

CANADIAN BAPTISTS OF WESTERN CANADA
Financial Statements
Year Ended December 31, 2020

CANADIAN BAPTISTS OF WESTERN CANADA
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Year Ended December 31, 2020

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CANADIAN BAPTISTS OF WESTERN CANADA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Canadian Baptists of Western Canada have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Canadian Baptists of Western Canada's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Dart Bryant LLP, in accordance with Canadian accounting standards for not-for-profit organizations.



Mr Herb Ziegler, Vice President of
Finance



Mr Victor Ku, Director of
Administration and Finance

Calgary, AB
April 23, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Baptists of Western Canada

Qualified Opinion

We have audited the financial statements of Canadian Baptists of Western Canada (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from individual gifts and events registration the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to individual gifts and events registration revenues, operating excess, and cash flows from operating activities for the years ended December 31, 2020, current assets as at December 31, 2020, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis of Qualified Opinion section above, we need to obtain sufficient appropriate evidence about the completeness of individual gifts and events registration revenues as at and for the year ended December 31, 2020. Accordingly we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

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.

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.



April 23, 2021

Chartered Professional Accountants

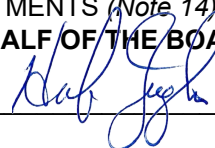
CANADIAN BAPTISTS OF WESTERN CANADA

Statement of Financial Position

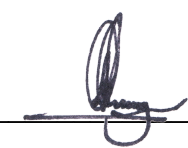
December 31, 2020

| | General 2020 | Church Health & Planting 2020 | Special Ministries 2020 | Trust 2020 | Women in Focus 2020 | Total 2020 | Total 2019 |
|---|---------------------|-------------------------------------|-------------------------------|---------------------|---------------------------|---------------------|---------------------|
| ASSETS | | | | | | | |
| CURRENT | | | | | | | |
| Cash and cash equivalents (Note 4) | \$ 1,506,170 | \$ - | \$ - | \$ - | \$ - | \$ 1,506,170 | \$ 1,042,239 |
| Accounts receivable (Note 5) | 213,662 | - | - | - | - | 213,662 | 208,927 |
| Goods and services tax recoverable | 4,323 | - | - | - | - | 4,323 | 17,328 |
| Prepaid expenses | 15,275 | - | - | - | - | 15,275 | 16,330 |
| | <u>1,739,430</u> | - | - | - | - | <u>1,739,430</u> | 1,284,824 |
| PROPERTY HELD (Note 6) | - | - | - | - | - | - | 780,500 |
| PROPERTY AND EQUIPMENT (Note 7) | 62,648 | - | - | 4,810,880 | - | 4,873,528 | 5,295,161 |
| | <u>\$ 1,802,078</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,810,880</u> | <u>\$ -</u> | <u>\$ 6,612,958</u> | <u>\$ 7,360,485</u> |
| LIABILITIES | | | | | | | |
| CURRENT | | | | | | | |
| Accounts payable and accrued liabilities | \$ 202,151 | \$ - | \$ - | \$ 472,856 | \$ - | \$ 675,007 | \$ 543,798 |
| Deferred contributions (Note 8) | 100 | - | - | 113,272 | - | 113,372 | 141,176 |
| Due to CBWC Foundation (Notes 9, 16) | 134,564 | - | - | - | - | 134,564 | 140,142 |
| Due to (from) other funds | 1,194,046 | (368,562) | (36,319) | (787,727) | (1,438) | - | - |
| | <u>1,530,861</u> | <u>(368,562)</u> | <u>(36,319)</u> | <u>(201,599)</u> | <u>(1,438)</u> | <u>922,943</u> | 825,116 |
| CEBA LOAN (Note 10) | 40,000 | - | - | - | - | 40,000 | - |
| | <u>1,570,861</u> | <u>(368,562)</u> | <u>(36,319)</u> | <u>(201,599)</u> | <u>(1,438)</u> | <u>962,943</u> | 825,116 |
| FUND BALANCES (Note 13) | | | | | | | |
| INTERNALLY RESTRICTED - Property and equipment (Note 7) | 62,648 | - | - | 4,810,880 | - | 4,873,528 | 5,975,661 |
| INTERNALLY RESTRICTED - Other | 150,000 | 274,229 | 29,099 | 201,599 | 17,490 | 672,417 | 728,247 |
| UNRESTRICTED NET ASSETS (DEFICIT) | 18,569 | 94,333 | 7,220 | - | (16,052) | 104,070 | (168,539) |
| | <u>231,217</u> | <u>368,562</u> | <u>36,319</u> | <u>5,012,479</u> | <u>1,438</u> | <u>5,650,015</u> | 6,535,369 |
| | <u>\$ 1,802,078</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,810,880</u> | <u>\$ -</u> | <u>\$ 6,612,958</u> | <u>\$ 7,360,485</u> |

COMMITMENTS (Note 14)
ON BEHALF OF THE BOARD



Mr Herb Ziegler, Vice President of Finance



Mr Victor Ku, Director of Administration and Finance

Please see Notes

CANADIAN BAPTISTS OF WESTERN CANADA
Statement of Operations and Changes in Fund Balances
Year Ended December 31, 2020

| | General | Church Health & Planting | Special Ministries | Trust | Women in Focus | Total 2020 | Total 2019 |
|---|-------------------|-----------------------------|-----------------------|---------------------|-------------------|---------------------|---------------------|
| REVENUES | | | | | | | |
| Churches - Budget | \$ 1,520,136 | \$ - | \$ - | \$ - | \$ - | \$ 1,520,136 | \$ 1,565,220 |
| - Missions | - | 67,301 | - | 17,600 | 500 | 85,401 | 51,540 |
| - Designated | 296,509 | - | 3,291 | - | 362 | 300,162 | 308,958 |
| - Property | - | - | - | - | - | - | 84,623 |
| Individual - Mission gifts | 101,919 | 8,698 | - | 137,899 | 100 | 248,616 | 299,687 |
| - Designated gifts | 10,725 | - | - | - | - | 10,725 | 6,132 |
| - Pensions and Insurance | - | - | - | 81,436 | - | 81,436 | 87,054 |
| Related - CBWC Foundation grant (Note 16) | 631,348 | - | - | - | 1,000 | 632,348 | 735,701 |
| - Investment income | - | - | - | 5,621 | - | 5,621 | 8,633 |
| Rental income | - | 128,091 | - | - | - | 128,091 | 154,455 |
| Other | 15,193 | - | 33,538 | - | - | 48,731 | 30,151 |
| Events registration | 17,414 | - | - | - | - | 17,414 | 210,612 |
| Wage subsidies (CEWS & TWS) | 253,456 | - | - | - | - | 253,456 | - |
| | <u>2,846,700</u> | <u>204,090</u> | <u>36,829</u> | <u>242,556</u> | <u>1,962</u> | <u>3,332,137</u> | <u>3,542,766</u> |
| EXPENSES | | | | | | | |
| Cultivating leadership | 357,769 | - | - | 45,429 | - | 403,198 | 427,790 |
| Investing in relationship | 912,683 | 102,154 | - | 106,288 | - | 1,121,125 | 1,458,809 |
| Engaging in missions | 307,226 | 113,666 | 11,173 | 21,623 | 5,158 | 458,846 | 505,808 |
| Operation and management | 646,759 | 195 | - | 19,389 | 1,000 | 667,343 | 695,349 |
| Designated | 296,509 | 31,301 | 3,291 | - | 362 | 331,463 | 315,090 |
| Pensions and insurance (Note 12) | - | - | - | 81,436 | - | 81,436 | 87,054 |
| Amortization (Notes 6, 7) | 20,033 | - | - | 39,854 | - | 59,887 | 61,716 |
| | <u>2,540,979</u> | <u>247,316</u> | <u>14,464</u> | <u>314,019</u> | <u>6,520</u> | <u>3,123,298</u> | <u>3,551,616</u> |
| OPERATING EXCESS (DEFICIENCY) BEFORE OTHER ITEMS | <u>305,721</u> | <u>(43,226)</u> | <u>22,365</u> | <u>(71,463)</u> | <u>(4,558)</u> | <u>208,839</u> | <u>(8,850)</u> |
| OTHER ITEMS | | | | | | | |
| Gain (Loss) on disposal of properties held (Note 6) | - | - | - | (55,697) | - | (55,697) | - |
| Property held allocated to the church (Note 6) | - | - | - | (680,500) | - | (680,500) | - |
| Impairment on land and buildings (Note 7) | - | - | - | (357,996) | - | (357,996) | - |
| | - | - | - | (1,094,193) | - | (1,094,193) | - |
| OPERATING EXCESS (DEFICIENCY) | <u>305,721</u> | <u>(43,226)</u> | <u>22,365</u> | <u>(1,165,656)</u> | <u>(4,558)</u> | <u>(885,354)</u> | <u>(8,850)</u> |
| OPERATIONAL TRANSFERS (Schedule 1) | (57,063) | 142,351 | - | (89,846) | 4,558 | - | - |
| | <u>248,658</u> | <u>99,125</u> | <u>22,365</u> | <u>(1,255,502)</u> | <u>-</u> | <u>(885,354)</u> | <u>(8,850)</u> |
| FUND BALANCES - beginning of year | (17,441) | 269,437 | 13,954 | 6,267,981 | 1,438 | 6,535,369 | 6,544,219 |
| FUND BALANCES - end of year | <u>\$ 231,217</u> | <u>\$ 368,562</u> | <u>\$ 36,319</u> | <u>\$ 5,012,479</u> | <u>\$ 1,438</u> | <u>\$ 5,650,015</u> | <u>\$ 6,535,369</u> |

Please see Notes

CANADIAN BAPTISTS OF WESTERN CANADA

Statement of Cash Flows

Year Ended December 31, 2020

| | General | Church Health & Planting | Special Ministries | Trust | Women in Focus | Total 2020 | Total 2019 |
|---|---------------------|-----------------------------|-----------------------|------------------|-------------------|---------------------|---------------------|
| OPERATING ACTIVITIES | | | | | | | |
| Operating excess (deficiency) | \$ 305,721 | \$ (43,226) | \$ 22,365 | \$ (1,165,656) | \$ (4,558) | \$ (885,354) | \$ (8,850) |
| Items not affecting cash: | | | | | | | |
| Amortization of property and equipment | 20,033 | - | - | 39,854 | - | 59,887 | 61,716 |
| Operational transfers (Schedule 1) | (57,063) | 142,351 | - | (89,846) | 4,558 | - | - |
| Loss (gain) on disposal of property held | - | - | - | 55,696 | - | 55,696 | (40,115) |
| Gifts in kind - properties held | - | - | - | - | - | - | (45,000) |
| Property held allocated to the church (Note 6) | - | - | - | 680,500 | - | 680,500 | - |
| Impairment on land and buildings | - | - | - | 357,996 | - | 357,996 | - |
| | <u>268,691</u> | <u>99,125</u> | <u>22,365</u> | <u>(121,456)</u> | <u>-</u> | <u>268,725</u> | <u>(32,249)</u> |
| Changes in non-cash working capital: | | | | | | | |
| Accounts receivable | (4,735) | - | - | - | - | (4,735) | 64,267 |
| Inventory | - | - | - | - | - | - | 1 |
| Accounts payable and accrued liabilities | 85,272 | - | - | 45,938 | - | 131,210 | 7,943 |
| Prepaid expenses | 1,057 | - | - | - | - | 1,057 | (3,437) |
| Goods and services tax payable | 13,005 | - | - | - | - | 13,005 | 4,517 |
| | <u>94,599</u> | <u>-</u> | <u>-</u> | <u>45,938</u> | <u>-</u> | <u>140,537</u> | <u>73,291</u> |
| Cash flow from (used by) operating activities | <u>363,290</u> | <u>99,125</u> | <u>22,365</u> | <u>(75,518)</u> | <u>-</u> | <u>409,262</u> | <u>41,042</u> |
| INVESTING ACTIVITIES | | | | | | | |
| Purchase of property and equipment (Note 7) | (7,289) | - | - | - | - | (7,289) | (27,381) |
| Proceeds on disposal of property and equipment | 11,036 | - | - | - | - | 11,036 | 124,500 |
| Proceeds on disposal of property held (Note 6) | - | - | - | 44,304 | - | 44,304 | - |
| Cash flow from investing activities | <u>3,747</u> | <u>-</u> | <u>-</u> | <u>44,304</u> | <u>-</u> | <u>48,051</u> | <u>97,119</u> |
| FINANCING ACTIVITIES | | | | | | | |
| Constituency loans | - | - | - | - | - | - | 66,664 |
| Deferred Contributions (Note 8) | - | - | - | (27,804) | - | (27,804) | 23,675 |
| Due to (from) Other Funds | 62,472 | (99,125) | (22,365) | 59,018 | - | - | - |
| Due to (from) CBWC Foundation | (5,578) | - | - | - | - | (5,578) | 529,404 |
| CEBA Loan (Note 10) | 40,000 | - | - | - | - | 40,000 | - |
| Cash flow from (used by) financing activities | <u>96,894</u> | <u>(99,125)</u> | <u>(22,365)</u> | <u>31,214</u> | <u>-</u> | <u>6,618</u> | <u>619,743</u> |
| INCREASE IN CASH FLOW | 463,931 | - | - | - | - | 463,931 | 757,904 |
| Cash and cash equivalents - beginning of year | 1,042,239 | - | - | - | - | 1,042,239 | 284,335 |
| CASH AND CASH EQUIVALENTS - END OF YEAR (Note 4) | <u>\$ 1,506,170</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,506,170</u> | <u>\$ 1,042,239</u> |

Please see Notes

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

1. ORGANIZATION

The purpose of the Canadian Baptists of Western Canada ("CBWC"), is to support, enable and facilitate the ministries of local CBWC churches in Western Canada.

The CBWC is incorporated under the laws of Canada without share capital and is also a registered charitable organization under the Income Tax Act (#11921-5036 RR 0001) and as such is exempt from income taxes.

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.

These financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Management is not aware of any circumstances that would put this going concern assumption at risk.

Fund accounting

These financial statements include the assets, liabilities and net assets of the funds controlled directly by the board of the CBWC except for the controlled entities of Carey Hall and the CBWC Foundation (see Note 16) but do not include the operations of constituent churches, affiliated operations or sponsored agencies such as camps or the BC Convention.

The summarized funds reported on include:

General Fund reports budget revenues and expenditures, missions and designated funds and book room activity.

Church Health and Planting Fund reports the missions work and deposits from the constituency for Church Planting and Renewal.

Special Ministries Fund reports the missions work for development of property, facility, equipment and housing.

Trust Fund reports externally designated and internally restricted funds and activity which are held for specified purposes and time, and include the Resource Centre trusts at year end.

Women in Focus Fund reports revenues and expenditures related to the women's ministry.

(continues)

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income (see Note 3). 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.

The organization's financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, accounts payable and accrued liabilities, deferred contributions and the CEBA loan.

Cash and cash equivalents

Cash and cash equivalents are recorded at cost and include cash in the bank and short-term investments convertible to cash within the following year. Due to the short term maturities of the investments, cost is considered to be equivalent to fair value and are subject to insignificant risk of change in value.

Property and equipment

Property and equipment greater than \$5,000 are stated at cost. Property and equipment are amortized over their estimated useful lives using the straight-line method.

| | |
|---------------------------------|----------|
| Buildings | 50 years |
| Equipment, furniture & fixtures | 5 years |
| Motor vehicles | 5 years |
| Computer equipment & software | 3 years |

The organization regularly reviews its capital assets to eliminate obsolete items.

Property Held

Lands and buildings held in trust for constituent churches and agencies are not recorded in these statements.

Assets of organizations which have ceased operations and gifted their assets to the CBWC are recorded at the date the assets are gifted to the CBWC at fair market value and recorded as property held (see Note 6). These assets are intended to be transferred back into ministry or sold with the proceeds being used for ministry purposes.

(continues)

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long Lived Assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Revenue recognition

Canadian Baptists of Western Canada follows the deferral method of accounting for contributions from churches, individuals and related entities.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions, which represent amounts for which only the interest earned thereon is available for either general operating or specific restricted purposes, are recognized as direct increases in equity.

Investment income, fees and sales are recognized as revenue when earned.

Use of estimates

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 expenses during the period. In the financial statements of the CBWC, the more significant areas for which management is required to make near-term estimates is in the assessment of the net realizable value of budgeted church contributions receivable, constituency loans receivable, investments and property held. Actual results could differ from these estimates.

The most significant estimates in these financial statements include the estimate of the amounts relating to property & equipment impairment, accrued liabilities, deferred contributions (Note 8) and calculation of contingent liability.

Contributed services

Volunteers contribute a significant amount of their time each year to assist the CBWC in carrying out its mission. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(continues)

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Fundraising and General Support Expenses

Costs for fundraising during the annual celebration events were \$27,371 (2019: \$28,723) and are included in general fund operating and management expenses. All general expenses are included in general fund operation and management.

3. FINANCIAL INSTRUMENTS

All financial instruments are recorded originally at Fair Value and are subsequently recorded at each year end date as follows:

Financial assets measured at amortized cost:

Cash and cash equivalents (including GIC investments)

Accounts receivable

Constituency loans

Accounts payable and accrued liabilities

Financial assets measured at fair value:

Investments

Risk management relates to the understanding and active management of risks associated with all areas of the ministry and the associated operating environment. Constituency receivables, loans and investments are primarily exposed to market, interest rate, and credit risk.

Interest Rate

Interest rate risk refers to the effect on the market value of the CBWC's constituency loans and investments due to fluctuation of interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. All constituency loans are due on demand with no interest charged.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. It is management's opinion that there is no significant exposure to credit risk arising from financial instruments, given its own and the Foundation's credit policies, security taken, and diversification of the Foundation-managed funds.

To examine and mitigate the impact of risk, the CBWC has established an investment policy in order to ensure the best possible return at an acceptable risk level. The investment procedures and objectives for the CBWC are linked to this policy and include an appropriately diversified asset mix. The Foundation-managed funds manage investment risk by asset class diversification, by diversification within each asset class, and by quality constraints on fixed income instruments.

(continues)

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

3. FINANCIAL INSTRUMENTS *(continued)*

Financial Asset Impairment

The CBWC assesses potential impairment of all its financial assets recorded at amortized cost at each reporting date. Impairment is measured as the difference between the asset's carrying value and its fair value determined by management's best estimate of discounted cash flows. Any impairment which is not considered temporary is included in current year earnings (see Note 6). None for 2020 nor 2019.

4. CASH AND CASH EQUIVALENTS

| | <u>2020</u> | <u>2019</u> |
|--------------------------|---------------------|---------------------|
| Cash in bank | \$ 162,762 | \$ 135,668 |
| Cash in savings accounts | 336,671 | 803,133 |
| GIC Investments | <u>1,006,737</u> | <u>103,438</u> |
| | <u>\$ 1,506,170</u> | <u>\$ 1,042,239</u> |

The organization's cash consists of cash held in a chequing account and cash invested in term deposits which mature between March and December 2021. The annualized rates of interest on the term deposits vary between 0.40% and 1.75% (2019: 0.60% - 1.60%). Early withdrawal of amounts from certain of the term deposits results in the loss of a portion of accumulated interest income.

The organization is subject to interest rate risk on the interest earning portion of its cash and cash equivalents to the extent that interest rates fluctuate while holding the investments, but is not considered significant.

5. ACCOUNTS RECEIVABLE

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| Budgeted church contributions | \$ 149,128 | \$ 139,828 |
| Special ministries | 29,596 | 20,778 |
| Zao ministries | 25,280 | 26,100 |
| Camps | 3,332 | 4,678 |
| Other | <u>6,326</u> | <u>17,543</u> |
| | <u>\$ 213,662</u> | <u>\$ 208,927</u> |

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

6. PROPERTY HELD

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------------|
| Delwood property (1) | - | 680,500 |
| Hyas property (management estimates the fair market value to be \$100,000) (2) | - | <u>100,000</u> |
| | <u>\$ -</u> | <u>\$ 780,500</u> |

(1) The CBWC holds legal title to the land and buildings of a number of constituent churches, however, beneficial ownership of the land and buildings remain to the benefit of the constituent churches. As a result, the CBWC does not record the cost of the land and buildings (including accumulated amortization) in its financial statements.

The Delwood property was being held in trust by the CBWC until such time as an appropriate constituent church was identified and agreed upon to use the property. In the current year, an appropriate constituent church was identified and the property has been recognized consistent with the other constituent church land and buildings for which the CBWC holds legal title, but not the beneficial ownership, which has resulted in an expense of \$680,500 for the re-designation of the Delwood property.

(2) The manse sold on February 25, 2019 for \$75,000, which resulted in a gain of \$39,600. The remainder of the property was sold on July 29, 2020 for \$48,000, which resulted in a loss of \$55,697 after costs.

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

7. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|--------------------|---------------------|-----------------------------|------------------------------------|---------------------------|
| Land | \$ 3,355,000 | \$ - | \$ 3,355,000 | \$ 3,355,000 |
| Buildings | 1,634,727 | 178,847 | 1,455,880 | 1,853,733 |
| Motor vehicles | 78,434 | 29,400 | 49,034 | 73,535 |
| Computer equipment | 31,710 | 18,096 | 13,614 | 12,892 |
| | \$ 5,099,871 | \$ 226,343 | \$ 4,873,528 | \$ 5,295,160 |

The following assets included above are internally restricted in the Trust fund:

| | 2020 Restricted fund balance | 2019 Restricted fund balance |
|------------------------------------|---|------------------------------------|
| <u>Land</u> | | |
| Royal Oak land | \$ 2,700,000 | \$ 2,700,000 |
| Bonnie Doon land (1) | 655,000 | 655,000 |
| | 3,355,000 | 3,355,000 |
| <u>Buildings</u> | | |
| Brownstone office building (2) | 1,415,880 | 1,755,400 |
| Bonnie Doon building | 40,000 | 98,333 |
| | 1,455,880 | 1,853,733 |
| Internally restricted fund balance | \$ 4,810,880 | \$ 5,208,733 |

(1) In the current year, there was an impairment charge of \$56,285 on the Bonnie Doon building decreasing its net book value to its fair market value as determined by an independent valuation.

(2) In the current year, there was an impairment charge of \$301,711 on the Brownstone office building decreasing its net book value to its fair market value as determined by an independent valuation.

The unrealized losses had a non-cash effect.

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted operating funds received but not expended by year end for the stated purposes. Changes in the deferred contributions balance are as follows:

| | Beginning Balance | Contributions | Transfer to Income to match expense | Ending Balance |
|---------------------|----------------------|------------------|--|-------------------|
| Agencies & churches | \$ 100 | \$ - | \$ - | \$ 100 |
| Benevolence | 141,076 | 78,484 | 106,288 | 113,272 |
| | <u>\$ 141,176</u> | <u>\$ 78,484</u> | <u>\$ 106,288</u> | <u>\$ 113,372</u> |

9. CREDIT FACILITIES

The CBWC has access to a \$200,000 revolving loan from the CBWC Foundation. At year end \$139,488 (2019: \$145,188) was drawn on the loan which bears interest at Prime plus 0.5% (which came to 4.45%, 2019: 4.45%) and matures October 1, 2022. The loan is secured by a first mortgage for \$1,000,000 on the Brownstone office building.

10. CEBA LOAN

The Canadian Emergency Business Account (CEBA) loan payable bears interest at 0% per annum until December 31, 2022. If the loan is not repaid by December 2022, it will be converted into a 3-year term loan bearing interest at 5% per annum.

The organization was advanced \$40,000 during the fiscal year, and a further \$20,000 in January 2021 of which \$20,000 will be forgiven if the loan is repaid by December 2022. The forgiven amount was not recognized as revenue in the year as it is unknown if the loan will be repaid within the established timeline.

11. DEFERRED GIFTS

The CBWC is the owner of certain life insurance policies totaling \$761,757 (2019: \$901,757) which have been gifted by donors. Charitable donation receipts have been issued by the CBWC to the donors for the premiums which they have paid on the policies.

The CBWC is currently aware of further specified bequests totaling \$240,000 (2019: \$250,000) which will be received upon death of the donors.

12. PENSIONS

The CBWC participates in a money purchase pension plan and records pension expense on a current basis being \$81,436 for the year (2019: \$87,054) which is matching staff contributions for a total of \$162,473 paid to Sunlife.

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

13. CHANGES IN NET ASSETS

| | Net Assets | | | Total |
|--------------------------|---|--|---------------------|------------------|
| | Internally Restricted Property & Equipment | Internally Restricted Other | Unrestricted | |
| | \$ | \$ | \$ | \$ |
| BEGINNING | 5,975,661 | 728,247 | (168,539) | 6,535,369 |
| Excess revenue | | | 153,142 | 153,142 |
| Property and equipment | | | | - |
| - amortization | (59,887) | 39,854 | 20,033 | - |
| - sales | (11,039) | | 11,039 | - |
| - purchases | 7,289 | | (7,289) | - |
| Internally restricted | | | | - |
| - Church planting trusts | | | | - |
| general | | (2,049) | 2,049 | - |
| property management | | 12,413 | (12,413) | - |
| church planting | | 88,590 | (88,590) | - |
| - Special ministries | | 22,365 | (22,365) | - |
| - Trusts | | | | - |
| Next generation | | (114,472) | 114,472 | - |
| Kurios | | 3,887 | (3,887) | - |
| relief ministries | | 3,051 | (3,051) | - |
| camping trust | | 1,796 | (1,796) | - |
| property | | (96,768) | 96,768 | - |
| BAF Winnipeg | | (17,000) | 17,000 | - |
| other | | 2,503 | (2,503) | - |
| ENDING | <u>5,912,024</u> | <u>672,417</u> | <u>104,070</u> | <u>6,688,511</u> |

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

14. COMMITMENTS

The organization has a long term lease with respect to its premises and operational equipment. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at December 31, 2020, are as follows:

| | | |
|------|----|---------------|
| 2021 | \$ | 11,750 |
| 2022 | | 5,810 |
| 2023 | | <u>842</u> |
| | \$ | <u>18,402</u> |

15. HEALTH PANDEMIC

The World Health Organization categorized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has lead to a number of public health and emergency measures which have been put in place by various levels of government to attempt to combat the spread of the virus. At this time, the duration and potential impact of COVID-19 is unknown and it is not possible to reliably estimate the impact these events may have on the financial results and condition of the organization in future periods.

CANADIAN BAPTISTS OF WESTERN CANADA

Notes to Financial Statements

Year Ended December 31, 2020

16. CONTROLLED ENTITIES

The following is a summary of the controlled organizations which are not included in these financial statements:

| | Audited Carey Hall (1) | Audited CBWC Foundation (2) |
|-------------------------|---------------------------|-----------------------------------|
| | 2020 | 2020 |
| Assets | \$16,824,185 | \$15,203,828 |
| Liabilities | 4,464,397 | 70,413 |
| Net Assets | 12,359,788 | 15,133,415 |
| Revenues - net | 2,566,707 | 666,178 |
| Expenses | 263,948 | 1,226,979 |
| Cash flows - operations | (369,540) | (334,569) |
| - financing / investing | (395,262) | 530,054 |

All entities follow substantially the same accounting principles.

1. Carey Theological College provides for certain educational needs of the constituency. Carey revenue includes \$129,212 (2019: \$133,204) of Education Resourcing from the CBWC from budget.
2. The CBWC Foundation's purpose is to financially support, enable and facilitate the ministry of the CBWC and its associated and affiliated charitable organizations. Specifically, the Foundation intends to support the priority ministries of the CBWC (with a discretionary grant from the development fund value) and new and creative ministry opportunities with no minimum per year.

During the year the foundation supported CBWC in the amount of \$614,997 (2019: \$700,000).

In additional CBWC Foundation provided to CBWC:

- church planting contributions of \$0 (2019: \$3,787),
- camping trust contributions of \$0 (2019: \$18,914),
- Women in Focus contribution of \$1,000 (2019: \$0), and
- other ministry support of \$0 (2019: \$3,000).

Flow through donations received via CBWC Foundation amounted to \$16,350 (2019: \$10,000).

It is expected that \$580,000 will be granted to the CBWC in 2021.

17. COMPARATIVE FIGURES

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

CANADIAN BAPTISTS OF WESTERN CANADA
Schedule of Interfund Charges and Transfers
Year Ended December 31, 2020

(Schedule 1)

| | FUND | | | | | TOTALS |
|------------------------------|-----------------|---------------------------------------|-------------------------------|-----------------|---------------------------|---------------|
| | General | Church Health and Planting | Special Ministries | Trust | Women In Focus | 2020 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| OPERATIONAL TRANSFERS | | | | | | |
| From Budget | | | | | | |
| - Church Health and Planting | | | | | | |
| Budget | (148,000) | 148,000 | | | | - |
| Royal Oak | 3,600 | (3,600) | | | | - |
| - Trusts | | | | | | - |
| Staff education | (2,500) | | | 2,500 | | - |
| Sabbatical leave | (32,663) | | | 32,663 | | - |
| Kurios - transfers | 60,845 | | | (60,845) | | - |
| Kurios - donations | (45,000) | | | 45,000 | | - |
| Kurios - bursaries | 12,500 | | | (12,500) | | - |
| Brownstone office costs | (3,468) | | | 3,468 | | - |
| Bonnie Doon amortization | | (2,049) | | 2,049 | | - |
| Youth Serve | 102,181 | | | (102,181) | | - |
| - Women in Focus | (4,558) | | | | 4,558 | - |
| | <u>(57,063)</u> | <u>142,351</u> | <u>-</u> | <u>(89,846)</u> | <u>4,558</u> | <u>-</u> |