

First United Church Community Ministry Society

Financial statements
December 31, 2017



Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **First United Church Community Ministry Society** as at December 31, 2017, 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.

Report on other legal and regulatory requirements

As required by the *Societies Act* of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
May 30, 2018

Ernst + Young LLP

Chartered Professional Accountants

Independent auditors' report

To the Members of
First United Church Community Ministry Society

Report on the financial statements

We have audited the accompanying financial statements of **First United Church Community Ministry Society**, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

In common with many charitable organizations, the Society derives revenue from donations and other activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Society and we were unable to obtain sufficient appropriate audit evidence regarding the completeness of revenue. Consequently, we were unable to determine whether any adjustments to revenue, deficiency of revenue over expenses, current assets and net assets were necessary.



First United Church Community Ministry Society

Statement of financial position


As at December 31

	2017	2016
	\$	\$
Assets		
Current		
Cash and cash equivalents	250,856	125,081
Term deposits [note 3]	62,500	62,500
Short-term investments [note 4]	1,377,277	1,741,989
Accounts receivable [note 11]	243,922	231,574
Prepaid expenses	2,137	1,000
Due from affiliated organization [note 9]	32,621	33,576
Inventory	1,800	1,800
Total current assets	1,971,113	2,197,520
Property and equipment, net [note 5]	340,706	304,273
	2,311,819	2,501,793
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	334,378	277,901
Current portion of deferred contributions [note 6]	288,857	376,222
Total current liabilities	623,235	654,123
Deferred contributions [note 6]	—	100,000
Deferred contributions related to property and equipment [note 7]	329,570	238,404
Administered funds [schedule 1]	70,104	69,551
Total liabilities	1,022,909	1,062,078
Contingencies [note 14]		
Net assets		
Unrestricted fund	427,774	523,846
Internally restricted funds for property and equipment [note 8]	11,136	65,869
Other internally restricted funds [note 8]	850,000	850,000
Total net assets	1,288,910	1,439,715
	2,311,819	2,501,793

See accompanying notes

On behalf of the Board:

Director 

Director 

First United Church Community Ministry Society

Statement of operations

Year ended December 31

	2017	2016
	\$	\$
Revenue		
Government funding	1,387,165	1,242,730
Donations	905,673	818,735
Foundations	644,579	538,058
Management fees and salary recoveries <i>[note 9]</i>	396,697	391,689
Fundraising	208,056	190,107
Special projects	109,006	47,126
Mission support grant – operating	298,367	285,500
Investment income <i>[note 12]</i>	164,686	121,424
Mission support grant – building	40,461	52,516
Bequest funds received <i>[schedule 2]</i>	69,113	229,022
Amortization of deferred contributions – property and equipment <i>[note 7]</i>	53,406	38,241
Educational events	9,860	—
Building use	2,594	151
	<u>4,289,663</u>	<u>3,955,299</u>
Expenses <i>[schedule 3]</i>		
Salaries and benefits <i>[note 10]</i>	3,075,931	2,713,800
Building maintenance and operations	248,759	337,702
Special projects	114,677	47,126
Hospitality, healing and advocacy	314,494	220,040
Office and administration	380,800	316,104
Fundraising and communications	186,830	196,521
Amortization	82,307	59,997
Bad debts	36,670	—
	<u>4,440,468</u>	<u>3,891,290</u>
(Deficiency) excess of revenue over expenses for the year	<u>(150,805)</u>	<u>64,009</u>

See accompanying notes

First United Church Community Ministry Society

Statement of changes in net assets

Year ended December 31

	2017			2016	
	Unrestricted	Internally	Other	Total	Total
	fund	restricted	internally		
	property and	restricted			
	equipment	funds			
	\$	\$	\$	\$	\$
Net assets, beginning of year	523,846	65,869	850,000	1,439,715	1,375,706
(Deficiency) excess of revenue over expenses for the year	(150,805)	—	—	(150,805)	64,009
Purchase of property and equipment	(118,740)	118,740	—	—	—
Amortization of property and equipment	82,307	(82,307)	—	—	—
Deferred capital contributions	169,682	(169,682)	—	—	—
Amortization of deferred capital contributions	(78,516)	78,516	—	—	—
Net assets, end of year	427,774	11,136	850,000	1,288,910	1,439,715

See accompanying notes

First United Church Community Ministry Society

Statement of cash flows

Year ended December 31

	2017	2016
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses for the year	(150,805)	64,009
Add (deduct) items not affecting cash		
Amortization	82,307	59,997
Amortization of deferred contributions – property and equipment	(78,516)	(38,241)
Unrealized gain on short-term investments	(53,565)	(88,529)
	<u>(200,579)</u>	<u>(2,764)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(12,348)	(35,479)
Prepaid expenses	(1,137)	2,320
Due from affiliated organization	955	31,503
Inventory	—	300
Accounts payable and accrued liabilities	56,477	60,470
Deferred contributions	(187,365)	(184,565)
Cash used in operating activities	<u>(343,997)</u>	<u>(128,215)</u>
Financing activities		
Deferred capital contribution funding received	169,682	95,000
Cash provided by financing activities	<u>169,682</u>	<u>95,000</u>
Investing activities		
Decrease in short-term investments, net	418,277	59,629
Purchase of property and equipment	(118,740)	(131,617)
Increase (decrease) in administered funds	553	(187)
Cash provided by (used in) investing activities	<u>300,090</u>	<u>(72,175)</u>
Net increase (decrease) in cash during the year	125,775	(105,390)
Cash and cash equivalents, beginning of year	125,081	230,471
Cash and cash equivalents, end of year	<u>250,856</u>	<u>125,081</u>

See accompanying notes

First United Church Community Ministry Society

Notes to financial statements

December 31, 2017

1. Purpose and background of the society and basis of presentation

The First United Church [the "Church"] was an inner city outreach ministry of the Vancouver-Burrard Presbytery of The United Church of Canada, working in the Downtown Eastside of Vancouver. The Church was established by the *United Church of Canada Act*. The Church's activities consisted of work related to the ministry of social justice, hospitality, and pastoral care in the Downtown Eastside of Vancouver.

On February 26, 2013, the First United Church Community Ministry Society [the "Society"] was incorporated under the *Society Act* of British Columbia.

Effective July 1, 2013, the Vancouver-Burrard Presbytery of The United Church of Canada assigned and transferred all of its rights, title, and interest in its outreach ministry at the Church to the Society.

The Society is a registered charity under the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

The Society transitioned to the new *Societies Act* of British Columbia in 2017.

2. Summary of significant accounting policies

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting, "Accounting Standards for Not-for-Profit Organizations"*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with an original maturity of less than 90 days which are recorded at cost plus accrued interest, unless they are held for investment purposes rather than liquidity purposes, in which case they are classified as short-term investments.

Short-term investments

Short-term investments are recorded at fair value. Transaction costs are expensed as incurred.

Inventory

Inventory is measured at the lower of cost, determined on a weighted average basis, and net realizable value.

First United Church Community Ministry Society

Notes to financial statements

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Property and equipment

Property and equipment are recorded at cost less accumulated amortization.

Amortization is provided on a straight-line basis over the estimated useful lives of the following assets:

Furniture and equipment	5 years
Building fixtures	5 years
Computer equipment	5 years
Vehicles	5 years

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis, and transaction costs are expensed as incurred.

Other financial instruments, including cash and cash equivalents, term deposits, accounts receivable and accounts payable and accrued liabilities, are recorded at amortized cost, net of any provisions for impairment.

Employee future benefits

The Society contributes to a Defined Benefit Pension Plan which is considered a multi-employer plan for accounting purposes and, accordingly, defined contribution plan accounting has been applied. Contributions to the defined benefit plan are expensed on an accrual basis, as the Society has insufficient information to apply defined benefit plan accounting.

Revenue recognition

The Society follows the deferral method of accounting for contributions, which includes grants and donations. Contributions restricted for specific purposes are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributions related to property and equipment represent restricted contributions and are recognized as income on the same basis as the related assets are amortized.

Investment income, which consists of interest, dividends and realized and unrealized gains and losses, is recorded in the statement of operations when it is earned.

Donated equipment, materials and services

Donated equipment is recorded at fair value. Donated materials are recorded at fair value if the fair value can be reasonably estimated and the Society would have purchased the materials in the ordinary course of business. Donated services are not recorded as their fair value cannot be reasonably estimated.

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Notes to financial statements

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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 amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

3. Term deposits

Term deposits consist of four guaranteed investment certificates which have a 1 year maturity and mature between January 2018 and October 2018 [2016 – January 2017 and October 2017] and bear interest at between 0.5% per annum to 0.90% per annum [2016 – 0.5% per annum to 1.1% per annum].

4. Short-term investments

Investments consist of various investments in marketable securities and are stated at fair value.

Short-term investments consist of the following:

	2017	2016
	\$	\$
Fixed income – Canadian	9,260	361,181
Common shares – Canadian	658,879	720,467
Exchange traded funds	242,753	103,732
Mutual funds – Canadian	466,385	556,609
	<u>1,377,277</u>	<u>1,741,989</u>

5. Property and equipment

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	322,081	208,364	113,717
Building fixtures	389,926	171,420	218,506
Computer equipment	128,090	119,607	8,483
Vehicles	30,022	30,022	—
	<u>870,119</u>	<u>529,413</u>	<u>340,706</u>

First United Church Community Ministry Society

Notes to financial statements

December 31, 2017

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	304,947	179,644	125,303
Building fixtures	294,164	119,951	174,213
Computer equipment	121,790	117,033	4,757
Vehicles	30,022	30,022	—
	<u>750,923</u>	<u>446,650</u>	<u>304,273</u>

6. Deferred contributions

Deferred contributions represent funds received in advance for the purpose of delivering specified programs or special projects, the costs for which have not been incurred. The amounts will be recognized as revenue in subsequent years when the expenses are incurred.

	2017	2016
	\$	\$
Balance, beginning of year	476,222	660,787
BC Housing grant	147,024	134,849
Seeds of Hope grant	—	20,000
City of Vancouver grants	25,376	29,790
Face the World grant	10,000	10,000
Government of Canada grant	24,467	12,500
ProVision grants	53,450	46,335
CAI Seniors grant	21,315	21,315
Cash for Socks donations	6,256	13,641
New Ministries	9,000	—
Home Depot Foundation	2,500	—
West Vancouver United Church	2,000	—
Other	—	4,500
	<u>777,610</u>	<u>953,717</u>
Less amounts recognized as revenue during the year	488,753	477,495
Balance, end of year	288,857	476,222
Less current portion	288,857	376,222
Long-term portion	—	<u>100,000</u>

First United Church Community Ministry Society

Notes to financial statements

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7. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent funds received for property and equipment purchases and are recognized as revenue on a straight-line basis based on the amortization rate of the related assets.

	2017	2016
	\$	\$
Balance, beginning of year	238,404	181,645
Add funds received during the year		
Boiler replacement funding	143,275	—
Furniture replacement funding	26,407	95,000
	408,086	276,645
Less amortization of deferred capital contributions – property and equipment	78,516	38,241
Balance, end of year	329,570	238,404

8. Internally restricted funds

Internally restricted funds for property and equipment

The internally restricted funds for property and equipment include the cost of equipment of the Society and related amortization, net of loans outstanding related to those assets. Additions are funded through financing activities, loans and amounts transferred from the unrestricted fund, as determined from time to time by the Board of Directors.

Other internally restricted funds

Other internally restricted funds are to be used for specific purposes as determined by the Board of Directors and the capital would only be used for general operations on a temporary basis or in extraordinary circumstances. Income earned on the original donations is used to fund operations.

	2017	2016
	\$	\$
Chalmers Fund	700,000	700,000
Mountain View Fund	50,000	50,000
Brownridge Fund	100,000	100,000
	850,000	850,000

First United Church Community Ministry Society

Notes to financial statements

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9. Services provided to affiliated organization

The Society provides property management, organizational support and staffing to the First United Church Social Housing Society. During the year ended December 31, 2017, management fees of \$66,625 [2016 – \$65,000] and salary recoveries of \$330,072 [2016 – \$326,689] were received. As at December 31, 2017, a receivable amount of \$32,621 [2016 – \$33,576] remained outstanding, which has no set terms of repayment, is not collateralized and bears no interest.

All transactions are in the normal course of operations and are recorded at amounts established and agreed upon between the related parties.

10. Pension plan

The Society is part of a multi-employer defined benefit pension plan. The Society's expense for the year ended December 31, 2017 in respect of pension contributions for certain employees to the Defined Benefit Pension Plan amounted to \$153,633 [2016 – \$73,548].

11. Government receivables

Government receivables of \$114 [2016 – \$11,827] are included in accounts receivable.

12. Investment income

Investment income consists of the following:

	2017	2016
	\$	\$
Dividends	17,668	25,985
Interest	1,073	1,921
Unit distributions	11,212	4,989
Realized and unrealized capital gains	134,733	88,529
	<u>164,686</u>	<u>121,424</u>

First United Church Community Ministry Society

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13. Societies Act of British Columbia disclosures

In accordance with the new *Societies Act* of British Columbia and its accompanying regulations, which were effective November 28, 2016, the following disclosures are required:

[a] Remuneration paid to directors

During the year ended December 31, 2017, no remuneration was paid to the directors.

[b] Remuneration paid to employees and contractors

During the year ended December 31, 2017, one employee was paid a salary of \$100,000 and two employees were paid a salary of \$95,000. One other employee was paid a salary of \$82,000. No other employees or contractors received remuneration of more than \$75,000 during the year ended December 31, 2017.

14. Contingencies

The Society may from time to time be subject to legal claims in the normal course of business. As at December 31, 2017, no material claims exist.

Schedule of administered funds

Year ended December 31

	2017	2016
	\$	\$
Building Capital Fund	55,007	54,454
Pat Dyer Fund	9,764	9,764
Fircom Retreats Fund	2,622	2,622
Discretionary Fund	2,711	2,711
	<u>70,104</u>	<u>69,551</u>

See accompanying notes

Schedule of bequest funds received

Year ended December 31

	2017	2016
	\$	\$
Estate of Maria A Furstenwald	24,111	—
Estate of Jocelyn Urch	23,699	92,500
Estate of United Church of Canada	16,303	—
Estate of Janet Handcock	5,000	—
Estate of Janet Tollefson	—	100,000
Estate of Mary Louise Martin	—	20,000
Estate of Eleanor Taylor	—	5,382
Estate of Dean Branner	—	5,140
Estate of Thomas H Harrison	—	5,000
Estate of Dorothy Chambers	—	1,000
	<u>69,113</u>	<u>229,022</u>

See accompanying notes

Schedule of expenses

Year ended December 31

	2017					2016	
	Community service	Building maintenance	Administration	Fundraising and communications	Housing	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Salaries and benefits	1,731,539	224,207	460,030	297,382	362,773	3,075,931	2,713,800
Building maintenance and operations	—	248,759	—	—	—	248,759	337,702
Office and administration	—	—	380,800	—	—	380,800	316,104
Hospitality, healing and advocacy	314,494	—	—	—	—	314,494	220,040
Special projects	—	114,677	—	—	—	114,677	47,126
Fundraising and communications	—	—	—	186,830	—	186,830	196,521
Amortization	—	—	82,307	—	—	82,307	59,997
Bad debts	—	—	—	36,670	—	36,670	—
	2,046,033	587,643	923,137	520,882	362,773	4,440,468	3,891,290

See accompanying notes