

**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023**



**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**AUGUST 31, 2023
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THE FELLOWSHIP OF EVANGELICAL BAPTIST CHURCHES IN CANADA

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING AUGUST 31, 2023

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of The Fellowship of Evangelical Baptist Churches in Canada. The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and have been approved by National Council.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of The Fellowship of Evangelical Baptist Churches in Canada. Management maintains a system of internal accounting and administration controls which are designed to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgements. Management has determined that the enclosed financial statements are presented fairly and on a consistent basis with prior years, in all material respects.

The National Council reviews and approves the annual financial statements. In addition, the Audit Committee meets with the management of The Fellowship of Evangelical Baptist Churches in Canada and the external auditors, and reports to the National Council thereon. The Audit Committee also reviews the annual financial statements, including notes thereto, in their entirety.

The financial statements have been audited by the external auditors, Graham Mathew Professional Corporation, Chartered Professional Accountants authorized to practise public accounting by the Chartered Professional Accountants of Ontario, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to management, the Audit Committee and National Council.

The Independent Auditors' Report, dated October 27, 2023, expresses their opinion on The Fellowship's 2023 financial statements.

Steven Jones
National President

Rob Cole, CPA, CA
Director of Fellowship Services

INDEPENDENT AUDITORS' REPORT

To the Members of
The Fellowship of Evangelical Baptist Churches in Canada

Opinion

We have audited the accompanying financial statements of **The Fellowship of Evangelical Baptist Churches in Canada** (the Fellowship), which comprise the statement of financial position as at August 31, 2023, and the statements of Ministry operations and 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Fellowship as at August 31, 2023, and its financial performance 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fellowship 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fellowship'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 National Council either intends to liquidate the Fellowship or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Fellowship'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 Fellowship's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Fellowship 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.

Carolan Mathew Professional Corporation

Cambridge, Ontario
October 27, 2023

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario



**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**FINANCIAL POSITION
AUGUST 31, 2023**

	2023 \$	2022 \$
ASSETS		
Cash	963,111	1,112,946
Accounts receivable	73,128	51,063
Prepaid expenses	35,106	100,144
Current assets	1,071,345	1,264,153
Loans to Churches	1,110,531	1,570,234
Investments	9,311,304	8,684,456
Total investments (note 9)	10,421,835	10,254,690
Due from related party, unsecured & non-interest bearing (note 14)	114,706	109,638
Capital assets (note 3)	36,795	33,063
	11,644,681	11,661,544
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	36,452	27,525
Funds held in trust (note 12)		95,817
Current liabilities	36,452	123,342
FUND BALANCES		
Externally restricted - Endowment Fund (note 7)	320,639	320,639
Externally restricted - Funds for Specific Purposes (note 6)	4,124,532	4,219,386
Externally restricted - Missions and Project Funds	3,873,466	3,803,700
Internally restricted - Funds for Specific Purposes (note 6)	3,232,745	3,142,106
Unrestricted General Funds	56,847	52,371
	11,608,229	11,538,202
	11,644,681	11,661,544

APPROVED ON BEHALF OF NATIONAL COUNCIL

Doug Blair
Chair

Steven Jones
National President

The explanatory financial notes form an integral part of these financial statements.



THE FELLOWSHIP OF EVANGELICAL BAPTIST CHURCHES IN CANADA

STATEMENT OF MINISTRY OPERATIONS AND FUND BALANCES YEAR ENDED AUGUST 31, 2023

	OPERATING FUND \$	FUNDS HELD FOR SPECIFIC PURPOSES \$	ENDOWMENT FUND \$	2023 TOTAL \$	2022 TOTAL \$
Revenue					
Missionary and church planting support	5,143,099	-	-	5,143,099	4,384,193
General and staff support	2,123,468	-	-	2,123,468	2,401,995
International Relief-"F.A.I.R."	1,891,238	-	-	1,891,238	2,747,686
Investment activity (note 8)	647,202	-	-	647,202	(396,239)
Designated funds	96,678	-	-	96,678	105,504
Contributions	-	80,584	-	80,584	84,619
	9,901,685	80,584	-	9,982,269	9,327,758
Expenditure					
Missionary and church planting grants	4,993,792	-	-	4,993,792	4,351,442
Staff salaries, benefits and travel	1,949,827	-	-	1,949,827	1,862,086
Office and general (note 5)	680,185	-	-	680,185	506,136
International Relief-"F.A.I.R."	1,961,127	-	-	1,961,127	2,169,239
Designated funds	98,027	-	-	98,027	96,796
Amortization	14,485	-	-	14,485	16,987
Disbursements	-	214,799	-	214,799	197,103
	9,697,443	214,799	-	9,912,242	9,199,789
Net funding for					
Ministry activities	204,242	(134,215)	-	70,027	127,969
Fund balance, beginning	3,856,071	7,361,492	320,639	11,538,202	11,410,233
Interfund transfers (note 13)	(130,000)	130,000	-	-	-
Fund balance, ending	3,930,313	7,357,277	320,639	11,608,229	11,538,202
Fund balance represented by:					
Externally restricted	3,873,466	4,124,532	320,639	8,318,637	8,343,725
Internally restricted	-	3,232,745	-	3,232,745	3,142,106
Unrestricted	56,847	-	-	56,847	52,371
Fund balance, ending	3,930,313	7,357,277	320,639	11,608,229	11,538,202

The explanatory financial notes form an integral part of these financial statements.



**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2023**

	2023 \$	2022 \$
Cash flows from operating activities:		
Net funding for Ministry activities	70,027	127,969
Add non-cash item		
Amortization	14,485	16,987
	84,512	144,956
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(22,065)	(25,839)
Prepaid expenses	65,038	(70,663)
Accounts payable and accrued liabilities	8,928	(12,415)
	136,413	36,039
Cash flows from investment activities:		
Change in funds held in trust	(95,817)	4,664
Net additions to capital assets	(18,218)	(17,763)
Change in investments	(167,145)	(27,605)
	(281,180)	(40,704)
Cash flows from financing activities:		
Advances to related party	(5,068)	(27,382)
Change in cash during year	(149,835)	(32,047)
Cash position, beginning of year	1,112,946	1,144,993
Cash position, end of year	963,111	1,112,946

The explanatory financial notes form an integral part of these financial statements.



THE FELLOWSHIP OF EVANGELICAL BAPTIST CHURCHES IN CANADA

EXPLANATORY FINANCIAL NOTES YEAR ENDED AUGUST 31, 2023

1. Incorporation and Mission Statement

The Fellowship of Evangelical Baptist Churches in Canada (The Fellowship) is a not-for-profit organization which was incorporated under the laws of Canada on April 25, 1956 with a mission to provide fellowship for Baptist churches of like faith and order.

The Fellowship qualifies as a registered charity under the provisions of the Income Tax Act and, as such, is exempt from income taxes.

2. Summary of Significant Accounting Policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting

To ensure observation of restrictions placed on the use of resources available to The Fellowship, the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose.

The **Operating fund** includes both unrestricted resources and funds that have been designated for National and International Ministries.

The **Funds held for specific purposes** represents resources both internally and externally restricted for use to meet specifically stated purposes.

The **Endowment fund** includes resources contributed to The Fellowship with instructions relative to the investment of capital and the use of investment income as detailed in the relevant documents.

b) Revenue recognition

The Fellowship follows the restricted fund method of accounting for contributions whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenues in the Operating Fund or are internally restricted and recognized in the Funds Held for Specific Purposes Fund. Donations, bequests and pledges are recognized as revenue when they are received. Contributions for endowment purposes are recognized as revenues of the Endowment Fund.



THE FELLOWSHIP OF EVANGELICAL BAPTIST CHURCHES IN CANADA

EXPLANATORY FINANCIAL NOTES YEAR ENDED AUGUST 31, 2023

2. Summary of Significant Accounting Policies (Continued)

(c) Capital assets

Capital assets are stated at cost.

Amortization is computed by the straight-line method over the estimated useful lives of furniture and equipment, computer equipment and software at 20%, 33 1/3% and 50% respectively. Amortization is not taken in the year of acquisition.

(d) Stewardship policy

The Fellowship carries on programs and activities in Canada and other parts of the world which are funded by gifts of interested parties. As stewards of these funds it is our desire to communicate to the donor the policies followed in the raising and use of these funds.

Spending of funds is confined to Council approved programs and purchases. Each gift designated toward an approved program will be used for that program with the understanding that when any given need has been met, designated gifts will be used where needed most. Gifts are acknowledged, and where appropriate, receipted with an official receipt for income tax purposes. Gifts will only be accepted for activities initiated and approved by Council.

The raising of funds by representatives of The Fellowship will be limited to approved activities. Donors will be provided with current information regarding The Fellowship and its activities. In situations where gifts are contemplated which might cause a significant adverse effect on the donor's financial position, income or relationship with family members, the donor will be advised by The Fellowship representative to seek independent professional advice before making the gift.

Remuneration of The Fellowship stewardship representatives will not be based on the value of gifts contemplated or received. However, our missionaries, church planters, chaplains, and certain staff, who are required to raise money to assist with the funding of approved programs, may receive all, or part, of their remuneration from those programs.

(e) Use of estimates

The preparation of these 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

(f) Financial instruments

Investments are shown on the statement of financial position at their fair values at the year-end date, with changes in fair value recognized in the statement of operations. All other financial assets and liabilities are recorded at amortized cost less any discovered impairment.



**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED AUGUST 31, 2023**

	2023	2022
	\$	\$
3. Capital Assets		
Cost		
Furniture and equipment	89,626	89,626
Computer equipment and software	492,732	474,515
	582,358	564,141
Accumulated Amortization		
Furniture and equipment	87,027	85,951
Computer equipment and software	458,536	445,127
	545,563	531,078
Net Book Value	36,795	33,063

4. Accounts Payable and Accrued Liabilities

There were no amounts payable with respect to government remittances as of the year end date.

5. Office Lease Commitment

On July 1, 2020, The Fellowship renewed their existing agreement to lease approximately 5,500 square feet of office space at 351 Elizabeth Street, Guelph, Ontario for a five-year period with an option to renew for an additional five-year period.

6. Funds Held for Specific Purposes

Changes in the Funds Held for Specific Purposes balances for the year are as follows:

	Beginning of year	Receipts and transfers	Disbursements and fees	End of year
	\$	\$	\$	\$
Church loan funds	1,839,884	35,965	(39,460)	1,836,389
Building fund	1,481,476	NIL	NIL	1,481,476
Ministry & estate funds	4,040,132	174,619	(175,339)	4,039,412
	7,361,492	210,584	(214,799)	7,357,277



**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED AUGUST 31, 2023**

6. Funds Held for Specific Purposes (Continued)

	2023 \$
Represented by:	
Internally restricted	3,232,745
Externally restricted	4,124,532
	7,357,277

7. Endowment Fund

Changes in the Endowment Fund balances for the year are as follows:

	Beginning of year \$	Net receipts (disbursements) \$	End of year \$
Floyd Avenue	261,122	NIL	261,122
Uriah Stanley Estate	28,972	NIL	28,972
Grace Hughes Estate	24,967	NIL	24,967
Estates under \$10,000	5,578	NIL	5,578
	320,639	NIL	320,639

8. Investment Income

Investment income was earned during the year as follows:

	Operating Fund \$	Funds Held for Specific Purposes \$	Endowment Fund \$
Investment income	20,354	NIL	NIL
Change in fair value of investments	626,848	NIL	NIL
Net investment income	647,202	NIL	NIL



THE FELLOWSHIP OF EVANGELICAL BAPTIST CHURCHES IN CANADA

EXPLANATORY FINANCIAL NOTES YEAR ENDED AUGUST 31, 2023

9. Investments

The investments held by The Fellowship are comprised of the following instruments:

	2023 Fair Value \$	2022 Fair Value \$
Mutual funds	9,311,304	8,684,456
Loans to Churches	1,110,531	1,570,234
	10,421,835	10,254,690

The market value of the mutual funds are based on quoted market values.

The eleven church loans and five investment loans are made to member churches to assist in various endeavours. The loans bear interest at rates ranging from 1.9% to 5.2% and have maturity dates between 2024 and 2028. All loans in excess of \$10,000 are secured by underlying property. Loans less than \$10,000 amounted to \$27,934 (\$41,454 in 2022).

10. Financial Instrument Risk Management

The following sections detail the nature and extent of risks arising from financial instruments to which The Fellowship is exposed at August 31, 2023.

Credit risk

Credit risk is minimized by diversifying the investment portfolio so to manage risk of poor performance on individual securities or overall economic conditions.

Market risk

(a) Currency risk

All investments are in Canadian funds with Canadian institutions. The Fellowship has no currency risk.

(b) Interest rate risk

Interest bearing investments can include treasury bills, guaranteed investment certificates, bankers acceptances, discount notes and bonds. The mix of the portfolio (investment type and terms) changes in response to economic indicators and trends.

(c) Other price risk

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Fellowship minimizes equity risk by diversifying the investment portfolio to manage risk of poor performance on individual securities or overall economic performance.



THE FELLOWSHIP OF EVANGELICAL BAPTIST CHURCHES IN CANADA

EXPLANATORY FINANCIAL NOTES YEAR ENDED AUGUST 31, 2023

10. Financial Instrument Risk Management (Continued)

Liquidity risk

The Fellowship monitors cash flow activities on a regular basis. Due to the nature of The Fellowship's operations, cash inflows are budgeted for and major cash outflows relate mostly to program expenditures which are planned for on an annual basis based on expected cash inflows and monitored throughout the year. This provides the flexibility needed to meet unplanned demands on cash.

11. Capital Management

Capital is comprised of The Fellowship's fund balances which include General Funds, Funds Held For Specific Purposes and Endowment Funds totalling \$11,608,229 (\$11,538,202 in 2022).

The Fellowship has an investment policy within the Guiding Principles that establishes the following as its core objectives:

- Invest and use resources and money in a way which is ethically and morally consistent with the value and principles of Scripture, specifically as understood by The Fellowship;
- Achieve a total rate of return sufficient to support stable and growing expenditures with which to achieve the mission, purpose and values of The Fellowship. At a minimum, The Fellowship anticipates earning a 5% annual real rate of return over any five year term after management costs;
- Provide security of capital;
- Provide capital growth over the long term; and
- Ensure a "prudent investor" approach to investment of The Fellowship resources, such that there is an appropriate balance between the objectives of "Security of Capital" and "Rate of Return" on investments.

The Fellowship's investment policy is directed toward the preservation and security of capital and return on investment in accordance with the aforementioned core objectives. Investments are undertaken in a manner that seeks to ensure the longest term possible subject to the risk tolerance and market conditions at the time the funds become available while ensuring the preservation of capital and return on investment. Investments are managed through C.I. Institutional Asset Management.

12. Funds Held In Trust

The Fellowship had been entrusted with funds, belonging to member organizations, to be used for certain purposes. Since The Fellowship does not have ownership of these funds, they are presented as a liability. These funds were repaid during the year.



**THE FELLOWSHIP OF EVANGELICAL
BAPTIST CHURCHES IN CANADA**

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED AUGUST 31, 2023**

13. Interfund Transfers

The statement of Ministry operations and fund balances reflects the amounts transferred between funds for various items. Interfund transfers for the year are summarized as follows:

	<u>2023</u>	
	Operating Fund \$	Funds Held For Specific Purposes \$
General operations	(130,000)	130,000
	(130,000)	130,000
	<hr/>	
	<u>2022</u>	
	Operating Fund \$	Funds Held For Specific Purposes \$
General operations	350,000	(350,000)
	350,000	(350,000)
	<hr/>	

14. Due From Related Party

The Fellowship has an economic interest in The Fellowship of Evangelical Baptist Churches in Canada Foundation (The Foundation). The Fellowship has loaned funds to The Foundation to assist with initial start-up and operating expenses. These transactions are recorded at the exchange amount, which approximates fair value.

15. Contingent Liability

The Fellowship has been named in a civil claim against multiple different parties. The Fellowship believes the claim is without merit and intends to defend against this claim. At this time, it is not possible to estimate the amount of liability, if any, The Fellowship may incur and, accordingly, no amount has been accrued in respect of this claim.