

NORTH AMERICAN BAPTISTS, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2024

(Expressed in U.S. Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
North American Baptists, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North American Baptists, Inc. (the "Organization"), which comprise the statement of financial position as at August 31, 2024, 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, 2024, 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 12, 2024
Winnipeg, Canada



Chartered Professional Accountants

NORTH AMERICAN BAPTISTS, INC.

Statement of Financial Position

August 31, 2024

(Expressed in U.S. Dollars)

	General Fund 2024	Restricted Fund 2024	Total 2024	Total 2023
Assets				
Current assets:				
Cash	\$ 309,532	\$ -	\$ 309,532	\$ 342,089
Interest receivable	35,383	-	35,383	26,616
Other receivables	5,730	11,124	16,854	5,009
Due from North American Baptists, Inc. (Canada) (Note 13)	32,278	31,675	63,953	80,740
Prepaid expenses	10,944	18,811	29,755	41,531
Funds held in trust (Note 3)	-	61,058	61,058	23,122
	393,867	122,668	516,535	519,107
Investments (Note 4)	9,559,570	1,065,828	10,625,398	10,465,662
Annuity assets (Note 5)	50,851	11,104	61,955	58,901
Trust assets (Note 6)	112,178	100,134	212,312	197,319
Endowment assets (Note 7)	-	263,545	263,545	228,333
Property and equipment (Note 8)	817,865	-	817,865	843,372
	\$ 10,934,331	\$ 1,563,279	\$ 12,497,610	\$ 12,312,694
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 82,106	\$ 67,419	\$ 149,525	\$ 161,700
Liability for funds held in trust (Note 3)	-	61,058	61,058	23,122
	82,106	128,477	210,583	184,822
Annuities payable	-	11,104	11,104	11,796
Trust liabilities (Note 6)	-	100,134	100,134	93,458
	82,106	239,715	321,821	290,076
Net assets (Note 9):				
Unrestricted and internally restricted	10,852,225	-	10,852,225	10,516,512
Restricted	-	1,323,564	1,323,564	1,506,106
	10,852,225	1,323,564	12,175,789	12,022,618
	\$ 10,934,331	\$ 1,563,279	\$ 12,497,610	\$ 12,312,694

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC.

Statement of Operations

Year ended August 31, 2024

(Expressed in U.S. Dollars)

	2024 General Fund	2024 Restricted Fund	2024 Total	2023 General Fund	2023 Restricted Fund	2023 Total
Revenue:						
Contributions and bequests - restricted (Note 10)	\$ 234,666	\$ 1,382,551	\$ 1,617,217	\$ 256,717	\$ 1,486,954	\$ 1,743,671
Contributions and bequests - unrestricted	442,967	-	442,967	449,503	-	449,503
Joint ministry administrative and program cost recoveries from NAB, Inc. (Canada) (Note 13)	285,982	294,501	580,483	409,137	307,455	716,592
Investment income - realized	358,361	7,066	365,427	289,035	5,441	294,476
Other revenue	189,212	-	189,212	106,198	-	106,198
	1,511,188	1,684,118	3,195,306	1,510,590	1,799,850	3,310,440
Expenses:						
Amortization	25,506	-	25,506	27,337	-	27,337
Bank, credit card and other fees	32,055	-	32,055	15,435	-	15,435
Communications and technology	57,069	13,415	70,484	57,133	15,154	72,287
Dues and subscriptions	22,629	4,775	27,404	13,706	3,936	17,642
Field operations	-	111,297	111,297	-	139,481	139,481
General ministry	630	472,907	473,537	243	410,127	410,370
Insurance	25,603	4,031	29,634	28,935	4,504	33,439
Meetings and events	378,531	64,103	442,634	195,074	71,131	266,205
Office and miscellaneous	12,863	4,472	17,335	15,307	5,141	20,448
Professional fees and consultants	27,907	46,287	74,194	62,476	41,440	103,916
Promotion	120,230	2,879	123,109	69,527	1,433	70,960
Property tax	1,677	-	1,677	1,676	-	1,676
Repairs and maintenance	24,227	-	24,227	29,368	-	29,368
Salaries and benefits	944,827	1,170,295	2,115,122	925,181	1,302,946	2,228,127
Scholarships and grants	-	68,855	68,855	-	109,400	109,400
Travel	103,335	137,079	240,414	55,168	172,665	227,833
	1,777,089	2,100,395	3,877,484	1,496,566	2,277,358	3,773,924
(Deficiency) excess of revenue over expenses before other income (expenses)	(265,901)	(416,277)	(682,178)	14,024	(477,508)	(463,484)
Other income (expenses):						
Net increase in market value of investments and endowment assets	833,843	29,484	863,327	267,784	13,165	280,949
Net income (expenses) from annuities (Note 5)	3,746	-	3,746	12,929	-	12,929
Net income (expenses) from trusts (Note 6)	-	8,316	8,316	-	(1,340)	(1,340)
Investment management fees	(38,701)	(1,339)	(40,040)	(38,531)	(1,232)	(39,763)
	798,888	36,461	835,349	242,182	10,593	252,775
Excess (deficiency) of revenue over expenses for the year	\$ 532,987	\$ (379,816)	\$ 153,171	\$ 256,206	\$ (466,915)	\$ (210,709)

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC.

Statement of Changes in Net Assets

Year ended August 31, 2024

(Expressed in U.S. Dollars)

	2024	2024	2024	2023	2023	2023
	General Fund	Restricted Fund	Total	General Fund	Restricted Fund	Total
Net assets, beginning of year	\$ 10,516,512	\$ 1,506,106	\$ 12,022,618	\$ 10,611,999	\$ 1,621,328	\$ 12,233,327
Excess (deficiency) of revenue over expenses for the year	532,987	(379,816)	153,171	256,206	(466,915)	(210,709)
Interfund transfers (Note 11)	(197,274)	197,274	-	(351,693)	351,693	-
Net assets, end of year	\$ 10,852,225	\$ 1,323,564	\$ 12,175,789	\$ 10,516,512	\$ 1,506,106	\$ 12,022,618

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC.

Statement of Cash Flows

Year ended August 31, 2024

(Expressed in U.S. Dollars)

	2024	2023
<i>Cash flows from (used in)</i>		
Operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ 153,171	\$ (210,709)
Adjustments for:		
Amortization	25,506	27,337
Net (increase) in market value of investments and endowment assets	(863,327)	(280,949)
Net (increase) in market value of annuities	(5,845)	(1,706)
Net (increase) in market value of trusts	(17,037)	(322)
	(707,532)	(466,349)
Changes in the following:		
Interest receivable	(8,767)	(7,822)
Other receivables	(11,845)	1,865
Change in due from North American Baptists, Inc. (Canada)	16,787	136
Prepaid expenses	11,776	(20,831)
Funds held in trust	(37,936)	(18,210)
Accounts payable and accrued liabilities	(12,175)	5,035
Liability for funds held in trust	37,936	18,210
	(711,756)	(487,966)
Investing activities:		
Net changes in investments and endowment assets	668,380	463,348
Net changes in annuity assets	6,309	25,553
Net changes in trust assets	18,682	12,010
	693,371	500,911
Financing activities:		
Payments to annuitants	(4,210)	(7,248)
Payments to beneficiaries	(9,962)	(10,349)
	(14,172)	(17,597)
Change in cash	(32,557)	(4,652)
Cash, beginning of year	342,089	346,741
Cash, end of year	\$ 309,532	\$ 342,089

See accompanying notes to financial statements.

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

1. Nature of organization

North American Baptists, Inc. ("NAB" or the "Organization") and North American Baptists, Inc. (Canada) are operating organizations of the North American Baptist Conference ("NAB Conference") in the United States and Canada, 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 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 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. (Canada). These organizations are not consolidated in the Organization's financial statements due to lack of control.

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state laws in the United States of America. However, the Organization is subject to U.S. federal income taxes on any unrelated business taxable income.

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.

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

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

(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.

(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 primary 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 (2023 - \$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.

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

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

(e) Financial instruments (continued)

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.

(f) Investments, annuity assets, trust assets and endowment assets

Investments and annuity assets consist of currently expendable investments for operating and annuity requirements. Trust assets consist of non-expendable amounts invested pursuant to the Organization's trust agreements, which are invested in custodial accounts separate from expendable investments. Endowment assets consist of amounts invested pursuant to donor stipulations requiring the contributions received be maintained in perpetuity. A separate endowment fund has not been presented in these financial statements due to immateriality to the users of the financial statements - see Note 7 for details relating to total endowment contributions received by the Organization, investment income earned thereon and other transactions during the year relating to endowment assets.

Investments, annuity assets, trust assets and endowment assets in readily marketable debt and equity instruments are measured at fair value. Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable investments. Investments in certificates of deposit with the Church Investors Fund, Inc. are measured at cost.

(g) Annuity agreements, contributions and annuities payable

The Organization has established a gift annuity plan whereby donors may contribute assets to the Organization in exchange for the right to receive a fixed dollar annual return during their lifetime. This transaction provides for a portion of the contribution to be considered a charitable contribution for income tax purposes. The difference between the amount provided for the annuity contract and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift if the Organization is the ultimate beneficiary, or as a liability if another charity is the beneficiary. Upon the death of the annuitant, income distributions cease. The actuarial liability for annuities payable is calculated annually using published mortality rate tables adopted by the Internal Revenue Service. Any actuarial gain or loss is recorded as a component of the net income (expenses) from annuities on the statement of operations.

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

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

(h) Trust agreements, contributions and liabilities

Revocable trusts

As trustee, NAB has contracted with Cornerstone Management for the administration of the revocable trusts that provide for a beneficial interest to the Organization or other beneficiaries at the grantor's death. Since the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities. All trust income, deductions, and credits are reportable by the grantor for tax purposes. At the grantor's death, the remaining trust assets, if designated for the Organization, will be recorded as contribution income. Any trust designated for other beneficiaries will be distributed in accordance with the trust agreement.

Irrevocable trusts

The Organization has also contracted with Cornerstone Management for the administration of irrevocable trusts including charitable remainder unitrusts and annuity trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. The present value of these payments are reported as trust liabilities using federal discount and mortality tables. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated remainderman. The present value of the Organization's remainder interest is recognized as contributions in the appropriate fund in the period received. Certain trusts contain provisions to distribute assets to remainderman other than the Organization; the portion attributable to others is reflected as a component of trust liabilities.

(i) Property and equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

	<u>Rate</u>	<u>Method</u>
Building	40 years	Straight-line
Equipment	3-6 years	Straight-line
Furniture and fixtures	10 years	Straight-line

(j) Impairment of long-lived assets

Property and equipment are assessed for impairment when events or conditions indicate that an asset no longer contributes to the Organization's ability to provide goods and services or that the value of future benefits or service potential associated with the assets may be less than its carrying value. An impairment loss is recognized when the carrying value of the asset exceeds its fair value or replacement cost as determined on an asset by asset basis. Any impairment losses are recognized in the excess (deficiency) of revenue over expenses in the period the impairment occurs. Impairment losses are not reversed.

(k) 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.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

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

(l) 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, Inc. These amounts plus any interest earned thereon are payable on demand.

4. Investments

	2024	2023
Marketable securities and equity funds	\$ 7,216,481	\$ 6,360,981
Cash and/or money market funds	2,239,169	2,963,963
CeIF - certificates of deposit, at cost	1,169,748	1,140,718
	<hr/>	<hr/>
	\$ 10,625,398	\$ 10,465,662

5. Annuity assets

	2024	2023
Marketable securities and equity funds	\$ 57,194	\$ 53,702
Cash and/or money market funds	4,761	5,199
	<hr/>	<hr/>
	\$ 61,955	\$ 58,901

Net income (expenses) from annuity assets and liabilities is comprised of the following:

	2024	2023
Interest and dividends	\$ 1,734	\$ 2,186
Increase in market value	5,845	1,706
Net actuarial adjustments	692	16,700
Payments to annuitants	(4,210)	(7,248)
Investment management fees	(315)	(415)
	<hr/>	<hr/>
	\$ 3,746	\$ 12,929

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

6. Trust assets and liabilities

Trust assets at year end are comprised of the following:

	2024	2023
Marketable securities and equity funds	\$ 203,843	\$ 188,396
Cash and/or money market funds	8,469	8,923
	<u>\$ 212,312</u>	<u>\$ 197,319</u>

Trust liabilities at year end are comprised of the following:

Present value of charitable remainder trust payments	\$ 70,429	\$ 67,058
Amounts held for others	29,706	26,400
	<u>\$ 100,134</u>	<u>\$ 93,458</u>

Net income (expenses) from trust assets and liabilities is comprised of the following:

	2024	2023
Interest and dividends	\$ 9,040	\$ 8,772
Increase in market value	17,037	322
Actuarial and/or present value adjustments	(6,676)	994
Payments to beneficiaries	(9,962)	(10,349)
Investment management fees	(1,123)	(1,079)
	<u>\$ 8,316</u>	<u>\$ (1,340)</u>

7. Endowment assets and contributions

As at August 31, 2024, included in endowment assets is total endowment contributions of \$211,435 (2023 - \$211,435) required to be maintained in perpetuity. See also Note 9 for net assets restricted in perpetuity. These assets are invested in accordance with an endowment fund policy to achieve certain target returns to be used for charitable purposes. In accordance with legislation in the United States, the Organization has set an annual distribution policy of 5% of market value. Any investment income earned on endowment assets is retained in the restricted fund and included in total endowment assets until distributions are made in accordance with the Organization's distribution policy.

During the year ended August 31, 2024, the Organization received additional endowment contributions of \$nil (2023 - \$nil). For the year ended August 31, 2024, the total net investment income earned on endowment assets including change in market value was a net gain or income of \$35,212 (2023 - net gain of \$17,374).

Also during the year ended August 31, 2024, a total distribution of \$nil (2023 - \$4,149) was made from the net investment returns realized on endowment assets. Any distributions from endowment assets in the restricted fund to the general fund are included in the total interfund transfers for the year (see also Note 11).

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

8. Property and equipment

	2024		
	Cost	Accumulated Amortization	Net Book value
Land	\$ 265,000	\$ -	\$ 265,000
Building	791,747	240,823	550,924
Equipment	220,277	218,336	1,941
Furniture and fixtures	78,402	78,402	-
	<u>\$ 1,355,426</u>	<u>\$ 537,561</u>	<u>\$ 817,865</u>

	2023		
	Cost	Accumulated amortization	Net book value
Land	\$ 265,000	\$ -	\$ 265,000
Building	791,747	221,029	570,718
Equipment	220,277	212,748	7,529
Furniture and fixtures	78,402	78,277	125
	<u>\$ 1,355,426</u>	<u>\$ 512,054</u>	<u>\$ 843,372</u>

9. Net assets

	2024	2023
General Fund:		
Unrestricted	\$ 1,278,228	\$ 1,435,621
Invested in property and equipment	817,865	843,372
Internally restricted and/or Board designated:		
Ministry	4,374,393	4,341,507
Retirement	3,002,235	2,610,358
Reserves	1,129,668	1,080,747
Scholarship funds	249,836	204,907
	<u>\$ 10,852,225</u>	<u>\$ 10,516,512</u>
Restricted Fund:		
Retirement	\$ 189,271	\$ 253,005
Missionaries	337,404	469,835
Ministry	221,758	212,271
Special projects	156,841	164,336
Trust agreements	112,177	103,861
Scholarship funds	94,678	91,363
	<u>1,112,129</u>	<u>1,294,671</u>
Endowment contributions restricted in perpetuity	<u>211,435</u>	<u>211,435</u>
	<u>\$ 1,323,564</u>	<u>\$ 1,506,106</u>
Total	<u>\$ 12,175,789</u>	<u>\$ 12,022,618</u>

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

10. 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, 2024, of the total restricted contributions received or receivable of \$1,617,217 (2023 - \$1,743,671), \$1,382,551 (2023 - \$1,486,954) was recognized in the restricted fund to be used for specific projects and programs with \$234,666 (2023 - \$256,717) recognized in the general fund to cover administrative expenses incurred during the year. For the years ended August 31, 2024 and 2023, 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.

11. Interfund transfers

During the year ended August 31, 2024, \$197,274 (2023 - \$355,842) was transferred from the general fund to the restricted fund to cover the deficiency in funding for certain projects and programs during the year. In addition, during the year ended August 31, 2024, \$nil (2023 - \$4,149) was transferred from the restricted fund to the general fund relating to endowment distributions resulting in a net transfer from the general fund to the restricted fund during the year of \$197,274 (2023 - \$351,693).

12. Employee benefit plan

The Organization maintains an employee benefit plan in accordance with Internal Revenue Code section 403(b). 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, 2024, the Organization made total contributions on behalf of its employees of \$115,421 (2023 - \$119,723). 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, 2024, the total contributions to these other eligible employee retirement accounts was \$52,800 (2023 - \$53,100). As at year end, the Organization has no further obligations pursuant to this employee benefit plan (2023 - \$nil).

13. Related party transactions

The Organization receives payments from North American Baptists, Inc. (Canada), an organization with certain directors in common, as reimbursements for joint ministry administrative and program costs. These amounts are separately presented on the statement of operations as joint ministry administrative and program cost recoveries. 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 recoveries for the year ended August 31, 2024 pursuant to the Joint Ministry Agreement were \$580,483 (2023 - \$716,592) with \$63,953 (2023 - \$80,740) receivable at year end.

NORTH AMERICAN BAPTISTS, INC.

Notes to Financial Statements

Year ended August 31, 2024

(Expressed in U.S. Dollars)

14. Commitments

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

15. 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 any 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.

Credit risk

The Organization is exposed to credit risk on certain of its cash balances for amounts in excess of federally insured limits. As at August 31, 2024, the Organization has total cash and cash equivalents that exceed federally insured limits by approximately \$65,000 (2023 - approximately \$89,000). The Organization has not experienced any losses on these cash balances as at the date of approval of these financial statements.

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 \$106,254 (2023 - \$104,657) to the value of the investments and corresponding net change in market value on the statement of operations. The Organization is also exposed to market risk and interest rate risk on its trust assets, annuity assets and endowment assets; however, assuming no significant changes to the nature and composition of these assets at year end, any fluctuations are not considered to have a material impact on the Organization's financial statements.

In order to mitigate these risks, 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.

16. Comparative information

Certain of the amounts for the year ended August 31, 2023 have been reclassified to conform to the financial statement presentation adopted in the current year.
