

Financial Statements

**First United Church Community
Ministry Society**

December 31, 2014

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, 2014, 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.

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, 2014, 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
June 2, 2015

Ernst & Young LLP

Chartered Accountants

First United Church Community Ministry Society

STATEMENT OF FINANCIAL POSITION

As at December 31

	2014	2013
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	238,667	173,207
Short-term investments [note 3]	1,318,610	1,394,027
Accounts receivable [note 9]	77,399	66,262
Prepaid expenses	5,249	1,000
Due from affiliated organization [note 7]	109,195	32,687
Inventory	2,400	8,100
Total current assets	1,751,520	1,675,283
Property and equipment, net [note 4]	37,643	60,945
Total assets	1,789,163	1,736,228
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	181,104	154,260
Deferred contributions [note 5]	176,886	130,825
Total current liabilities	357,990	285,085
Administered funds [schedule 1]	76,901	82,954
Total liabilities	434,891	368,039
Net assets		
Unrestricted fund	466,629	557,244
Internally restricted for property and equipment fund [note 6]	37,643	60,945
Internally restricted funds [note 6]	850,000	750,000
Total net assets	1,354,272	1,368,189
Total liabilities and net assets	1,789,163	1,736,228

See accompanying notes

On behalf of the Board:

Director


Director


First United Church Community Ministry Society

STATEMENT OF OPERATIONS

Year ended December 31

	2014	2013
	\$	\$
REVENUE		
Government funding	1,047,381	995,993
Donations	757,863	727,824
Foundations	480,517	407,984
Management fees and salary recoveries <i>[note 7]</i>	395,431	358,017
Fundraising	154,179	147,932
Investment income	146,871	123,583
Mission support grant – operating	115,000	150,000
Special projects	81,056	81,239
Mission support grant – building	49,922	60,837
Bequest funds received <i>[schedule 2]</i>	21,115	102,224
Building use	2,509	2,980
	3,251,844	3,158,613
EXPENSES <i>[schedule 3]</i>		
Salaries and benefits <i>[note 8]</i>	2,482,281	2,471,725
Building maintenance and operations	239,280	252,870
Office and administration	157,537	171,843
Hospitality, healing and advocacy	154,342	150,920
Special projects	140,619	89,130
Fundraising and communication	63,752	61,597
Amortization	27,950	33,711
	3,265,761	3,231,796
Deficiency of revenue over expenses for the year	(13,917)	(73,183)

See accompanying notes

First United Church Community Ministry Society

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2014			2013	
	Unrestricted fund \$	Internally restricted for property and equipment fund \$	Internally restricted funds \$	Total \$	Total \$
Net assets, beginning of year	557,244	60,945	750,000	1,368,189	1,441,372
Deficiency of revenue over expenses for the year	14,033	(27,950)	—	(13,917)	(73,183)
Purchase of property and equipment	(4,648)	4,648	—	—	—
Internal restriction for Brownridge donation	(100,000)	—	100,000	—	—
Net assets, end of year	466,629	37,643	850,000	1,354,272	1,368,189

See accompanying notes

First United Church Community Ministry Society

STATEMENT OF CASH FLOWS

Year ended December 31

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(13,917)	(73,183)
Add item not affecting cash		
Amortization	27,950	33,711
	14,033	(39,472)
Changes in non-cash working capital balances related to operations		
Accounts receivable	(11,137)	21,799
Prepaid expenses	(4,249)	—
Due from affiliated organization	(76,508)	(4,219)
Inventory	5,700	900
Accounts payable and accrued liabilities	26,844	50,253
Deferred contributions	46,061	30,825
Cash provided by operating activities	744	60,086
INVESTING ACTIVITIES		
Decrease (increase) in short-term investments, net	75,417	(150,442)
Purchase of property and equipment	(4,648)	(34,958)
Decrease in administered funds	(6,053)	(5,245)
Cash provided by (used in) investing activities	64,716	(190,645)
Net increase (decrease) in cash and cash equivalents during the year	65,460	(130,559)
Cash and cash equivalents, beginning of year	173,207	303,766
Cash and cash equivalents, end of year	238,667	173,207

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 when it is earned.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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:

	2014	2013
	\$	\$
Fixed income – Canadian	177,568	576,957
Common shares – Canadian	602,083	703,038
Mutual funds – Canadian	538,959	114,032
	<u>1,318,610</u>	<u>1,394,027</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

4. PROPERTY AND EQUIPMENT

	2014		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	177,613	164,145	13,468
Building fixtures	69,878	49,467	20,411
Computer equipment	117,642	113,878	3,764
Vehicles	30,022	30,022	—
	395,155	357,512	37,643
	2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
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
	390,506	329,561	60,945

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent 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.

	2014 \$	2013 \$
Opening balance	130,825	100,000
Add funds received during the year		
BC Housing grant	86,916	83,000
Seeds of Hope grant	32,000	—
City of Vancouver grants	28,596	2,800
New Ministries grant	25,000	25,000
Face the World grant	15,000	13,000
Government of Canada grant	12,498	—
ProVision grants	9,575	10,275
North Lonsdale Mission grant	5,500	—
Hamber Foundation grant	3,596	—
Cash for Socks donation	2,050	—
United Way of Lower Mainland grant	—	17,530
UBC Law Faculty grant	—	10,830
	<u>351,556</u>	<u>262,435</u>
Less amounts recognized as revenue during the year	<u>174,670</u>	<u>131,610</u>
Closing balance	<u>176,886</u>	<u>130,825</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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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.

	2014	2013
	\$	\$
Chalmers Fund	700,000	700,000
Mountain View Fund	50,000	50,000
Brownridge Fund	100,000	—
	850,000	750,000

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, 2014, management fees of \$57,828 [2013 – \$56,303] and salary recoveries of \$337,603 [2013 – \$301,714] were received. At December 31, 2014, a receivable amount of \$109,195 [2013 – \$32,687] 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, 2014 in respect of pension contributions for certain employees to the Defined Benefit Pension Plan amounted to \$82,183 [2013 – \$83,309].

9. GOVERNMENT RECEIVABLES AND REMITTANCES

Government receivables of \$6,115 [2013 – \$6,940] is included in accounts receivable.

ADMINISTERED FUNDS

Year ended December 31

	2014	2013
	\$	\$
Building Capital Fund	53,892	53,730
Pat Dyer Fund	9,863	10,156
Fircom Retreats Fund	8,263	8,263
Discretionary Fund	3,133	3,487
Other funds	1,750	—
McKenzie Memorial Fund	—	7,318
	76,901	82,954

See accompanying notes

BEQUEST FUNDS RECEIVED

Year ended December 31

	2014	2013
	\$	\$
Estate of Eleanor Caldwell	10,000	—
Estate of Margaret Priestman	8,000	—
Estate of Joan Birchall	2,924	—
Estate of Muriel Luca	191	—
Estate of Margaret E. Brown	—	41,963
Estate of Carmen Leigh	—	32,900
Estate of Moya Jack	—	10,000
Estate of Margaret Prang	—	9,781
Estate of Beatrice Miller	—	7,480
Estate of Lucy Nicholsom	—	100
	21,115	102,224
	21,115	102,224

See accompanying notes

SCHEDULE OF EXPENSES

Year ended December 31

	2014					2013	
	Community service \$	Building maintenance \$	Administration \$	Fundraising and communication \$	Housing \$	Total \$	Total \$
Salaries and benefits	1,603,086	92,756	303,423	122,813	360,203	2,482,281	2,471,725
Building maintenance and operations	—	239,280	—	—	—	239,280	252,870
Office and administration	157,537	—	—	—	—	157,537	171,843
Hospitality, healing and advocacy	154,342	—	—	—	—	154,342	150,920
Special projects	58,470	31,001	20,398	30,750	—	140,619	89,130
Fundraising and communication	—	—	—	63,752	—	63,752	61,597
Amortization	—	27,950	—	—	—	27,950	33,711
	1,973,435	390,987	323,821	217,315	360,203	3,265,761	3,231,796

See accompanying notes