

CONVENTION OF ATLANTIC BAPTIST CHURCHES

FINANCIAL STATEMENTS

DECEMBER 31, 2016

CONVENTION OF ATLANTIC BAPTIST CHURCHES

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Directors of the Convention of Atlantic Baptist Churches

We have audited the accompanying financial statements of the Convention of Atlantic Baptist Churches, which comprise the statement of financial position as at December 31, 2016, and the statements of changes in net assets, operations 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

Basis for Qualified Opinion

In common with many charitable organizations, the Convention 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 Convention 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.

Qualified Opinion

In our opinion, except for the 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 the Convention of Atlantic Baptist Churches 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.

A handwritten signature in black ink that reads "Teed Saunders Doyle". The signature is written in a cursive style with a long horizontal stroke at the beginning.

CHARTERED PROFESSIONAL ACCOUNTANTS

Saint John, New Brunswick
April 20, 2017


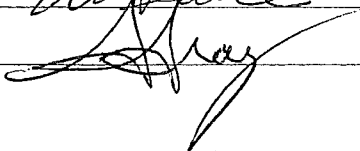
CONVENTION OF ATLANTIC BAPTIST CHURCHES

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash (Notes 2, 3)	\$ 4,196	\$ 91,197
Restricted cash (Notes 2, 3)	150,458	157,158
Accounts receivable (Notes 2, 3, 4)	304,657	325,858
Accounts receivable from related organizations (Notes 2, 3, 8)	34,318	18,238
Prepaid expenses	<u>21,724</u>	<u>18,961</u>
	<u>515,353</u>	<u>611,412</u>
INVESTMENTS (Notes 2, 3, 5)		
Restricted	529,307	558,395
Unrestricted	<u>234,886</u>	<u>394,628</u>
	<u>764,193</u>	<u>953,023</u>
CAPITAL ASSETS (Notes 2, 6)		
	<u>202,399</u>	<u>219,020</u>
DEFERRED COSTS (Note 2)		
	<u>-</u>	<u>12,500</u>
	<u>\$ 1,481,945</u>	<u>\$ 1,795,955</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 2, 3)	\$ 83,737	\$ 79,740
Employee deductions payable	15,025	-
Distributions payable to agencies (Notes 2, 3, 8)	92,622	255,915
Accounts payable to related organizations (Notes 2, 3, 8)	7,588	94,613
Deferred revenue (Note 2)	<u>66,547</u>	<u>60,406</u>
	<u>265,519</u>	<u>490,674</u>
FUTURE EMPLOYEE BENEFITS (Notes 2, 3, 7)		
	<u>53,212</u>	<u>44,761</u>
FUND BALANCES		
UNRESTRICTED	483,449	544,967
RESTRICTED (Note 2), Page 8	<u>679,765</u>	<u>715,553</u>
	<u>1,163,214</u>	<u>1,260,520</u>
	<u>\$ 1,481,945</u>	<u>\$ 1,795,955</u>

APPROVED ON BEHALF OF THE BOARD:


 _____ Chairman

 _____ Director

CONVENTION OF ATLANTIC BAPTIST CHURCHES

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Convention		Restricted Funds		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
NET ASSETS AT BEGINNING OF YEAR	\$ 544,967	\$ 544,967	\$ 715,553	\$ 698,518	\$ 1,260,520	\$ 1,243,485
Excess (deficiency) of revenue over expenditures	(94,318)	(8,370)	(2,988)	25,405	(97,306)	17,035
Transfers <i>(Note 2)</i>	<u>32,800</u>	<u>8,370</u>	<u>(32,800)</u>	<u>(8,370)</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 483,449</u>	<u>\$ 544,967</u>	<u>\$ 679,765</u>	<u>\$ 715,553</u>	<u>\$ 1,163,214</u>	<u>\$ 1,260,520</u>

CONVENTION OF ATLANTIC BAPTIST CHURCHES

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Convention (Page 7)		Restricted Funds (Page 8)		Total	
	2016	2015	2016	2015	2016	2015
REVENUE (Note 2)						
Administration fees	\$ 17,960	\$ 16,282	\$ 48,922	\$ 64,697	\$ 66,882	\$ 80,979
Church and CABC offerings (Note 8)	1,990,769	2,124,138	51,791	69,709	2,042,560	2,193,847
Conference and other revenue	226,151	312,304	816	844	226,967	313,148
Designated offerings	354,307	321,493	195,672	196,965	549,979	518,458
Interest and investment	7,457	6,431	18,712	18,306	26,169	24,737
	2,596,644	2,780,648	315,913	350,521	2,912,557	3,131,169
EXPENDITURES						
Amortization	26,249	29,467	-	-	26,249	29,467
Bank charges and interest	4,353	3,094	-	-	4,353	3,094
Conferences	84,607	86,992	-	-	84,607	86,992
Distributions to agencies (Note 8)	939,814	1,080,635	-	-	939,814	1,080,635
Grants and assistance (Note 2)	2,500	2,500	79,791	89,859	82,291	92,359
Insurance	21,605	22,541	-	-	21,605	22,541
Meetings and travel	196,168	187,419	301	-	196,469	187,419
Miscellaneous	5,268	4,757	2,990	1,219	8,258	5,976
Oasis	76,369	78,169	-	-	76,369	78,169
Occupancy costs	9,612	10,661	-	-	9,612	10,661
Office	9,635	9,071	-	-	9,635	9,071
Postage	21,745	19,875	311	158	22,056	20,033
Printing	21,792	22,763	-	-	21,792	22,763
Professional fees	30,218	27,265	-	-	30,218	27,265
Programs and materials	147,928	218,981	-	-	147,928	218,981
Repairs and maintenance	6,285	5,803	-	-	6,285	5,803
Salaries and benefits	1,052,545	949,202	235,508	233,880	1,288,053	1,183,082
Systems maintenance	12,388	6,135	-	-	12,388	6,135
Telephone	21,881	23,688	-	-	21,881	23,688
	2,690,962	2,789,018	318,901	325,116	3,009,863	3,114,134
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (94,318)	\$ (8,370)	\$ (2,988)	\$ 25,405	\$ (97,306)	\$ 17,035

CONVENTION OF ATLANTIC BAPTIST CHURCHES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess of revenue over expenditures	\$ (97,306)	\$ 17,035
Items not involving cash:		
Amortization of capital assets	26,249	29,467
Change in deferred costs	<u>12,500</u>	<u>12,500</u>
	(58,557)	59,002
Changes in non-cash working capital balances:		
Accounts receivable	21,201	19,081
Accounts receivable from related organizations	(16,080)	(5,629)
Prepaid expenses	(2,763)	894
Accounts payable and accrued liabilities	3,997	10,760
Employee deductions payable	15,025	(1,815)
Distributions payable to agencies	(163,293)	50,093
Accounts payable to related organizations	(87,025)	48,978
Deferred revenue	<u>6,141</u>	<u>30,584</u>
	<u>(281,354)</u>	<u>211,948</u>
Investing activities		
Decrease in investments - restricted	29,088	1,214
Decrease (increase) in investments - unrestricted	159,742	(199,802)
Purchase of capital assets	<u>(9,628)</u>	<u>(17,514)</u>
	<u>179,202</u>	<u>(216,102)</u>
Financing activity		
Future employee benefits	<u>8,451</u>	<u>(2,138)</u>
DECREASE IN CASH	(93,701)	(6,292)
CASH AT BEGINNING OF YEAR	<u>248,355</u>	<u>254,647</u>
CASH AT END OF YEAR	\$ <u>154,654</u>	\$ <u>248,355</u>
REPRESENTED BY:		
Cash	\$ 4,196	\$ 91,197
Restricted cash	<u>150,458</u>	<u>157,158</u>
	\$ <u>154,654</u>	\$ <u>248,355</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	\$ <u>26,169</u>	\$ <u>24,737</u>

CONVENTION OF ATLANTIC BAPTIST CHURCHES

SCHEDULE OF CONVENTION OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	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 2016	Total 2015
REVENUE <i>(Note 2)</i>												
Administration fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,960	\$ -	\$ -	\$ -	\$ -	\$ 17,960	\$ 16,282
Church and CABC offerings <i>(Note 8)</i>	514,538	84,692	295,586	163,345	106,108	197,050	456,057	26,910	46,341	100,142	1,990,769	2,124,138
Conference and other revenue	69,783	-	6,197	94,074	2,850	90	7,079	738	26,684	18,656	226,151	312,304
Designated offerings	342,147	-	-	1,999	-	-	-	-	8,886	1,275	354,307	321,493
Interest and investment	-	-	-	-	-	7,457	-	-	-	-	7,457	6,431
	<u>926,468</u>	<u>84,692</u>	<u>301,783</u>	<u>259,418</u>	<u>108,958</u>	<u>222,557</u>	<u>463,136</u>	<u>27,648</u>	<u>81,911</u>	<u>120,073</u>	<u>2,596,644</u>	<u>2,780,648</u>
Budget	<u>880,000</u>	<u>80,277</u>	<u>303,718</u>	<u>296,412</u>	<u>104,200</u>	<u>235,000</u>	<u>405,958</u>	<u>27,551</u>	<u>46,341</u>	<u>129,827</u>	<u>2,509,284</u>	<u>2,750,706</u>
EXPENDITURES												
Amortization	-	-	-	-	-	26,249	-	-	-	-	26,249	29,467
Bank charges and interest	-	-	-	-	-	4,353	-	-	-	-	4,353	3,094
Conferences	-	-	-	74,073	8,534	-	-	2,000	-	-	84,607	86,992
Distributions to agencies <i>(Note 8)</i>	939,814	-	-	-	-	-	-	-	-	-	939,814	1,080,635
Grants and assistance <i>(Note 2)</i>	-	500	-	-	-	-	-	2,000	-	-	2,500	2,500
Insurance	-	-	-	-	12,050	9,555	-	-	-	-	21,605	22,541
Meetings and travel	-	25,577	17,505	17,966	49,390	2,226	61,885	2,017	9,755	9,847	196,168	187,419
Miscellaneous	-	-	-	2,371	412	2,065	-	108	-	312	5,268	4,757
Oasis	76,369	-	-	-	-	-	-	-	-	-	76,369	78,169
Occupancy costs	-	-	-	-	-	9,612	-	-	-	-	9,612	10,661
Office	-	-	236	856	-	4,518	3,891	-	80	54	9,635	9,071
Postage	-	2,465	15,146	410	1,212	2,302	105	4	89	12	21,745	19,875
Printing	-	1,521	17,442	801	837	711	262	25	133	60	21,792	22,763
Professional fees	-	2,965	-	-	27,253	-	-	-	-	-	30,218	27,265
Programs and materials	-	2,595	10,151	28,915	-	501	48,709	-	33,559	23,498	147,928	218,981
Repairs and maintenance	-	-	-	-	-	6,285	-	-	-	-	6,285	5,803
Salaries and benefits	-	48,062	236,409	130,992	9,171	136,783	342,867	20,382	36,886	90,993	1,052,545	949,202
Systems maintenance	-	-	2,219	-	-	9,894	-	-	-	275	12,388	6,135
Telephone	-	461	2,675	3,034	-	6,348	5,417	1,112	1,409	1,425	21,881	23,688
	<u>1,016,183</u>	<u>84,146</u>	<u>301,783</u>	<u>259,418</u>	<u>108,859</u>	<u>221,402</u>	<u>463,136</u>	<u>27,648</u>	<u>81,911</u>	<u>126,476</u>	<u>2,690,962</u>	<u>2,789,018</u>
Budget	<u>880,000</u>	<u>80,277</u>	<u>303,718</u>	<u>296,412</u>	<u>104,200</u>	<u>235,000</u>	<u>405,958</u>	<u>27,551</u>	<u>46,341</u>	<u>129,827</u>	<u>2,509,284</u>	<u>2,750,706</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (89,715)</u>	<u>\$ 546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 1,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,403)</u>	<u>\$ (94,318)</u>	<u>\$ (8,370)</u>

CONVENTION OF ATLANTIC BAPTIST CHURCHES
SCHEDULE OF RESTRICTED FUND OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Correctional Services	December Communion	Hospital Halifax	Chaplaincy Saint John	Association Projects	Luke McLay Scholarship	Legacy	Preparing Future Pastors	Total 2016	Total 2015
REVENUE <i>(Note 2)</i>										
Administration fees	\$ 48,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,922	\$ 64,697
Church and CABC offerings <i>(Note 8)</i>	-	-	-	-	51,791	-	-	-	51,791	69,709
Conference and other revenue	-	816	-	-	-	-	-	-	816	844
Designated offerings	58,882	13,195	67,322	56,273	-	-	-	-	195,672	196,965
Interest and investment	-	151	-	-	-	451	11,129	6,981	18,712	18,306
	<u>107,804</u>	<u>14,162</u>	<u>67,322</u>	<u>56,273</u>	<u>51,791</u>	<u>451</u>	<u>11,129</u>	<u>6,981</u>	<u>315,913</u>	<u>350,521</u>
EXPENDITURES										
Grants and assistance <i>(Note 2)</i>	-	13,000	-	-	51,791	-	-	15,000	79,791	89,859
Meetings and travel	301	-	-	-	-	-	-	-	301	-
Miscellaneous	1,903	800	287	-	-	-	-	-	2,990	1,219
Postage	-	-	-	311	-	-	-	-	311	158
Salaries and benefits	109,159	-	67,545	58,804	-	-	-	-	235,508	233,880
	<u>111,363</u>	<u>13,800</u>	<u>67,832</u>	<u>59,115</u>	<u>51,791</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>318,901</u>	<u>325,116</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(3,559)	362	(510)	(2,842)	-	451	11,129	(8,019)	(2,988)	25,405
NET ASSETS AT BEGINNING OF YEAR	19,013	58,015	43,362	38,941	2,827	14,362	317,337	221,696	715,553	698,518
TRANSFERS <i>(Note 2)</i>	-	-	-	-	-	-	(32,800)	-	(32,800)	(8,370)
NET ASSETS AT END OF YEAR	<u>\$ 15,454</u>	<u>\$ 58,377</u>	<u>\$ 42,852</u>	<u>\$ 36,099</u>	<u>\$ 2,827</u>	<u>\$ 14,813</u>	<u>\$ 295,666</u>	<u>\$ 213,677</u>	<u>\$ 679,765</u>	<u>\$ 715,553</u>

CONVENTION OF ATLANTIC BAPTIST CHURCHES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. PURPOSE OF THE ORGANIZATION

The Convention of Atlantic Baptist Churches ("the Convention") 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, and the Convention of Atlantic Baptist Churches in 2001. 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 Convention of Atlantic Baptist Churches 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 Convention 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.

Effective January 2017, the Convention changed the name of the organization to Canadian Baptists of Atlantic 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 ("ASNFPO").

Restricted Funds

The Convention 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:

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.

December Communion Offering Fund

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

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 3.15% (2015 - 3.35%) of total church and CABBC offerings revenue of the Convention.

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CONVENTION OF ATLANTIC BAPTIST CHURCHES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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

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 an allocation of \$32,800 (2015 - \$8,370) 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 Convention.

Cash and Cash Equivalents

The Convention 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, and the Preparing Future Pastors Fund, interest income is recorded in the operations of the Convention.

Capital Assets

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

Building	2.5%	straight-line
Computer equipment	15.0% to 25.0%	straight-line
Equipment	15.0%	straight-line
Furniture and fixtures	20.0%	diminishing balance

The Convention 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.

Deferred Costs

In 2014, the Convention developed a major fund raising initiative in support of our shared ministry called Healthy Churches Missional Churches. The campaign was expected to run for a three year period from 2014 to 2016. Development costs incurred were deferred and amortized over the campaign period.

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CONVENTION OF ATLANTIC BAPTIST CHURCHES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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

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 Convention.

Revenue Recognition

The Convention follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. 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 Convention 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.

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.

CONVENTION OF ATLANTIC BAPTIST CHURCHES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

3. FINANCIAL INSTRUMENTS

The Convention 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 Convention's risk exposure and concentration as of December 31, 2016.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Convention is exposed to credit risk mainly from member congregations. The Convention maintains a provision for potential credit losses, and minimizes credit risk through ongoing credit management. The Convention 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 Convention 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 Convention's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Convention is not exposed to foreign currency exchange risk as it does not hold foreign currency.

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 Convention is exposed to interest rate risk through investments held in deposit certificates with the Atlantic Baptist Foundation.

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Member congregations contributions receivable	\$ 269,312	\$ 300,299
HST refundable	18,422	13,900
Other	<u>16,923</u>	<u>11,659</u>
	<u>\$ 304,657</u>	<u>\$ 325,858</u>

CONVENTION OF ATLANTIC BAPTIST CHURCHES

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5. INVESTMENTS

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

	2016		2015
	Market Value	Cost	Cost
<u>Restricted</u>			
Legacy Fund	\$ 295,666	\$ 295,666	\$ 317,337
Preparing Future Pastors Fund	213,677	213,677	221,696
December Communion Offering Fund	5,151	5,151	5,000
Luke Timothy McLay Memorial Scholarship Fund	14,813	14,813	14,362
	529,307	529,307	558,395
Convention - Unrestricted	234,886	234,886	394,628
	\$ 764,193	\$ 764,193	\$ 953,023

6. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Amortization	Net	Net
Land	\$ 45,000	\$ -	\$ 45,000	\$ 45,000
Building	680,821	554,788	126,033	143,053
Computer equipment	48,483	39,161	9,322	3,572
Equipment	80,634	66,112	14,522	17,992
Furniture and fixtures	66,430	58,908	7,522	9,403
	\$ 921,368	\$ 718,969	\$ 202,399	\$ 219,020

7. FUTURE EMPLOYEE BENEFITS

Upon cessation of employment with the Convention, 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. During the year, the Convention recorded an expenditure of \$9,171 (2015 - \$12,532) pertaining to these future liabilities and paid allowances of \$720 (2015 - \$14,670).

8. RELATED ORGANIZATION TRANSACTIONS

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

Church offerings and CABC revenue are derived from member congregations.

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8. RELATED ORGANIZATION TRANSACTIONS *(continued)*

The Convention 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>2016</u>	<u>2015</u>
Acadia Divinity College	Controlled	\$ 103,616	\$ 119,543
Crandall University	Controlled	92,208	112,455
Canadian Baptist Ministries (CBM)	Significant influence	435,982	440,525
The Sharing Way	Division of CBM	27,892	62,491
Baptist Historical Committee	Controlled	7,333	11,597
Pension and Insurance Board	Controlled	51,863	66,419
Atlantic Baptist Mission Board	Controlled	175,210	207,837
Union of French Baptist Churches	Limited influence	<u>45,710</u>	<u>59,768</u>
		<u>\$ 939,814</u>	<u>\$ 1,080,635</u>

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

9. CONTINGENT LIABILITIES

Per a motion by Council at the 2015 Oasis, the Convention of Atlantic Baptist Churches is to relocate its office to Moncton, NB upon the sale of its current building in Saint John, NB. There will be relocation costs associated with this move. No costs have been recorded in these financial statements as the building has not yet been sold.

10. COMPARATIVE FIGURES

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