016</u>	<u>2015</u>
Convention	\$ 10,405	\$ 9,929
Seminary	<u>19,867</u>	<u>16,847</u>
	<u>\$ 30,272</u>	<u>\$ 26,776</u>