

CANADIAN NATIONAL BAPTIST CONVENTION
Financial Statements
Year Ended December 31, 2016

Draft

INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian National Baptist Convention

We have audited the accompanying financial statements of Canadian National Baptist Convention, 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 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 National Baptist Convention. 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 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 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.

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

	General Fund	Restricted Fund	Capital Fund	Total 2016	Total 2015
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 328,275	\$ 688,394	\$ 72,116	\$ 1,088,785	\$ 1,152,730
Accounts receivable	135,195	-	-	135,195	57,690
Goods and services tax recoverable	6,702	-	-	6,702	10,523
Prepaid expenses	5,132	-	-	5,132	1,814
	475,304	688,394	72,116	1,235,814	1,222,757
INVESTMENTS - CNBC Foundation	143,730	1,423,490	-	1,567,220	1,311,731
- Property held (Note 4)	-	530,000	125,000	655,000	125,000
PROPERTY AND EQUIPMENT (Note 5)	-	-	459,503	459,503	509,010
	\$ 619,034	\$ 2,641,884	\$ 656,619	\$ 3,917,537	\$ 3,168,498
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 108,506	\$ -	\$ -	\$ 108,506	\$ 62,246
	510,528	-	197,116	707,644	665,406
FUND BALANCES					
Unrestricted	-	2,676,884	-	2,676,884	1,931,835
Restricted	-	(35,000)	459,503	424,503	509,011
Equity in property and equipment (Note 5)	510,528	2,641,884	656,619	3,809,031	3,106,252
	\$ 619,034	\$ 2,641,884	\$ 656,619	\$ 3,917,537	\$ 3,168,498

LEASE COMMITMENTS (Note 6)

APPROVED ON BEHALF OF THE BOARD

_____ Member

_____ Member

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

	General Fund	Restricted Fund	Capital Fund	Total 2016	Total 2015
REVENUES					
North American Mission Board	\$ 1,166,090	\$ 112,320	\$ -	\$ 1,278,410	\$ 1,922,423
Canadian sources	773,441	373,999	-	1,147,440	1,159,560
Projects	-	487,702	-	487,702	664,855
Lifeway Christian Resources	78,992	43,333	-	122,325	114,997
International Mission Board	-	886,726	-	886,726	26,331
Other income	55,157	19,615	-	74,772	57,495
Investment Income	1,689	68,526	-	70,215	66,915
Northwest Baptist Convention	13,553	-	-	13,553	12,989
Regional ministries	-	13,480	-	13,480	-
	2,088,922	2,005,701	-	4,094,623	4,025,565
EXPENSES					
New churches	1,013,754	138,923	-	1,152,677	1,271,254
National ministries	373,794	76,394	-	450,188	1,069,347
Projects	-	321,445	-	321,445	349,126
New disciple makers & strengthen	127,328	42,646	-	169,974	158,517
Finance & administration	310,119	-	-	310,119	351,557
Send	-	48,227	-	48,227	103,920
International missions	-	709,329	-	709,329	519,234
World missions	38,672	-	-	38,672	35,245
New believers & transforming communities	133,076	-	-	133,076	115,343
Amortization	-	-	49,507	49,507	49,507
Regional ministries	-	8,630	-	8,630	-
	1,996,743	1,345,594	49,507	3,391,844	4,023,050
OPERATING (DEFICIENCY) INTERFUND TRANSFERS	92,179	660,107	(49,507)	702,779	2,515
	49,942	(49,942)	-	-	-
NET EXCESS (DEFICIENCY) AFTER INTERFUND TRANSFERS	42,237	710,049	(49,507)	702,779	2,515
NET ASSETS - BEGINNING OF YEAR	468,291	1,931,835	706,126	3,106,252	3,103,737
NET ASSETS - END OF YEAR	\$ 510,528	\$ 2,641,884	\$ 656,619	\$ 3,809,031	\$ 3,106,252

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

	General Fund	Restricted Fund	Capital Fund	Total 2016	Total 2015
OPERATING ACTIVITIES					
Excess (deficiency) of operations after interfund	\$ 42,237	\$ 710,049	\$ (49,507)	\$ 702,779	\$ 2,515
Item not affecting cash:					
Amortization	-	-	49,507	49,507	49,507
	<u>42,237</u>	<u>710,049</u>	<u>-</u>	<u>752,286</u>	<u>52,022</u>
Changes in non-cash working capital:					
Accounts receivable	(77,505)	-	-	(77,505)	(55,280)
Accounts payable and accrued liabilities	46,261	-	-	46,261	10,612
Prepaid expenses	(3,319)	-	-	(3,319)	(1,606)
Goods and services tax payable	3,821	-	-	3,821	3,693
	<u>(30,742)</u>	<u>-</u>	<u>-</u>	<u>(30,742)</u>	<u>(42,581)</u>
Cash flow from operating activities	11,495	710,049	-	721,544	9,441
INVESTING ACTIVITIES					
Assets held in trust	-	(530,000)	-	(530,000)	-
Investments - CNBC Foundation	(6,321)	(249,168)	-	(255,489)	19,866
Notes receivable	-	-	-	-	6,369
Cash flow from (used by) investing activities	<u>(6,321)</u>	<u>(779,168)</u>	<u>-</u>	<u>(785,489)</u>	<u>26,235</u>
INCREASE (DECREASE) IN CASH FLOW	5,174	(69,119)	-	(63,945)	35,676
Cash - beginning of year	323,101	757,513	72,116	1,152,730	1,117,054
CASH - END OF YEAR	<u>\$ 328,275</u>	<u>\$ 688,394</u>	<u>\$ 72,116</u>	<u>\$ 1,088,785</u>	<u>\$ 1,152,730</u>

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2016

1. ORGANIZATION

The Canadian National Baptist Convention (the "Convention") commenced operations on January 1, 1985 as an unincorporated, not-for-profit organization. The Convention was incorporated on April 8, 1987 under the Society Act of the Province of British Columbia. The Convention is a registered charitable organization and, as such, is not subject to income taxes.

The purpose of the Convention is to provide a channel for co-operating churches to work together to carry out Christ's mission of preaching, teaching, healing and ministering to all persons throughout the world.

The Convention consists of messengers who are members elected and certified by Baptist churches co-operating with and contributing financially to its work. The National Leadership Board, elected by the Convention, handles the Convention's affairs and functions as the Convention between its annual meetings.

Continued operation of the Convention is dependent on the continued donations of interested parties including the North American Mission Board (NAMB), Canadian churches, and interested individuals. NAMB Canada has recently obtained charitable status and now handles its own funding.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Convention's financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. They include the assets and operations of the Convention. They do not include constituent churches. They do not include the controlled entities being the Seminary and Foundation (see Note 8).

Management assesses regularly whether there are any events or conditions that may cast significant doubt upon the Convention'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 Convention follows the restricted fund method of accounting for contributions (donations) and reports operations through various funds and a description of the purposes of each fund is as follows:

(a) Unrestricted general funds are used by the Executive Board to carry on the general operations of the Convention. The general fund consists primarily of Convention approved budget items for programs and administration. The principal sources of support and contributions are from supporting churches, 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 Convention's capital additions and for funds obtained through financing of the additions to the facilities. As well, property held for future church development is recorded in this fund.

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CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2016

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.

The Convention's financial instruments consist of cash, accounts receivable, investments, notes receivable, accounts payable and accrued liabilities.

Cash and cash equivalents

Cash and cash equivalents consist primarily of bank accounts and deposits with an original maturity date of purchase of six months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Investments

All investments held at CNBC Foundation are carried at fair value (Note 3).

At times, property is acquired from churches as they close with the intent to hold the property until the property can be transferred to another suitable church body. This property is recorded at fair value at acquisition and tested for impairment at each year end.

Allowance for impaired loans

Management reviews the note receivable from member Churches annually for impairment and records specific allowances, when required, to reduce their carrying amounts to their estimated realizable values.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings - cost	4%	straight-line method
Machinery, equipment, furniture & fixtures - cost	20%	straight-line method
Motor vehicles	20%	straight-line method
Computer equipment	20%	straight-line method

The Convention regularly reviews its property and equipment to eliminate obsolete items.

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CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The company follows the restricted fund method of accounting for contributions (donations).

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 valuation of financial instruments, amortization of property and equipment, and collectibility of accounts receivable.

Contributed services

Volunteers contribute their time during the year to assist the Convention in carrying out its service and completing various building projects. Contributed services are recognized in the financial statements only when a reasonable market value for volunteer labour hours is determined.

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 operations and support.

CANADIAN NATIONAL BAPTIST CONVENTION

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

Accounts receivable

Investments - Property held (Note 4)

Notes receivable

Accounts payable

Financial assets measured at fair value:

Investments - marketable securities (CNBC Foundation)

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 Convention 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 Convention 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 Convention 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.

Financial Asset Impairment

The Convention 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.

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2016

4. PROPERTY HELD

	<u>2016</u>	<u>2015</u>
Capital fund		
Nova Scotia Property		
In 2010 a church closed and the property was gifted to CNBC and recorded at the then fair value. The intention is to transfer the property to a future church plant or to sell it.		
- Land	\$ 97,640	\$ 97,640
- Building	27,360	27,360
	<u>125,000</u>	125,000
Restricted fund - regional ministries		
139 Glenhill Drive, Cochrane, Alberta property donated (1)	335,000	-
305, 1334 13 Ave, Calgary, Alberta property donated (2)	195,000	-
	<u>530,000</u>	-
Subtotal	<u>\$ 655,000</u>	\$ 125,000

(1) Subsequent to year end the 139 Glenhill Drive property was sold for \$350,000 less commissions and selling costs of \$15,000.

(2) Currently listed for sale.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
Buildings	1,256,893	822,389	434,504	484,010
	<u>\$ 1,281,893</u>	<u>\$ 822,389</u>	<u>\$ 459,504</u>	<u>\$ 509,010</u>

6. LEASE COMMITMENTS

The Convention leases office equipment.

Future minimum lease payments as at year end are as follows:

2017	\$ 8,381
2018	629
2019	629
2020	629
	<u>\$ 10,268</u>

CANADIAN NATIONAL BAPTIST CONVENTION

Notes to Financial Statements

Year Ended December 31, 2016

7. WORLD MISSIONS

It is the Convention's policy to give 20% (20% in 2015) of its total Cooperative Program receipts to World Missions. These World Mission funds are distributed as follows:

	<u>2016</u>	<u>2015</u>
Canadian Southern Baptist Seminary Operating Fund transfer - 25% of World Missions allocation (2015: 25%)	\$ 38,672	\$ 35,245
International Ministries - 50% of World Missions allocation (2015: 50%)	77,344	70,490
National Ministries - 25% of World Missions allocation (2015: 25%)	38,672	35,245
	<u>\$ 154,688</u>	<u>\$ 140,980</u>

8. CONTROLLED ENTITIES AND RELATED TRANSACTIONS

The following is a summary of the controlled charitable organizations which are not included in these financial statements:

	Canadian Southern Baptist Seminary (1) June 30, 2016	Canadian National Baptist Convention Foundation (2) December 31, 2016
Total Assets, incl.:	\$ 6,351,322	\$ 5,708,427
Invested with Foundation	2,577,780	1,567,220
Other Assets	3,773,542	4,141,207
Total Liabilities, incl.:	132,281	4,345,469
Liabilities - regular	132,281	10,100
Net Assets	6,219,041	1,352,858
Revenues	1,900,924	106,514
Expenses	1,922,226	76,879
Operations net	(21,302)	29,635
Cash flows - operations	478,767	29,407
Cash flows - financing / investing	(661,416)	(33,423)

All entities follow substantially the same accounting principles.

(1) Canadian Southern Baptist Seminary's (Seminary) purpose is to provide for certain educational needs of the constituency. Seminary revenue and Convention expenses includes \$0 (2015: \$276,000) of program resourcing. At December 31, 2016, accounts payable included \$7,061 (2015: \$5,479) owing to the Seminary.

(2) Canadian National Baptist Convention Foundation's (Foundation) purpose is to financially support, enable and facilitate the ministry of the Convention and its associated and affiliated charitable organizations. Foundation revenue and Convention expenses includes \$0 (2015: \$0) of program resourcing. As well, Convention revenue includes net investment income/(loss) of \$69,989 (2015 : \$61,634) from the Foundation.