

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

FINANCIAL STATEMENTS

AUGUST 31, 2023



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North American Baptists, Inc. (Canada) (the "Organization"), which comprise the statement of financial position as at August 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2023, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 related 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.

Auditor's 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 auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 auditor's 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 auditor's 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.

December 7, 2023
Winnipeg, Canada



Chartered Professional Accountants

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Financial Position

August 31, 2023

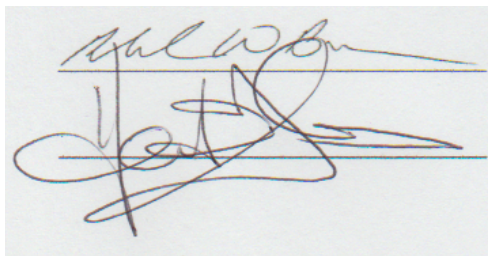
	General Fund 2023	Restricted Fund 2023	Total 2023	Total 2022
Assets				
Current assets:				
Cash	\$ 355,230	\$ -	\$ 355,230	\$ 402,903
Contributions and other receivables	-	64,847	64,847	1,840
Interest receivable	47,485	-	47,485	26,508
Funds held in trust (Note 3)	-	153,778	153,778	149,846
	402,715	218,625	621,340	581,097
Investments (Note 4)	3,964,802	1,658,768	5,623,570	5,883,363
	\$ 4,367,517	\$ 1,877,393	\$ 6,244,910	\$ 6,464,460

Liabilities and Net Assets

Current liabilities:				
Accounts payable and accrued liabilities	\$ 32,643	\$ 32,985	\$ 65,628	\$ 58,800
Due to North American Baptists, Inc. (USA) (Note 10)	36,874	71,852	108,726	102,856
Liability for funds held in trust (Note 3)	-	153,778	153,778	149,846
	69,517	258,615	328,132	311,502
Net assets (Note 5):				
Unrestricted and internally restricted	4,298,000	-	4,298,000	4,326,114
Restricted	-	1,618,778	1,618,778	1,826,844
	4,298,000	1,618,778	5,916,778	6,152,958
	\$ 4,367,517	\$ 1,877,393	\$ 6,244,910	\$ 6,464,460

See accompanying notes to financial statements.

APPROVED BY:



Chief Financial Officer

Chair of the Audit Committee

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Operations
Year ended August 31, 2023

	2023 General Fund	2023 Restricted Fund	2023 Total	2022 General Fund	2022 Restricted Fund	2022 Total
Revenue:						
Contributions and bequests - restricted (Note 6)	\$ 313,010	\$ 1,889,868	\$ 2,202,878	\$ 367,611	\$ 2,495,974	\$ 2,863,585
Contributions and bequests - unrestricted	377,071	-	377,071	394,807	-	394,807
Investment income - realized	202,469	-	202,469	118,973	-	118,973
Other revenue	1,310	-	1,310	22,254	-	22,254
	893,860	1,889,868	2,783,728	903,645	2,495,974	3,399,619
Expenses:						
Bank, credit card, investment and other fees	8,600	-	8,600	28,201	-	28,201
Communications and technology	3,690	3,170	6,860	4,114	-	4,114
Dues and subscriptions	2,057	156	2,213	1,036	156	1,192
Field operations	-	233,096	233,096	-	219,572	219,572
General ministry expenses	-	598,750	598,750	-	946,166	946,166
Insurance	-	-	-	3,251	-	3,251
Joint ministry administrative and program expenses to NAB, Inc. (USA) (Note 10)	562,615	423,995	986,610	475,070	420,426	895,496
Meetings and events	65,552	3,328	68,880	25,156	770	25,926
Office and miscellaneous	2,840	4,001	6,841	2,299	11,044	13,343
Professional fees and consultants (Note 7)	30,862	159,301	190,163	41,381	145,697	187,078
Promotion	708	1,863	2,571	1,423	8,747	10,170
Salaries and benefits	271,534	815,714	1,087,248	248,373	803,378	1,051,751
Scholarships and grants	-	-	-	-	3,131	3,131
Travel	26,036	67,790	93,826	22,117	83,055	105,172
	974,494	2,311,164	3,285,658	852,421	2,642,142	3,494,563
(Deficiency) excess of revenue over expenses before change in market value of investments	(80,634)	(421,296)	(501,930)	51,224	(146,168)	(94,944)
Net increase (decrease) in market value of investments	265,750	-	265,750	(205,731)	-	(205,731)
Excess (deficiency) of revenue over expenses for the year	\$ 185,116	\$ (421,296)	\$ (236,180)	\$ (154,507)	\$ (146,168)	\$ (300,675)

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Changes in Net Assets

Year ended August 31, 2023

	2023 General Fund	2023 Restricted Fund	2023 Total	2022 General Fund	2022 Restricted Fund	2022 Total
Net assets, beginning of year	\$ 4,326,114	\$ 1,826,844	\$ 6,152,958	\$ 4,701,985	\$ 1,751,648	\$ 6,453,633
Excess (deficiency) of revenue over expenses for the year	185,116	(421,296)	(236,180)	(154,507)	(146,168)	(300,675)
Interfund transfers (Note 8)	(213,230)	213,230	-	(221,364)	221,364	-
Net assets, end of year	\$ 4,298,000	\$ 1,618,778	\$ 5,916,778	\$ 4,326,114	\$ 1,826,844	\$ 6,152,958

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Statement of Cash Flows

Year ended August 31, 2023

	2023	2022
<i>Cash flows from (used in)</i>		
Operating activities:		
(Deficiency) of revenue over expenses for the year	\$ (236,180)	\$ (300,675)
Adjustment for:		
Net (increase) decrease in market value of investments	(265,750)	205,731
	(501,930)	(94,944)
Changes in the following:		
Contributions and other receivables	(63,007)	-
Interest receivable	(20,977)	14,464
Funds held in trust	(3,932)	(1,806)
Accounts payable and accrued liabilities	6,828	36,823
Due to North American Baptists, Inc. (USA)	5,870	12,150
Liability for funds held in trust	3,932	1,806
	(573,216)	(31,507)
Investing activities:		
Net changes in investments	525,543	70,722
Change in cash	(47,673)	39,215
Cash, beginning of year	402,903	363,688
Cash, end of year	\$ 355,230	\$ 402,903

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2023

1. Nature of organization

North American Baptists, Inc. (Canada) ("NAB" or the "Organization") and North American Baptists, Inc. ("NAB USA") are operating organizations of the North American Baptist Conference ("NAB Conference") in Canada and the United States, respectively.

NAB Conference has more than 400 cooperative churches organized into 12 regions by geographical areas throughout Canada and the United States. NAB Conference functions in North America by assisting local congregations in leadership development, church growth and by establishing new churches. The ministry of NAB Conference is supported primarily by contributions from individuals and member churches across both Canada and the United States.

NAB Conference's foreign mission fields include Cameroon, Brazil, Japan, Hungary, Romania, Asia and Nigeria. In addition, NAB partners with nationals in Russia, the Philippines and Serbia. Missionaries are assigned for varying terms to staff these fields. Several national missionaries partner with NAB in various fields and many short-term volunteers are assigned for terms ranging from 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.

The Organization works together with other organizations to achieve its overall operating purpose and objectives. These cooperating and/or affiliated entities and organizations include its member churches, associations, regions and mission fields, Sioux Falls Seminary, Taylor College and Seminary, Church Investors Fund Ltd. and Church Investors Fund, Inc. (CeIF), Hispanics for Christ and North American Baptists, Inc. These organizations are not consolidated in the Organization's financial statements due to lack of control.

The Organization 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) Interfund transfers

Generally, given the structure of the donor stipulated funding agreements, any excess restricted funding received for specific projects and programs may be released and transferred to the general fund once the projects and programs are complete at the discretion of management. Also, any deficiency in funding received for specific projects and programs may be funded by the general fund at the discretion of management.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2023

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

(c) 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. Unrestricted contributions are recognized in the general fund as revenue when received or receivable and when collection is reasonably assured.

Investment income and any other revenue is recognized on the accrual basis in the appropriate fund when the amounts involved are readily determinable and when collection is reasonably assured.

(d) Contributed materials and services

The Organization receives significant volunteer services and assistance in carrying out its service delivery activities. These contributed services are not recognized in the financial statements due to difficulties associated with the determination of fair value. Contributed materials 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. The total contributed materials recognized during the year was \$nil (2022 - \$nil).

(e) Financial instruments

Measurement

The Organization initially measures its financial assets and liabilities at fair value, except for certain financial instruments arising from transactions with related parties (non-arm's length transactions).

For financial instruments arising from arm's length transactions, the Organization subsequently measures its financial assets and liabilities at amortized cost, except for any investments in equity instruments that are quoted in an active market and certain derivative instruments, which are subsequently measured at fair value. For any arm's length financial instruments subsequently measured at fair value, changes in fair value are recognized in the excess (deficiency) of revenue over expenses for the year.

Financial instruments originated, acquired or assumed in a related party transaction are initially measured based on the nature of the financial instrument and may be either at fair value, cost or the cost of the consideration exchanged for the related party financial instrument, with subsequent measurement based on how the related party financial instrument was initially measured. Related party financial instruments initially measured at fair value include investments in equity instruments quoted in an active market, debt instruments quoted in an active market or when inputs significant to the determination of fair value are observable either directly or indirectly, or derivative contracts. All other related party financial instruments are initially measured at cost.

Transaction costs

For arm's length transactions, transaction costs for financial instruments subsequently measured at cost or amortized cost are added to the cost of the financial instrument; transaction costs for any financial instruments subsequently measured at fair value are expensed when incurred. For non-arm's length transactions, all transaction costs incurred on initial measurement of a related party financial instrument are recognized in the excess (deficiency) of revenue over expenses for the year.

Impairment

For financial assets from both arm's length and non-arm's length transactions, financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment with any impairment losses 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, 2023

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

(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.

(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 and liability for funds held in trust

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

4. Investments

	2023	2022
Marketable securities and equity funds	\$ 2,803,904	\$ 3,047,321
Money market funds and short-term investments	1,350,342	1,395,599
CeIF - certificates of deposit	1,469,324	1,440,443
	<u>\$ 5,623,570</u>	<u>\$ 5,883,363</u>

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2023

5. Net assets

	2023	2022
General Fund:		
Unrestricted	\$ 1,189,949	\$ 1,221,068
Internally restricted and/or Board designated:		
Ministry	2,554,611	2,564,619
Reserves	287,646	298,491
Retirement	1,300	1,246
Scholarship funds	264,494	240,690
	<hr/>	<hr/>
	\$ 4,298,000	\$ 4,326,114
Restricted Fund:		
Missionaries	\$ 638,531	\$ 755,224
Ministry	295,446	428,803
Special projects	577,811	539,758
Scholarship funds	106,990	103,059
	<hr/>	<hr/>
	\$ 1,618,778	\$ 1,826,844
Total	<hr/>	<hr/>
	\$ 5,916,778	\$ 6,152,958

6. Contributions and bequests - restricted

The Organization receives externally restricted contributions and bequests of which a portion is designated for general administrative purposes. During the year ended August 31, 2023, of the total restricted contributions received or receivable of \$2,202,878 (2022 - \$2,863,585), \$1,889,868 (2022 - \$2,495,974) was recognized in the restricted fund to be used for specific projects and programs with \$313,010 (2022 - \$367,611) recognized in the general fund to fund administrative expenses incurred during the year. For the years ended August 31, 2023 and 2022, total administrative expenses in the general fund were in excess of the restricted contributions designated for administrative purposes therefore no amounts were deferred at year end.

7. Professional fees and consultants expense

Included in total professional fees and consultants expense is \$156,347 (2022 - \$143,364) incurred pursuant to a service agreement with Southside Community Church for training services during the year.

8. Interfund transfers

During the year ended August 31, 2023, \$213,230 (2022 - \$221,364) was transferred from the general fund to the restricted fund to cover the deficiency in funding for certain projects and programs during the year.

NORTH AMERICAN BAPTISTS, INC. (CANADA)

Notes to Financial Statements

Year ended August 31, 2023

9. Employee benefit plan

The Organization maintains an employee benefit plan for its eligible employees. The plan also covers eligible employees of the cooperating organizations of the Organization, including ministers and approved church staff employed by the constituent churches or who are serving indirectly the interests of the Organization, as approved by the Governing Board of the NAB Conference.

Employer contributions made by the Organization range from 5% to 12% of annual compensation based on class of employment. Employee contributions are discretionary and are subject to the maximum amounts allowed by government regulations. For the year ended August 31, 2023, the Organization made total contributions on behalf of its employees of \$71,335 (2022 - \$73,202). In addition to amounts contributed for its employees, the Organization makes an annual contribution of \$300 per employee of the NAB Conference churches who meet certain minimum contribution and eligibility requirements. For the year ended August 31, 2023, the total contributions to these other eligible employee retirement accounts was \$33,900 (2022 - \$35,100). As at year end, the Organization has no further obligations pursuant to this employee benefit plan (2022 - \$nil).

10. Related party transactions

The Organization makes payments to North American Baptists, Inc., an organization with certain directors in common, for joint ministry administrative and program costs. These amounts are separately presented in the statement of operations as joint ministry administrative and program expenses. These transactions are in the normal course of operations and are measured at the amount agreed upon by the parties pursuant to a Joint Ministry Agreement.

Total expenses for the year ended August 31, 2023 pursuant to the Joint Ministry Agreement were \$986,610 (2022 - \$895,496) with \$108,726 (2022 - \$102,856) payable at year end.

11. Commitments

The Organization does not have any significant, non-routine operating lease or other commitments as at year end.

12. 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 all secured financial liabilities as at year end is \$nil (2022 - \$nil).

Market and interest rate risk

The Organization is exposed to market risk and interest rate risk on its investments. Assuming no significant changes to the composition of the investment portfolio at year end, a 1% fluctuation in interest rates would result in a net change of approximately \$56,236 (2022 - \$58,834) to the value of the investments and corresponding net change in market value on the statement of operations. In order to mitigate this risk, the Organization has established an Investment Committee to monitor and oversee its investment portfolio to ensure specific asset mix allocations are maintained and adjusted as necessary and target investment returns are achieved.