

**CANADIAN BAPTISTS OF ATLANTIC CANADA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

# CANADIAN BAPTISTS OF ATLANTIC CANADA

DECEMBER 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Directors of the Canadian Baptists of Atlantic Canada

### *Qualified Opinion*

We have audited the financial statements of Canadian Baptists of Atlantic Canada (the "organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2019, 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.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures, assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

*(continues)*



*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saint John, New Brunswick  
May 27, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

# CANADIAN BAPTISTS OF ATLANTIC CANADA

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ -	\$ 334,108
Accounts receivable (Note 4)	546,140	597,932
Accounts receivable from related organizations (Note 8)	371,563	101,195
Prepaid expenses	<u>24,192</u>	<u>13,155</u>
	<u>941,895</u>	<u>1,046,390</u>
<b>RESTRICTED CASH</b>	<u>147,064</u>	<u>175,913</u>
<b>INVESTMENTS (Note 5)</b>		
Restricted	577,168	548,783
Unrestricted	<u>191,468</u>	<u>161,362</u>
	<u>768,636</u>	<u>710,145</u>
<b>CAPITAL ASSETS (Note 6)</b>	<u>147,271</u>	<u>162,592</u>
	<u>\$ 2,004,866</u>	<u>\$ 2,095,040</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness	\$ 35,703	\$ -
Accounts payable and accrued liabilities	57,955	91,340
Employee deductions payable	13,283	15,148
Distributions payable to agencies (Note 8)	103,219	127,043
Accounts payable to related organizations (Note 8)	114,287	62,481
Deferred revenue	253,760	227,235
Current portion of future employee benefits (Note 7)	<u>49,124</u>	<u>105,612</u>
	<u>627,331</u>	<u>628,859</u>
<b>FUTURE EMPLOYEE BENEFITS (Note 7)</b>	<u>44,991</u>	<u>96,029</u>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>	608,312	645,456
<b>RESTRICTED Page 8</b>	<u>724,232</u>	<u>724,696</u>
	<u>1,332,544</u>	<u>1,370,152</u>
	<u>\$ 2,004,866</u>	<u>\$ 2,095,040</u>

**COMMITMENTS (Note 9)**

**APPROVED ON BEHALF OF THE BOARD:**

Craig Minard Chairman  
Andrew Hopper Director

# CANADIAN BAPTISTS OF ATLANTIC CANADA

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted Fund</u>		<u>Restricted Funds</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
NET ASSETS AT BEGINNING OF YEAR	\$ 645,456	\$ 483,482	\$ 724,696	\$ 712,613	\$ 1,370,152	\$ 1,196,095
Excess (deficiency) of revenue over expenditures	(71,144)	161,974	33,536	12,083	(37,608)	174,057
Transfers (Note 2)	<u>34,000</u>	<u>-</u>	<u>(34,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 608,312</u>	<u>\$ 645,456</u>	<u>\$ 724,232</u>	<u>\$ 724,696</u>	<u>\$ 1,332,544</u>	<u>\$ 1,370,152</u>



# CANADIAN BAPTISTS OF ATLANTIC CANADA

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted Fund (Page 7)</u>		<u>Restricted Funds (Page 8)</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>						
Administration fees	\$ 16,409	\$ 16,024	\$ -	\$ -	\$ 16,409	\$ 16,024
Church and CBAC offerings (Note 8)	1,856,189	1,977,493	53,473	60,900	1,909,662	2,038,393
Conference and other revenue (Note 8)	371,010	196,538	20,698	20,740	391,708	217,278
Designated offerings	251,267	248,936	151,004	134,492	402,271	383,428
Gain on disposal of capital assets	-	420,706	-	-	-	420,706
Interest and investment	<u>5,663</u>	<u>6,909</u>	<u>19,848</u>	<u>16,634</u>	<u>25,511</u>	<u>23,543</u>
	<u>2,500,538</u>	<u>2,866,606</u>	<u>245,023</u>	<u>232,766</u>	<u>2,745,561</u>	<u>3,099,372</u>
<b>EXPENDITURES</b>						
Amortization	29,110	18,546	-	-	29,110	18,546
Bank charges and interest	7,386	4,448	-	-	7,386	4,448
Conferences	27,386	34,633	-	-	27,386	34,633
Distributions to agencies (Note 8)	702,675	753,409	-	-	702,675	753,409
Grants and assistance	1,400	1,000	71,413	85,910	72,813	86,910
Insurance	21,770	23,160	-	-	21,770	23,160
Meetings and travel	199,667	234,978	461	284	200,128	235,262
Miscellaneous	9,977	4,429	3,652	740	13,629	5,169
Oasis	66,707	65,037	-	-	66,707	65,037
Occupancy costs (Notes 8, 9)	46,140	35,455	-	-	46,140	35,455
Office	10,199	9,673	-	-	10,199	9,673
Postage	21,334	17,602	-	-	21,334	17,602
Printing	13,940	16,594	-	-	13,940	16,594
Professional fees (Notes 8, 9)	83,301	58,545	-	-	83,301	58,545
Programs and materials	253,783	173,370	-	-	253,783	173,370
Repairs and maintenance	887	6,124	-	-	887	6,124
Salaries and benefits	1,038,964	1,213,124	135,961	133,749	1,174,925	1,346,873
Systems maintenance	14,177	17,574	-	-	14,177	17,574
Telephone	<u>22,879</u>	<u>16,931</u>	<u>-</u>	<u>-</u>	<u>22,879</u>	<u>16,931</u>
	<u>2,571,682</u>	<u>2,704,632</u>	<u>211,487</u>	<u>220,683</u>	<u>2,783,169</u>	<u>2,925,315</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>\$ (71,144)</u>	<u>\$ 161,974</u>	<u>\$ 33,536</u>	<u>\$ 12,083</u>	<u>\$ (37,608)</u>	<u>\$ 174,057</u>

# CANADIAN BAPTISTS OF ATLANTIC CANADA

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditures	\$ (37,608)	\$ 174,057
Items not involving cash:		
Gain on disposal of capital assets	-	(420,706)
Amortization of capital assets	<u>29,110</u>	<u>18,546</u>
	(8,498)	(228,103)
Changes in non-cash working capital balances:		
Accounts receivable	51,792	(215,448)
Accounts receivable from related organizations	(270,368)	(23,826)
Prepaid expenses	(11,037)	37,192
Accounts payable and accrued liabilities	(33,385)	30,905
Employee deductions payable	(1,865)	(38,585)
Distributions payable to agencies	(23,824)	(48,309)
Accounts payable to related organizations	51,806	26,544
Deferred revenue	<u>26,525</u>	<u>101,731</u>
	<u>(218,854)</u>	<u>(357,899)</u>
<b>Investing activities</b>		
Decrease (increase) in investments - restricted	(28,385)	(4,634)
Decrease (increase) in investments - unrestricted	(30,106)	104,091
Purchase of capital assets	(13,789)	(165,858)
Net proceeds on disposal of capital assets	<u>-</u>	<u>591,267</u>
	<u>(72,280)</u>	<u>524,866</u>
<b>Financing activity</b>		
Future employee benefits	<u>(107,526)</u>	<u>151,568</u>
<b>INCREASE (DECREASE) IN CASH</b>	(398,660)	318,535
<b>CASH AT BEGINNING OF YEAR</b>	<u>510,021</u>	<u>191,486</u>
<b>CASH AT END OF YEAR</b>	\$ <u>111,361</u>	\$ <u>510,021</u>
<b>REPRESENTED BY:</b>		
Cash	\$ -	\$ 334,108
Restricted cash	147,064	175,913
Bank indebtedness	<u>(35,703)</u>	<u>-</u>
	\$ <u>111,361</u>	\$ <u>510,021</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ <u>25,511</u>	\$ <u>23,543</u>



# CANADIAN BAPTISTS OF ATLANTIC CANADA

## SCHEDULE OF UNRESTRICTED FUND OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Ministerial Standards & Education	Executive Minister's Office and Communications	Youth and Family Ministries	Council and Committees	Administration	Leadership, Renewal and New Congregations	Public Witness and Social Concern	Intercultural Ministries	Clergy Formation & Wellness	Total 2019	Total 2018
<b>REVENUE</b>												
Administration fees Church and CBAC offerings (Note 8)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,409	\$ -	\$ -	\$ -	\$ -	\$ 16,409	\$ 16,024
Conference and other revenue (Note 8)	372,523	110,285	287,682	130,364	115,340	202,227	509,141	-	31,943	96,684	1,856,189	1,977,493
Designated offerings	80,526	160	6,200	116,884	2,535	33,641	8,652	2,760	84,250	35,402	371,010	196,538
Gain on disposal of capital assets	242,429	-	-	1,308	-	500	-	-	5,730	1,300	251,267	248,936
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	420,706
	-	-	-	-	-	5,663	-	-	-	-	5,663	6,909
	<u>695,478</u>	<u>110,445</u>	<u>293,882</u>	<u>248,556</u>	<u>117,875</u>	<u>258,440</u>	<u>517,793</u>	<u>2,760</u>	<u>121,923</u>	<u>133,386</u>	<u>2,500,538</u>	<u>2,866,606</u>
Budget	<u>760,000</u>	<u>88,490</u>	<u>330,100</u>	<u>189,650</u>	<u>106,250</u>	<u>197,635</u>	<u>499,940</u>	<u>24,700</u>	<u>30,560</u>	<u>128,800</u>	<u>2,356,125</u>	<u>2,359,524</u>
<b>EXPENDITURES</b>												
Amortization	-	-	-	-	-	29,110	-	-	-	-	29,110	18,546
Bank charges and interest	-	-	-	-	-	7,386	-	-	-	-	7,386	4,448
Conferences	-	-	95	7,272	8,000	-	12,019	-	-	-	27,386	34,633
Distributions to agencies (Note 8)	702,675	-	-	-	-	-	-	-	-	-	702,675	753,409
Grants and assistance	-	1,400	-	-	-	-	-	-	-	-	1,400	1,000
Insurance	-	-	-	-	11,527	10,243	-	-	-	-	21,770	23,160
Meetings and travel	-	28,699	15,906	17,952	41,766	11,926	69,743	-	4,724	8,951	199,667	234,978
Miscellaneous	-	1,600	5,072	701	2,307	297	-	-	-	-	9,977	4,429
Oasis	66,707	-	-	-	-	-	-	-	-	-	66,707	65,037
Occupancy costs (Notes 8, 9)	-	-	-	-	-	46,140	-	-	-	-	46,140	35,455
Office	-	-	1,875	439	-	6,079	891	-	-	915	10,199	9,673
Postage	-	346	15,727	14	24	5,015	176	-	-	32	21,334	17,602
Printing	-	-	8,546	739	-	4,455	-	-	-	200	13,940	16,594
Professional fees (Notes 8, 9)	-	1,337	-	-	48,708	33,256	-	-	-	-	83,301	58,545
Programs and materials	-	3,412	9,007	94,240	2,194	572	40,867	-	78,945	24,546	253,783	173,370
Repairs and maintenance	-	-	-	-	-	887	-	-	-	-	887	6,124
Salaries and benefits	-	73,256	232,770	125,676	3,349	78,241	390,439	-	37,754	97,479	1,038,964	1,213,124
Systems maintenance	-	-	3,498	-	-	10,679	-	-	-	-	14,177	17,574
Telephone	-	395	1,386	1,523	-	14,154	3,658	-	500	1,263	22,879	16,931
	<u>769,382</u>	<u>110,445</u>	<u>293,882</u>	<u>248,556</u>	<u>117,875</u>	<u>258,440</u>	<u>517,793</u>	<u>-</u>	<u>121,923</u>	<u>133,386</u>	<u>2,571,682</u>	<u>2,704,632</u>
Budget	<u>760,000</u>	<u>88,490</u>	<u>330,100</u>	<u>189,650</u>	<u>106,250</u>	<u>197,635</u>	<u>499,940</u>	<u>24,700</u>	<u>30,560</u>	<u>128,800</u>	<u>2,356,125</u>	<u>2,359,524</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	\$ <u>(73,904)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,760</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(71,144)</u>	\$ <u>161,974</u>

**CANADIAN BAPTISTS OF ATLANTIC CANADA**  
**SCHEDULE OF RESTRICTED FUND OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Next</u> <u>Generation</u>	<u>Correctional</u> <u>Services</u>	<u>December</u> <u>Communion</u>	<u>Hospital</u> <u>Halifax</u>	<u>Chaplaincy</u> <u>Saint John</u>	<u>Association</u> <u>Projects</u>	<u>Luke McLay</u> <u>Scholarship</u>	<u>Legacy</u>	<u>Preparing</u> <u>Future Pastors</u>	<u>Total</u> <u>2019</u>	<u>Total</u> <u>2018</u>
<b>REVENUE</b>											
Church and CBAC offerings (Note 8)	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ 53,413	\$ -	\$ -	\$ -	\$ 53,473	\$ 60,900
Conference and other revenue	-	-	698	10,000	10,000	-	-	-	-	20,698	20,740
Designated offerings	32,981	445	9,935	65,608	42,035	-	-	-	-	151,004	134,492
Interest and investment	<u>440</u>	<u>-</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574</u>	<u>11,061</u>	<u>7,581</u>	<u>19,848</u>	<u>16,634</u>
	<u>33,421</u>	<u>445</u>	<u>10,825</u>	<u>75,608</u>	<u>52,095</u>	<u>53,413</u>	<u>574</u>	<u>11,061</u>	<u>7,581</u>	<u>245,023</u>	<u>232,766</u>
<b>EXPENDITURES</b>											
Grants and assistance	-	-	11,000	-	-	53,413	-	-	7,000	71,413	85,910
Meetings and travel	-	-	-	461	-	-	-	-	-	461	284
Miscellaneous	-	2,004	1,012	636	-	-	-	-	-	3,652	740
Salaries and benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,994</u>	<u>61,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,961</u>	<u>133,749</u>
	<u>-</u>	<u>2,004</u>	<u>12,012</u>	<u>75,091</u>	<u>61,967</u>	<u>53,413</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>211,487</u>	<u>220,683</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	33,421	(1,559)	(1,187)	517	(9,872)	-	574	11,061	581	33,536	12,083
<b>NET ASSETS AT BEGINNING OF YEAR</b>	-	18,114	68,289	44,335	47,793	2,827	15,690	313,326	214,322	724,696	712,613
<b>TRANSFERS (Note 2)</b>	<u>-</u>	<u>(16,555)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,445)</u>	<u>-</u>	<u>(34,000)</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 33,421</u>	<u>\$ -</u>	<u>\$ 67,102</u>	<u>\$ 44,852</u>	<u>\$ 37,921</u>	<u>\$ 2,827</u>	<u>\$ 16,264</u>	<u>\$ 306,942</u>	<u>\$ 214,903</u>	<u>\$ 724,232</u>	<u>\$ 724,696</u>

# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 1. PURPOSE OF THE ORGANIZATION

The Canadian Baptists of Atlantic Canada (the "organization") is a fellowship working through approximately 450 local churches in Atlantic Canada. In 1905-1906, three streams of Atlantic Baptists came together to form the United Baptist Convention of the Maritime Provinces which became the United Baptist Convention of the Atlantic Provinces in 1963, the Convention of Atlantic Baptist Churches in 2001, and the Canadian Baptists of Atlantic Canada in 2017. Baptists are covenant people. Having received salvation and reconciliation through our Lord Jesus Christ, we are obliged as his followers to love one another and to unite joyfully with his church. Our union is voluntary, without coercion by the state or any ecclesiastical organization. We come together as equals, all under the Lordship of Jesus Christ. The purpose of the Canadian Baptists of Atlantic Canada is being and making disciples of Jesus Christ, who are integrated into the life and ministry of healthy growing churches, committed to fulfilling the Great Commission and the doing of God's will on earth. Financial contributions are received for distribution to approved international, national and local ministries.

The organization is a registered charity and is thereby exempt from income tax as defined by Section 149(1)(f) of the Income Tax Act of Canada.

### 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 ("ASNPO").

#### Restricted Funds

The organization has designated certain funding for special purposes and thus the financial statements have been presented in a manner which segregates operations according to their nature and purpose, as follows:

#### Next Generation Fund

The Next Generation Fund has been established to segregate revenue and expenditures for initiatives focused on the growth of Baptist churches for future generations.

#### Correctional Services Fund

The Correctional Services Fund has been established to segregate revenue and expenditures to operate chaplaincy services under contracts with various correctional institutions. During the year, the contracts in the Correctional Services Fund ended and the remaining funds of \$16,555 (2018 - \$nil) were approved to be transferred to the Legacy Fund.

#### December Communion Offering Fund

The December Communion Offering Fund has been established to provide financial assistance to pastors and spouses of deceased pastors.

(continues)



# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

#### Hospital Chaplaincy Funds

The Hospital Chaplaincy Funds have been established to segregate revenue and expenditures to maintain hospital chaplaincy services in Saint John and Halifax.

#### Association Projects Fund

The Association Projects Fund has been established to enable regional church associations to initiate local ministry projects. The fund received 3% (2018 - 3%) of total church and CBAC offerings revenue of the organization.

#### Luke Timothy McLay Memorial Scholarship Fund

The Luke Timothy McLay Scholarship Fund has been established to award scholarships to students enrolled in any academic doctoral program in any discipline. The scholarships are to be awarded from the interest earned on the fund.

#### Legacy Fund

The Legacy Fund has been established by bequests from individuals. During the 2012 year, per a motion by Council, income earned will now be added into the Legacy Fund, with the valuation of the principal not to decrease below \$250,000 or increase above \$750,000. Use of the fund balance is reviewed annually and an allocation not to exceed 10% of the fund balance to the General Operating Fund may be set by Council. During the year, there was \$34,000 (2018 - \$nil) allocated to the General Operating Fund.

#### Preparing Future Pastors Fund

The Preparing Future Pastors Fund has been established to provide financial assistance for 2nd and 3rd year Master of Divinity students at Acadia Divinity College who have been accepted as a candidate for Ordained Pastoral Ministry by the Board of Ministerial Standards of the organization.

#### Cash and Cash Equivalents

The organization considers cash on hand, short term deposits and balances with banks, net of overdrafts as cash or cash equivalents. Bank borrowings are considered to be financing activities.

#### Investments

Investments in deposit certificates held in the custody of the Atlantic Baptist Foundation are stated at cost which is equal to fair value.

Except for interest earned on investments in the Luke Timothy McLay Scholarship Fund, Legacy Fund, Next Generation Fund and the Preparing Future Pastors Fund, interest income is recorded in the operations of the organization.

*(continues)*



# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

#### Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is being provided for using the following methods and rates:

Computer equipment	25.0%	straight-line
Equipment	15.0%	straight-line
Furniture and fixtures	20.0%	diminishing balance
Leasehold improvements	10.0%	straight-line

The organization regularly reviews its capital assets to eliminate obsolete items. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

#### Pass Through Funds

Grants are received and disbursed on behalf of a number of regional and national autonomous organizations. Excerpts from the audited financial statements for these organizations are reproduced in the annual year book of the organization.

#### Revenue Recognition

The organization follows the restricted fund method of accounting for contributions.

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

Unrestricted contributions are recognized as revenue in the same period as the commitment to remit these funds is made by member congregations. Amounts received by the organization after year end but made from the current year's budget allocations of member congregations are recognized as church contributions receivable. Other revenues are recorded on an accrual basis.

#### Contributed Services

Volunteers contribute an undeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

#### 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 excess (deficiency) of revenue over expenditures. 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.

*(continues)*

# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

#### 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 expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates included in these financial statements are:

- the allowance for doubtful accounts;
- the estimated useful lives of assets;
- providing for amortization of capital assets;
- the recoverability of tangible assets;
- the recoverability of investments; and
- certain actuarial and economic assumptions used in determining future employee benefits.

### 3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2019.

#### 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 mainly from member congregations. The organization maintains a provision for potential credit losses, and minimizes credit risk through ongoing credit management. The organization has a significant number of member congregations which minimizes concentration of credit risk.

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its member congregations and other related sources, accounts payable and other obligations.

#### 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 not exposed to foreign currency exchange risk as it does not hold foreign currency.

*(continues)*

# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 3. FINANCIAL INSTRUMENTS *(continued)*

#### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The organization is exposed to interest rate risk through investments held in deposit certificates with the Atlantic Baptist Foundation.

### 4. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Member congregations contributions receivable	\$ 501,314	\$ 520,245
HST refundable	27,078	32,925
Other	<u>17,748</u>	<u>44,762</u>
	<u>\$ 546,140</u>	<u>\$ 597,932</u>

### 5. INVESTMENTS

Investments are comprised of deposit certificates issued by the Atlantic Baptist Foundation as follows:

	<u>2019</u>		<u>2018</u>
	<u>Market Value</u>	<u>Cost</u>	<u>Cost</u>
<b><u>Restricted</u></b>			
December Communion Offering Fund	\$ 5,637	\$ 5,637	\$ 5,445
Legacy Fund	306,943	306,943	313,326
Luke Timothy McLay Memorial Scholarship Fund	16,264	16,264	15,690
Next Generation Fund	33,421	33,421	-
Preparing Future Pastors Fund	<u>214,903</u>	<u>214,903</u>	<u>214,322</u>
	577,168	577,168	548,783
Unrestricted Fund	<u>191,468</u>	<u>191,468</u>	<u>161,362</u>
	<u>\$ 768,636</u>	<u>\$ 768,636</u>	<u>\$ 710,145</u>

### 6. CAPITAL ASSETS

	<u>2019</u>		<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 57,162	\$ 42,619	\$ 14,543
Equipment	13,406	6,805	6,601
Furniture and fixtures	62,901	18,209	44,692
Leasehold improvements	<u>95,806</u>	<u>14,371</u>	<u>81,435</u>
	<u>\$ 229,275</u>	<u>\$ 82,004</u>	<u>\$ 147,271</u>
			<u>\$ 162,592</u>



# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 7. FUTURE EMPLOYEE BENEFITS

Upon cessation of employment with the organization, permanent employees are entitled to a retiring/severance allowance. This cash payment is equal to one half of one percent of the total accumulated salary paid to the employee over the course of their employment. There was also additional severance payments for 76 to 88 weeks of salary approved in the prior year related to the relocation of the office from Saint John to Moncton. During the year, the organization recorded an expenditure of \$3,349 (2018 - \$160,887) pertaining to these future liabilities and paid allowances of \$110,876 (2018 - \$9,319).

### 8. RELATED ORGANIZATION TRANSACTIONS

The accounts receivable from and accounts payable to related organizations, controlled by the organization by virtue of controlling the appointment of directors, are non-interest bearing, unsecured and have no set terms of repayment.

Church offerings and CBAC revenue are derived from member congregations.

The organization provides funding to a number of affiliated agencies and organizations. The amount of distributions and nature of the relationships with these agencies and organizations are as follows:

<u>Organization</u>	<u>Relationship</u>	<u>2019</u>	<u>2018</u>
Acadia Divinity College	Controlled	\$ 102,066	\$ 95,916
Crandall University	Controlled	86,312	87,305
Canadian Baptist Ministries (CBM)	Significant influence	285,428	312,266
The Sharing Way	Division of CBM	-	3,361
Baptist Historical Committee	Controlled	8,983	9,800
Pension and Benefits Board	Controlled	16,042	35,503
Atlantic Baptist Mission Board	Controlled	186,302	190,010
Union of French Baptist Churches	Limited influence	<u>17,542</u>	<u>19,248</u>
		<u>\$ 702,675</u>	<u>\$ 753,409</u>

As at year end, \$114,287 (2018 - \$62,481) related to the above transactions was owing to Atlantic Baptist Mission Board and Pension and Benefits Board as well as \$103,219 (2018 - \$127,043) to the other organizations. The organization also incurred expenditures of \$33,256 (2018 - \$32,250) for professional services, \$46,140 (2018 - \$23,697) in expenditures for office space and received no (2018 - \$10,000) contributions for leasehold improvements from Crandall University. During the year, \$16,900 (2018 - \$20,000) in grants were received from Pension and Benefits Board. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The organization processes payroll and other expenditures on behalf of the Atlantic Baptist Mission Board and the Pension and Benefits Board which are charged to the organizations. As at year end, \$371,563 (2018 - \$101,195) was receivable from those organizations related to those expenditures.

Further financial information on the controlled organizations is presented within the year book of the organization.



# CANADIAN BAPTISTS OF ATLANTIC CANADA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 9. COMMITMENTS

The organization leases office space from a related party which has been accounted for as an operating lease. The organization also has an agreement for the professional services of an employee from a related party. The minimum annual payments over the next four years are:

2020	\$ 70,290
2021	46,140
2022	46,140
2023	23,070

### 10. SUBSEQUENT EVENT

After year end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial assets and condition of the company in future periods.

### 11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.