

Financial Statements

**First United Church Community Ministry Society**  
December 31, 2013



Building a better  
working world

# 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, 2013, 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 in our audit 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.

**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, 2013, 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.

Vancouver, Canada,  
May 29, 2014.

*Ernst + Young LLP*

Chartered Accountants

**First United Church Community Ministry Society**

**STATEMENT OF FINANCIAL POSITION**

As at December 31

	2013	2012
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	173,207	303,766
Short-term investments <i>[note 3]</i>	1,394,027	1,243,585
Accounts receivable <i>[note 9]</i>	66,262	88,061
Prepaid expenses	1,000	1,000
Due from affiliated organization <i>[note 7]</i>	32,687	28,468
Inventory	8,100	9,000
<b>Total current assets</b>	<b>1,675,283</b>	<b>1,673,880</b>
Property and equipment, net <i>[note 4]</i>	60,945	59,698
<b>Total assets</b>	<b>1,736,228</b>	<b>1,733,578</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	154,260	104,007
Deferred contributions <i>[note 5]</i>	130,825	100,000
<b>Total current liabilities</b>	<b>285,085</b>	<b>204,007</b>
Administered funds <i>[schedule 1]</i>	82,954	88,199
<b>Total liabilities</b>	<b>368,039</b>	<b>292,206</b>
<b>Net assets</b>		
Unrestricted fund	557,244	631,674
Internally restricted for property and equipment fund <i>[note 6]</i>	60,945	59,698
Internally restricted funds <i>[note 6]</i>	750,000	750,000
<b>Total net assets</b>	<b>1,368,189</b>	<b>1,441,372</b>
<b>Total liabilities and net assets</b>	<b>1,736,228</b>	<b>1,733,578</b>

*See accompanying notes*

On behalf of the Board:

Director

*Judith A. Echols*

Director

*W. Jeffrey*



**First United Church Community Ministry Society**

**STATEMENT OF OPERATIONS**

Year ended December 31

	2013	2012
	\$	\$
<b>REVENUE</b>		
Government funding	995,993	1,921,803
Donations	727,824	683,791
Foundations	407,984	431,597
Management fees and salary recoveries <i>[note 7]</i>	358,017	334,359
Mission support grant - operating	150,000	150,000
Fundraising	147,932	125,867
Investment income	123,583	83,832
Bequest funds received <i>[schedule 2]</i>	102,224	118,050
Special projects	81,239	14,710
Mission support grant - building	60,837	42,754
Building use	2,980	4,252
	<u>3,158,613</u>	<u>3,911,015</u>
<b>EXPENSES <i>[schedule 3]</i></b>		
Salaries and benefits <i>[note 8]</i>	2,471,725	2,932,365
Building maintenance and operations	252,870	483,629
Office and administration	171,843	195,646
Hospitality and healing	132,865	151,203
Special projects	89,130	14,682
Fundraising and communication	61,597	69,536
Amortization	33,711	28,814
Advocacy program	18,055	36,277
	<u>3,231,796</u>	<u>3,912,152</u>
<b>Deficiency of revenue over expenses for the year</b>	<u>(73,183)</u>	<u>(1,137)</u>

*See accompanying notes*



**First United Church Community Ministry Society**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31

	2013			2012	
	Unrestricted fund \$	Internally restricted for property and equipment fund \$	Internally restricted funds \$	Total \$	Total \$
Net assets, beginning of year	631,674	59,698	750,000	1,441,372	1,442,509
Deficiency of revenue over expenses for the year	(39,472)	(33,711)	—	(73,183)	(1,137)
Purchase of property and equipment	(34,958)	34,958	—	—	—
<b>Net assets, end of year</b>	<b>557,244</b>	<b>60,945</b>	<b>750,000</b>	<b>1,368,189</b>	<b>1,441,372</b>

*See accompanying notes*



**First United Church Community Ministry Society**

**STATEMENT OF CASH FLOWS**

Year ended December 31

	2013	2012
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses for the year	(73,183)	(1,137)
Add item not affecting cash		
Amortization	33,711	28,814
	<u>(39,472)</u>	<u>27,677</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	21,799	435,021
Prepaid expenses	—	(1,000)
Due from affiliated organization	(4,219)	11,292
Inventory	900	11,244
Accounts payable and accrued liabilities	50,253	(163,225)
Deferred contributions	30,825	(185,960)
<b>Cash provided by operating activities</b>	<u>60,086</u>	<u>135,049</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments, net	(150,442)	2,578
Purchase of property and equipment	(34,958)	(18,554)
Decrease in administered funds	(5,245)	(136,654)
<b>Cash used in investing activities</b>	<u>(190,645)</u>	<u>(152,630)</u>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(130,559)</b>	<b>(17,581)</b>
Cash and cash equivalents, beginning of year	<u>303,766</u>	<u>321,347</u>
<b>Cash and cash equivalents, end of year</b>	<u>173,207</u>	<u>303,766</u>

*See accompanying notes*



## First United Church Community Ministry Society

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 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 First United Church to the Society.

The Society has adopted the continuity of interest accounting to account for the current and prior year’s operations because the operations carried out by the Society are the same as those previously carried out by the Church.

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part III of the CPA Canada Handbook – *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 investments.

##### Short-term investments

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



**First United Church Community Ministry Society**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**Inventory**

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

**Property and equipment**

Property and equipment are recorded at cost less accumulated amortization.

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

Furniture and equipment  
Building fixtures  
Computer equipment  
Vehicles

**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.

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

## First United Church Community Ministry Society

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 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.

#### 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. SHORT-TERM INVESTMENTS

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

Short-term investments consist of the following:

	2013	2012
	\$	\$
Fixed income - Canadian	576,957	215,205
Common shares - Canadian	703,038	681,903
Mutual funds - Canadian	114,032	346,477
	<u>1,394,027</u>	<u>1,243,585</u>

**First United Church Community Ministry Society**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**4. PROPERTY AND EQUIPMENT**

	<b>2013</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Furniture and equipment	175,524	156,493	19,031
Building fixtures	69,878	36,991	32,887
Computer equipment	115,082	112,059	3,023
Vehicles	30,022	24,018	6,004
	<b>390,506</b>	<b>329,561</b>	<b>60,945</b>

  

	<b>2012</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Furniture and equipment	169,239	145,796	23,443
Building fixtures	41,205	23,015	18,190
Computer equipment	115,082	109,026	6,056
Vehicles	30,022	18,013	12,009
	<b>355,548</b>	<b>295,850</b>	<b>59,698</b>

## First United Church Community Ministry Society

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 5. DEFERRED CONTRIBUTIONS

Deferred contributions represents funds received in advance for the purpose of engaging in 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.

	2013 \$	2012 \$
Opening balance	100,000	285,960
Add funds received during the year		
BC Housing grant	83,000	80,000
New Ministries grant	25,000	—
United Way of Lower Mainland grant	17,530	—
Face the World grant	13,000	—
UBC Law Faculty grant	10,830	—
ProVision grant	10,275	—
City of Vancouver grant	2,800	—
Seeds of Hope grant	—	20,000
	<u>262,435</u>	<u>385,960</u>
Less amounts recognized as revenue	<u>131,610</u>	<u>285,960</u>
<b>Closing balance</b>	<u><b>130,825</b></u>	<u><b>100,000</b></u>

#### 6. 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.

## First United Church Community Ministry Society

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Other internally restricted funds are to be used for specific purposes as determined by the Oversight Board and the capital would only be used for general operations on a temporary basis or in extraordinary circumstances.

	2013	2012
	\$	\$
The Chalmers Fund	700,000	700,000
Mountain View Fund	50,000	50,000
	<u>750,000</u>	<u>750,000</u>

#### 7. 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, 2013, management fees of \$56,303 [2012 - \$55,656], and salary recoveries of \$301,714 [2012 - \$278,303] were received. At December 31, 2013, a receivable amount of \$32,687 [2012 - \$28,468] remained outstanding, which has no 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.

#### 8. PENSION PLAN

The Society is part of a multi-employer defined benefit pension plan. The Society's expense for the year ended December 31, 2013 in respect of pension contributions for certain employees to the Defined Benefit Pension Plan amounted to \$83,309 [2012 - \$86,109].

#### 9. GOVERNMENT RECEIVABLES AND REMITTANCES

Government receivables of \$6,940 [2012 - \$16,356] is included in accounts receivable.

**ADMINISTERED FUNDS**

Year ended December 31

	2013	2012
	\$	\$
New Building Capital Fund	53,730	53,730
Pat Dyer Fund	10,156	10,156
Fircom Retreats Fund	8,263	8,263
McKenzie Memorial Fund	7,318	7,318
Discretionary Fund	3,487	8,132
Other	—	600
	<b>82,954</b>	<b>88,199</b>

**BEQUEST FUNDS RECEIVED**

Year ended December 31

	2013	2012
	\$	\$
Estate of Margaret E. Brown	41,963	78,000
Estate of Carmen Leagh	32,900	—
Estate of Moya Jack	10,000	—
Estate of Margaret Prang	9,781	—
Estate of Beatrice Miller	7,480	—
Estate of Lucy Nicholson	100	—
Estate of Grace Avery	—	50
Estate of Margaret Jean Ford	—	40,000
	<u>102,224</u>	<u>118,050</u>

First United Church Community Ministry Society

Schedule 3

SCHEDULE OF EXPENSES

Year ended December 31

	2013					2012	
	Community support	Programs	Building maintenance	Administration	Fundraising and communication	Housing Society	Total
	\$	\$	\$	\$	\$	\$	\$
Salaries and benefits	1,515,167	187,851	—	363,344	96,397	308,966	2,932,365
Building maintenance and operations	—	—	252,870	—	—	—	483,629
Office and administration	171,843	—	—	—	—	—	195,646
Hospitality and healing	132,865	—	—	—	—	—	151,203
Fundraising and communication	—	—	—	—	61,597	—	69,536
Advocacy program	—	18,055	—	—	—	—	36,277
Amortization	—	—	33,711	—	—	—	28,814
Special projects	39,943	—	42,416	6,771	—	—	14,682
	1,859,818	205,906	328,997	370,115	157,994	308,966	3,231,796
							3,912,152

