

**NORTH AMERICAN BAPTISTS, INC.
(CANADA)**

FINANCIAL STATEMENTS

AUGUST 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Directors of
North American Baptists, Inc. (Canada)

Report on the Financial Statements

We have audited the accompanying financial statements of North American Baptists, Inc. (Canada), which comprise the statement of financial position as at August 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 the financial statements in accordance with the 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 the 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North American Baptists, Inc. (Canada) as at August 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

December 14, 2016
Winnipeg, Canada



Magnus Chartered Accountants LLP

NORTH AMERICAN BAPTISTS, INC. (CANADA)


Statement of Financial Position

August 31, 2016

	General Fund August 31 2016	Restricted Fund August 31 2016	Total August 31 2016	Total August 31 2015
Assets				
Current assets:				
Cash	\$ 526,876	\$ 335,642	\$ 862,518	\$ 623,552
Contributions receivable	-	-	-	50,000
Interest receivable	13,257	-	13,257	19,774
Funds held in trust (Note 3)	217,570	-	217,570	312,187
	757,703	335,642	1,093,345	1,005,513
Investments (Note 4)	3,001,804	1,772,545	4,774,349	4,468,900
	\$ 3,759,507	\$ 2,108,187	\$ 5,867,694	\$ 5,474,413
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,997	\$ 2,635	\$ 4,632	\$ 6,569
Liability for funds held in trust (Note 3)	217,570	-	217,570	312,187
Due to North American Baptists, Inc. (USA) (Note 5)	70,600	50,198	120,798	86,277
	290,167	52,833	343,000	405,033
Net assets:				
Unrestricted net assets	3,469,340	-	3,469,340	3,351,539
Restricted net assets	-	2,055,354	2,055,354	1,717,841
	3,469,340	2,055,354	5,524,694	5,069,380
Commitment (Note 6)				
	\$ 3,759,507	\$ 2,108,187	\$ 5,867,694	\$ 5,474,413

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:


Chief Financial Officer


Audit Committee Chair

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Operations
Year ended August 31, 2016

	2016 General Fund	2016 Restricted Fund	2016 Total	2015 General Fund	2015 Restricted Fund	2015 Total
Revenue:						
Contributions and bequests - restricted (Note 7)	\$ 309,768	\$ 1,627,424	\$ 1,937,192	\$ -	\$ 1,823,885	\$ 1,823,885
Contributions and bequests - unrestricted	442,705	-	442,705	518,120	-	518,120
Investment income	112,628	-	112,628	120,830	-	120,830
Other income	620	-	620	15,301	-	15,301
	865,721	1,627,424	2,493,145	654,251	1,823,885	2,478,136
Program expenses:						
Communications	-	86	86	-	196	196
Dues and subscriptions	2,760	-	2,760	-	2,640	2,640
Field operations	-	527,867	527,867	4,159	587,710	591,869
Meetings and events, net of recoveries	7,081	717	7,798	2,767	8,354	11,121
Professional fees	-	108,666	108,666	97,534	8,466	106,000
Direct program expenses	12,315	155,759	168,074	-	-	-
Promotion	-	3,290	3,290	-	6,964	6,964
Salaries and benefits	-	448,779	448,779	-	502,349	502,349
Scholarships and grants	11,000	8,254	19,254	17,965	1,000	18,965
Special projects	-	92,870	92,870	-	192,114	192,114
Supplies	-	193	193	-	4,868	4,868
Travel	-	9,671	9,671	580	62,498	63,078
	33,156	1,356,152	1,389,308	123,005	1,377,159	1,500,164
Administrative expenses:						
Bank and payroll fees	17,390	-	17,390	15,673	-	15,673
Direct administrative expenses	4,726	56,933	61,659	-	-	-
Dues and subscriptions	850	-	850	765	-	765
Insurance	3,000	-	3,000	-	-	-
Meetings and events	14,267	-	14,267	10,322	6,661	16,983
Office and miscellaneous	602	-	602	3,174	8	3,182
Professional services	64,456	1,768	66,224	15,485	-	15,485
Promotion	7,941	-	7,941	-	-	-
	113,232	58,701	171,933	45,419	6,669	52,088
Total program and administrative expenses	146,388	1,414,853	1,561,241	168,424	1,383,828	1,552,252
Excess of revenue over expenses before the following:	719,333	212,571	931,904	485,827	440,057	925,884
Other income (expenses):						
Net increase (decrease) in market value of investments	234,779	-	234,779	(183,082)	-	(183,082)
Realized (loss) on disposal of investments	(46,538)	-	(46,538)	-	-	-
(Loss) on foreign exchange	(16,489)	(821)	(17,310)	(21,266)	-	(21,266)
Administrative fees (Note 5)	(647,521)	-	(647,521)	(638,690)	-	(638,690)
	(475,769)	(821)	(476,590)	(843,038)	-	(843,038)
Excess (deficiency) of revenue over expenses for the year	243,564	211,750	455,314	(357,211)	440,057	82,846

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Changes in Net Assets

Year ended August 31, 2016

	2016	2016	2016	2015	2015	2015
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Net assets, beginning of year	\$ 3,351,539	\$ 1,717,841	\$ 5,069,380	\$ 3,708,750	\$ 1,277,784	\$ 4,986,534
Excess (deficiency) of revenue over expenses for the year	243,564	211,750	455,314	(357,211)	440,057	82,846
Interfund transfers (Note 8)	(125,763)	125,763	-	-	-	-
Net assets, end of year	\$ 3,469,340	\$ 2,055,354	\$ 5,524,694	\$ 3,351,539	\$ 1,717,841	\$ 5,069,380

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Cash Flows

Year ended August 31, 2016

	2016	2015
Cash flow from (used in)		
Operating activities:		
Excess of revenue over expenses for the year	\$ 455,314	\$ 82,846
Adjustment for:		
Net (increase) decrease in market value of investments	(234,779)	183,082
Realized loss on disposal of investments	46,538	-
	267,073	265,928
Changes in the following:		
Contributions receivable	50,000	(18,390)
Interest receivable	6,517	(948)
Funds held in trust	94,617	(3,876)
Accounts payable and accrued liabilities	(1,937)	(4,270)
Liability for funds held in trust	(94,617)	3,876
Due to North American Baptists, Inc. (USA)	34,521	22,307
	356,174	264,627
Investing activity:		
Purchase of investments	(117,208)	(117,444)
Change in cash	238,966	147,183
Cash, beginning of year	623,552	476,369
Cash, end of year	\$ 862,518	\$ 623,552

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2016

1. Nature of organization

North American Baptists, Inc. (Canada) ("NAB" or the "organization") and North American Baptists, Inc. (U.S.) are operating corporations of the North American Baptist Conference ("NAB Conference").

NAB Conference has more than 400 cooperative churches organized into 13 regions by geographical areas throughout Canada and the United States. To assist members, NAB has established foundations, both in Canada and the U.S., for estate planning.

NAB Conference's foreign mission fields include Cameroon, Brazil, Japan, Hungary, Romania and Asia. In addition, NAB partners with nationals in Russia, the Philippines and Serbia. Approximately 31 missionaries are assigned for varying lengths of terms to staff these fields. Several national missionaries partner with NAB in various fields and many short-term volunteers are assigned for two weeks to two years. Missionaries help local communities and residents with health, education, welfare, and spiritual needs. Through Hispanics for Christ, NAB is training Hispanic leaders and establishing Hispanic churches in Canada, the United States, Mexico, Central America, and South America.

NAB Conference functions in North America by assisting local congregations in church growth and by forming new churches. The ministry of NAB Conference is supported primarily by contributions from individuals and member churches across both Canada and the U.S.

NAB is a registered charity pursuant to the provisions of *The Income Tax Act* (Canada) and is therefore exempt from income taxes.

2. Basis of accounting and summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the following significant accounting policies:

(a) Fund accounting

The organization uses fund accounting and has established the following funds:

(i) General fund

Assets, liabilities, revenues and expenses relating to general operations and administrative activities are recorded in the general fund.

(ii) Restricted fund

This fund accounts for all direct activities relating to donor stipulations for specific projects or programs. The organization receives specific contributions for this purpose which are externally restricted.

(b) Financial instruments

Measurement

The organization initially measures its financial assets and liabilities at fair value, except for certain financial instruments arising from non-arm's length transactions. For any financial instruments that contain both a liability and equity component, the equity component is measured at zero and the entire proceeds of issue are allocated to the liability component.

The organization subsequently measures its financial assets and liabilities at amortized cost, except for its investments, which are measured at fair value. For any financial instruments subsequently measured at fair value, changes in fair value are recognized in the excess (deficiency) of revenue over expenses for the year.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2016

2. Basis of accounting and summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Transaction costs

Transaction costs for financial instruments subsequently measured at cost or amortized cost are added to the cost of the related financial instrument. Transaction costs for any financial instruments subsequently measured at fair value are expensed when incurred.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in the excess (deficiency) of revenue over expenses for the year. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided the adjusted amount is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses for the year.

(c) Contributed materials and services

The organization receives volunteer services and assistance in carrying out its service delivery activities. The contributed services are not recognized in the financial statements due to difficulties associated with the determination of fair value. Contributed materials and services used in the normal course of operations that would otherwise be purchased are recognized in the financial statements at fair value when fair value can be reasonably estimated, otherwise no amounts are recognized.

(d) Revenue recognition

The organization follows the restricted fund method of accounting for contributions and bequests. Externally restricted contributions and bequests for specific projects and programs are recognized as revenue in the restricted fund when received or receivable and when collection is reasonably assured. Externally restricted contributions and bequests not relating to specific projects and programs are recognized in the general fund using the deferral method of accounting. Unrestricted contributions are recognized in the general fund as revenue when received or receivable and when collection is reasonably assured.

Investment income is recognized on the accrual basis.

(e) Related party transactions

Monetary and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at their carrying amount.

(f) Foreign currency transactions

The organization uses the temporal method to translate its foreign currency transactions. Under the temporal method, monetary assets and liabilities are translated at the exchange rate in effect at the reporting date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items included in the statement of operations are translated at average annual rates. Any exchange gains and losses are included in the excess (deficiency) of revenue over expenses for the year.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2016

2. Basis of accounting and summary of significant accounting policies (continued)

(g) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically and adjustments are recognized in the excess (deficiency) of revenue over expenses in the period they become known. Actual results may differ from these estimates.

3. Funds held in trust

Funds held in trust consist of funds received on behalf of other organizations that are held in a separate savings account. These amounts plus any interest earned thereon are payable on demand.

4. Investments

	2016	2015
Marketable securities	\$ 2,887,530	\$ 3,238,333
Savings bonds, 1 to 4 year terms, bearing interest from 2.50% to 3.00%	743,467	993,467
Money market fund bearing interest at 1.25%	1,143,352	237,100
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	\$ 4,774,349	\$ 4,468,900

5. Related party transactions

Included in these financial statements are administration and service fees expenses of \$647,521 (2015 - \$638,690) to North American Baptists, Inc. (USA), an organization with directors in common. Of this amount, \$120,798 is payable at August 31, 2016 (2015 - \$86,277). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount agreed upon by the related parties.

6. Commitment

The organization has entered into a contract with Missional Training Network for training services for the period from September 1, 2016 to August 31, 2017 with total annual payments pursuant to this contract expected to be \$105,000.

7. Contributions and bequests - restricted

The organization receives externally restricted contributions and bequests of which a portion is designated to be used for general administrative purposes. During the year ended August 31, 2016, of the total restricted contributions of \$1,937,192, \$1,627,424 was recognized in the restricted fund to be used for specific projects and programs with \$309,768 recognized in the general fund for administrative purposes. As at August 31, 2016 total administrative expenses in the general fund were in excess of the restricted contributions designated for administrative purposes therefore no amounts were deferred.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2016

8. Interfund transfers

During the year ended August 31, 2016 the Board of Directors approved a transfer of \$125,763 (2015 - \$Nil) from the general fund to the restricted fund to be used for specific projects and programs.

9. Financial risks and concentrations of risk

Management is of the opinion that the organization is not exposed to any significant unusual or non-routine liquidity, credit, market, currency, interest rate or other price risks or concentrations of risk resulting from its financial instruments that are not readily determinable from information provided in these financial statements except as specifically disclosed below. The carrying value of secured financial liabilities as at year end as well as the approximate carrying value of any assets pledged as security is readily determinable from information provided in these financial statements.

Market and interest rate risk

The organization is exposed to market risk and interest risk on its investments. Assuming no significant changes to the composition of the investment portfolio at year end, a 1% fluctuation in market values would result in a net change of approximately \$47,743 to the value of the investments and corresponding net change in market value in the statement of operations and net assets.

10. Comparative information

Certain of the amounts for the year ended August 31, 2015 have been reclassified to conform to the financial statement presentation adopted in the current year.