

Financial statements

Canadian Baptist Ministries

December 31, 2016



Building a better
working world

Independent auditors' report

To the Members of
Canadian Baptist Ministries

We have audited the accompanying financial statements of **Canadian Baptist Ministries**, which comprise the balance sheet as at December 31, 2016, and the statements of operations, 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.

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 auditors consider 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Canadian Baptist Ministries** 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.

Toronto, Canada
May 12, 2017

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Canadian Baptist Ministries

Balance sheet

Year ended December 31

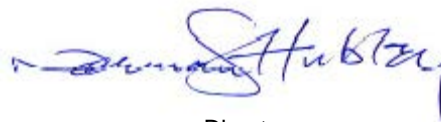
	2016 \$	2015 \$
Assets		
Current		
Cash and cash equivalents	725,976	1,457,017
Accounts receivable <i>[note 3]</i>	1,080,277	1,179,625
Prepaid expenses	155,844	120,566
Total current assets	1,962,097	2,757,208
Investments <i>[note 4[a]]</i>	8,504,882	8,407,724
Capital assets, net <i>[note 5]</i>	756,117	847,524
	11,223,096	12,012,456
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	566,042	490,333
Deferred operating contributions <i>[note 6]</i>	3,368,975	4,042,012
Total current liabilities	3,935,017	4,532,345
Accrued post-employment benefit liability <i>[note 14]</i>	1,468,961	1,549,661
Other long-term liabilities <i>[note 7]</i>	653,825	640,900
Total liabilities	6,057,803	6,722,906
Net assets		
Restricted for endowment purposes <i>[note 9]</i>	3,844,887	3,723,697
Internally designated <i>[note 10]</i>	772,827	772,827
Unrestricted	547,579	793,026
Total net assets	5,165,293	5,289,550
	11,223,096	12,012,456

See accompanying notes

On behalf of the Board:



Director



Director

Canadian Baptist Ministries

Statement of operations

Year ended December 31

	2016 \$	2015 \$
Revenue		
General		
Conventions, Unions and Women's Organizations <i>[note 11]</i>	864,853	1,104,603
General mission support	820,154	939,712
	1,685,007	2,044,315
Program		
International Partnerships		
Field staff team support	2,253,202	2,048,880
Program revenue and other appeals	2,872,103	3,577,958
Other designated	520,724	458,483
	5,646,029	6,085,321
Canadian Partnerships		
Short-term ministry projects	554,308	487,667
Other		
Net investment income <i>[note 4[c]]</i>	406,401	450,743
Legacy and trust income <i>[note 12]</i>	231,124	301,432
	637,525	752,175
Total revenue	8,522,869	9,369,478
Expenses <i>[note 15]</i>		
Program		
International Partnerships	5,941,712	6,372,405
Canadian Partnerships	1,611,147	1,637,071
	7,552,859	8,009,476
Support services		
Administration	868,955	923,026
Fund development	175,175	230,531
Member care	209,927	269,284
	1,254,057	1,422,841
Total expenses	8,806,916	9,432,317
Net operating loss for the year	(284,047)	(62,839)

See accompanying notes

Canadian Baptist Ministries

Statement of changes in net assets

Year ended December 31

	Restricted for endowment purposes		Internally designated		Unrestricted		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Net assets, beginning of year	3,723,697	3,608,232	772,827	772,827	793,026	463,265	5,289,550	4,844,324
Net operating loss for the year	—	—	—	—	(284,047)	(62,839)	(284,047)	(62,839)
Contribution to endowment	2,000	—	—	—	—	—	2,000	—
Investment income capitalized on net assets restricted for endowment purposes and contributions <i>[note 9]</i>	119,190	115,465	—	—	—	—	119,190	115,465
Remeasurement of post-employment benefits <i>[note 14]</i>	—	—	—	—	38,600	392,600	38,600	392,600
Net assets, end of year	3,844,887	3,723,697	772,827	772,827	547,579	793,026	5,165,293	5,289,550

See accompanying notes

Canadian Baptist Ministries

Statement of cash flows

Year ended December 31

	2016 \$	2015 \$
Operating activities		
Net operating loss for the year	(284,047)	(62,839)
Add (deduct) items not affecting cash		
Amortization of capital assets	179,849	169,419
Gain on disposal of capital assets	(924)	—
Investment income reinvested	(406,401)	(450,803)
Post-employment benefit expense	81,200	97,100
	<u>(430,323)</u>	<u>(247,123)</u>
Contributions to post-retirement benefit plans	(123,300)	(111,700)
Net change in non-cash working capital balances related to operations	(533,258)	(400,139)
Cash used in operating activities	<u>(1,086,881)</u>	<u>(758,962)</u>
Investing activities		
Purchase of capital assets	(88,442)	(52,575)
Proceeds on disposal of capital assets	924	—
Net withdrawals from investment managers	428,433	1,591,571
Repayment of long-term receivables	—	24,686
Cash provided by investing activities	<u>340,915</u>	<u>1,563,682</u>
Financing activities		
Net increase in other long-term liabilities	12,925	12,524
Contributions to endowments	2,000	—
Cash provided by financing activities	<u>14,925</u>	<u>12,524</u>
Net increase (decrease) in cash and cash equivalents during the year	(731,041)	817,244
Cash and cash equivalents, beginning of year	<u>1,457,017</u>	639,773
Cash and cash equivalents, end of year	<u>725,976</u>	<u>1,457,017</u>

See accompanying notes

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

1. Purpose of organization

Canadian Baptist Ministries ["CBM"] is incorporated without share capital under the laws of Canada. CBM has continued under the *Not-for-profit Corporations Act*. Its mission is to unite, encourage and enable Canadian Baptist churches in their national and international endeavours to fulfill the commission of our Lord Jesus Christ, in the power of the Holy Spirit, proclaiming the gospel and showing the love of God to all peoples.

CBM is a charitable organization registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Revenue recognition

CBM follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when initially recorded in the accounts.

Investment income (loss), which consists of interest, dividends, and realized and unrealized gains and losses, is recorded as investment income (loss) in the statement of operations, except to the extent it is externally restricted, in which case it is added to or deducted from balances restricted for endowment or other purposes.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Capital assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Tangible	
Buildings	
Canada	40 years
Overseas	20 years
Furniture and equipment	5 years
Computers	5 years
Vehicles	5 years

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

Intangible

Software and website

5 years

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis, and transaction costs are expensed as incurred.

Other financial instruments are initially recorded at fair value and subsequently measured at amortized cost, net of any provision for impairment, except when the interest rate is not a market rate and there are no fixed terms of repayment. In this situation, the financial instrument is initially recorded at cost since it is not possible to calculate a fair value.

Forward currency contracts that are not designated as effective hedges are carried at fair value, with changes in fair value during the year recorded in the statement of operations.

Foreign currency translation

Foreign currency revenue and expense amounts are translated into Canadian dollars at average monthly rates. The market value of investments and other monetary assets and liabilities denominated in foreign currencies are translated at the year-end rate. Non-monetary assets and liabilities are translated at historical exchange rates. Exchange gains and losses are included in the statement of operations, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

Contributed materials and services

Volunteers contribute a significant number of hours each year to assist CBM in carrying out its mission. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

Pension plan

CBM participates in a multi-employer defined contribution pension plan that covers substantially all of its employees. The contributions to the plan are expensed on an accrual basis.

Non-pension post-retirement benefits

CBM maintains a non-pension post-retirement defined benefit plan providing non-pension post-employment benefits for substantially all of its employees and provides life annuities to certain former employees. CBM accounts for these benefits using the immediate recognition approach. Under this approach, CBM recognizes the amount of the accrued obligation in the balance sheet. CBM accrues its post-retirement benefit obligations as employees render services. The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate assumptions. Employee future benefit obligations are discounted using current interest rates on long-term bonds. The accrued benefit obligation is determined using a roll-forward technique to estimate the accrued liability from the most recent actuarial valuation report that is prepared at least every three years. Current service and finance costs are expensed during the year, while remeasurements, representing past service costs and actuarial gains and losses, are recognized as a direct increase or decrease in net assets.

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not directly allocated. Instead, overhead expenses are allocated to project costs equal to 15% of certain direct program expenses. This allocation is included in the costs for each project. These allocated expenses are recorded, together with the direct costs, in program expenses in the statement of operations.

3. Accounts receivable

Accounts receivable consist of the following:

	2016 \$	2015 \$
Constituency support	717,300	928,592
CBM pension plan	221,653	145,116
Other	141,324	105,917
	1,080,277	1,179,625

4. Investments

[a] Investments consist of the following:

	2016		2015	
	\$	%	\$	%
Cash	1,219,637	14.3	747,238	8.9
Fixed income	1,774,865	20.9	1,795,444	21.3
Canadian equities	2,682,647	31.6	2,403,254	28.6
International equities	2,827,733	33.2	3,461,788	41.2
	8,504,882	100.0	8,407,724	100.0

[b] Fixed income investments have a weighted average term to maturity of 1.7 years [2015 – 2.7 years] and a weighted average yield to maturity of 1.3% [2015 – 1.5%] based on market value.

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

[c] Net investment income recorded in the statement of operations is calculated as follows:

	2016	2015
	\$	\$
Total investment income	758,910	798,644
Management fees	(105,308)	(107,866)
Investment income, net of management fees	653,602	690,778
Less		
Income on net assets restricted for endowment purposes available for spending recorded as deferred contributions <i>[note 9]</i>	111,070	107,721
Income capitalized related to net assets restricted for endowment purposes <i>[note 9]</i>	119,190	115,465
Income allocated to		
Deferred contributions related to operating funds <i>[note 6]</i>	1,620	1,620
Other deferred contributions <i>[note 7]</i>	13,221	13,129
Revocable and irrevocable trusts <i>[note 7]</i>	2,100	2,100
	247,201	240,035
Net investment income recorded in the statement of operations	406,401	450,743

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

5. Capital assets

Capital assets consist of the following:

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Canada			
Tangible			
Land	193,415	—	193,415
Buildings	733,190	456,769	276,421
Furniture and equipment	35,238	34,706	532
Computers	328,547	305,946	22,601
Vehicles	50,417	40,976	9,441
Intangible			
Software and website	358,473	276,318	82,155
	<u>1,699,280</u>	<u>1,114,715</u>	<u>584,565</u>
Overseas			
Buildings	139,147	90,246	48,901
Furniture and equipment	52,285	51,648	637
Vehicles	394,875	272,861	122,014
	<u>586,307</u>	<u>414,755</u>	<u>171,552</u>
	<u>2,285,587</u>	<u>1,529,470</u>	<u>756,117</u>

During the year, CBM disposed of fully amortized assets totalling \$180,841 [2015 – \$173,813].

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Canada			
Tangible			
Land	193,415	—	193,415
Buildings	733,190	438,439	294,751
Furniture and equipment	65,023	63,452	1,571
Computers	347,400	310,410	36,990
Vehicles	50,417	34,000	16,417
Intangible			
Software and website	358,473	205,505	152,968
	<u>1,747,918</u>	<u>1,051,806</u>	<u>696,112</u>
Overseas			
Buildings	139,147	84,236	54,911
Furniture and equipment	97,559	95,463	2,096
Vehicles	393,362	298,957	94,405
	<u>630,068</u>	<u>478,656</u>	<u>151,412</u>
	<u>2,377,986</u>	<u>1,530,462</u>	<u>847,524</u>

6. Deferred operating contributions

Deferred operating contributions represent restricted operating funds that are related to subsequent years. The primary categories in the year-end balance of deferred operating contributions are as follows:

	2016	2015
	\$	\$
International Partnerships	2,968,167	3,590,912
Canadian Partnerships	159,796	213,096
Other	241,012	238,004
	<u>3,368,975</u>	<u>4,042,012</u>

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

7. Other long-term liabilities

Other long-term liabilities consist of the following:

	2016 \$	2015 \$
Deferred legacy contributions	416,825	403,900
Revocable trusts	130,000	130,000
Irrevocable trusts	87,000	87,000
Note payable	20,000	20,000
	653,825	640,900

Deferred legacy contributions represent the principal amount of a legacy, the principal and interest of which are available to fund students studying for ministry in Canadian Baptist churches. The principal amount has been classified as long-term since the Board of Directors [the "Board"] has determined that the capital will be retained and the Investment Rate Policy [note 9] will be applied. In 2016, the balance was increased in accordance with this policy by \$13,221 [2015 – \$13,129], representing the excess of the actual investment income over the amount made available for spending and administration [note 4[c]].

The revocable trusts are forgivable upon the death of the donor; therefore, there are no fixed terms of repayment. Interest is paid at the rate determined by the donor to a maximum of the five-year GIC rate less 0.5%. The irrevocable trusts are trusts that are the property of CBM with interest paid to a maximum of the five-year GIC rate less 0.5% during the life of the donor. The weighted average interest rate paid on these trusts was 1.5% [2015 – 1.5%].

The note payable is non-interest bearing and forgivable upon the death of the donor; therefore, there are no fixed terms of repayment.

8. Credit facilities

As at December 31, 2016, CBM had an available secured line of credit of \$500,000 bearing interest at the bank's prime rate plus 1%. No amounts have been drawn on this credit facility as at December 31, 2016 or 2015.

9. Net assets restricted for endowment purposes

Effective January 1, 2004, the Board approved the "Investment Rate Policy" designed to protect the real value of net assets restricted for endowment purposes by limiting the amount made available for spending [currently set at 4.0%] and requiring any income earned during the year in excess of the amount made available for spending to be added directly to the balance of net assets restricted for endowment purposes, net of an administration fee of 0.5%. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the return on the investment results is an investment loss, the amount that is to be made available for spending is deducted from endowment net assets.

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

In 2016, CBM earned investment income of \$758,910 [2015 – \$798,644], of which \$285,878 [2015 – \$277,586] was earned on net assets restricted for endowment purposes. The difference between this amount and the amount made available for spending of \$150,193 [2015 – \$145,631] calculated in accordance with the Investment Rate Policy plus the \$16,495 [2015 – \$16,490] administrative fee is \$119,190 [2015 – \$115,465] and was added to net assets restricted for endowment purposes. Of the amount made available for spending and the administrative fee, totalling \$166,688 [2015 – \$162,121], \$111,070 [2015 – \$107,721] [note 6] was recorded as an increase in deferred contributions and \$55,618 [2015 – \$54,400] was recorded as investment income [note 4(c)].

10. Internally designated net assets

Internally designated net assets consist of a reserve fund that represents amounts set aside to cover unexpected deficits. In 2014, the Board approved a change in the policy. The policy states that this fund, together with unrestricted net assets, shall not be allowed to fall below 12% or be in excess of 25% of the previous year's expenditures.

This fund is currently at 14% and therefore is compliant with the Board's policy.

11. Conventions, unions and women's organizations

Conventions, Unions and Women's Organizations revenue consists of the following:

	2016	2015
	\$	\$
Convention of Atlantic Baptist Churches	227,333	298,198
Atlantic Baptist Women	218,915	297,748
Baptist Convention of Ontario and Quebec	218,210	208,653
Baptist Union of Western Canada and Association of Baptist Women of Western Canada	145,395	140,004
Baptist Women of Ontario and Québec	30,000	135,000
Union d'Églises Baptistes Françaises au Canada	25,000	25,000
	864,853	1,104,603

12. Income beneficiary

CBM is the income beneficiary of one externally administered trust with a market value as at December 31, 2016 of \$262,594 [2015 – \$257,589]. During the year, \$8,179 [2015 – \$9,751] has been recorded as revenue from this trust.

13. Canadian Foodgrains Bank

CBM is a founding member of the Canadian Foodgrains Bank, a federally incorporated non-profit charity for the purpose of Christian-based aid and development that collects donations of grain, cash and other agricultural commodities for distribution to the world's hungry. It enables Canadian Baptists to respond quickly and effectively to food shortages around the world.

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

Every year, amounts may be transferred from donations to the CBM account at the Canadian Foodgrains Bank. During the years ended December 31, 2016 and 2015, \$225,000 was transferred. These donations may be augmented by direct grain donations from Canadian Baptist farmers, contributions from the general account of the Canadian Foodgrains Bank and from other partners. Global Affairs Canada ["GAC"], formerly known as the Department of Foreign Affairs, Trade and Development, contributes toward some of these projects. CBM's participation is made up of direct projects with its overseas partners or participating in the financing of a project with another Canadian Foodgrains Bank partner. When CBM participates with another Canadian Foodgrains Bank partner, the grant from GAC is reflected in the lead partner's account.

Audited financial statements of the Canadian Foodgrains Bank as at and for the year ended March 31, 2016 indicate that direct donations of cash and grain attributed to CBM amounted to \$347,123 [2015 – \$236,941]. GAC grants attributed to CBM for the year ended December 31, 2016 amounted to \$914,713 [2015 – \$733,372]. Of the total shipments of \$52,107,838 [2015 – \$43,440,218], the amount attributed to CBM was \$1,385,772 [2015 – \$1,404,029].

The Canadian Foodgrains Bank internally restricted the net amount contributed and credited to CBM. The amount set aside in the name of CBM as at March 31, 2016 was \$771,519 [2015 – \$570,137].

14. Employee future benefits

CBM's non-pension post-retirement benefit plans comprise life annuities, life insurance and medical/dental coverage for certain groups of employees who have retired from CBM. These financial statements include the accrued benefit obligation and current year's expense related to providing these benefits.

The liabilities of the plans are measured each year as at December 31. The most recent actuarial valuation was as of December 31, 2015.

15. Allocation of expenses

Support services expenses classified as program expenses for the year totalled \$446,152 [2015 – \$508,133].

16. Financial instruments

CBM is exposed to various financial risks through transactions in financial instruments.

Foreign currency risk

CBM is exposed to foreign currency risk with respect to its cash and investments denominated in foreign currencies because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

During the year, to manage currency risk associated with US dollar transactions, CBM purchased forward currency contracts. As at December 31, 2016, CBM has two outstanding forward currency contracts to purchase \$87,380 USD and \$50,000 USD at a rate of \$1.3334 and \$1.3230, respectively, to be settled by March 7, 2017 and March 31, 2017, respectively. The fair value of the contracts, a gain of \$1,886, is included in cash and equivalents.

Canadian Baptist Ministries

Notes to financial statements

December 31, 2016

Credit risk

CBM is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

CBM is exposed to interest rate risk with respect to its investments in fixed income securities, the values of which will fluctuate with changes in market interest rates.

Liquidity risk

CBM is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its financial liabilities.

Other price risk

CBM is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities.

