

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, 2016, 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, excess 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, 2016, 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 *Society 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
June 14, 2017

Ernst + Young LLP

Chartered Professional Accountants



First United Church Community Ministry Society

Statement of financial position

As at December 31

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	125,081	230,471
Term deposits [note 3]	62,500	62,500
Short-term investments [note 4]	1,741,989	1,713,089
Accounts receivable [note 11]	231,574	196,095
Prepaid expenses	1,000	3,320
Due from affiliated organization [note 9]	33,576	65,079
Inventory	1,800	2,100
Total current assets	2,197,520	2,272,654
Property and equipment, net [note 5]	304,273	232,654
	2,501,793	2,505,308
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	277,901	217,431
Deferred contributions current	376,222	360,787
Total current liabilities	654,123	578,218
Deferred contributions [note 6]	100,000	300,000
Deferred contributions related to property and equipment [note 7]	238,404	181,645
Administered funds [schedule 1]	69,551	69,739
Total liabilities	1,062,078	1,129,602
Contingencies [note 14]		
Net assets		
Unrestricted fund	523,846	474,697
Internally restricted for property and equipment fund [note 8]	65,869	51,009
Other internally restricted funds [note 8]	850,000	850,000
Total net assets	1,439,715	1,375,706
	2,501,793	2,505,308

See accompanying notes

On behalf of the Board:



Director



Director

First United Church Community Ministry Society

Statement of operations

Year ended December 31

	2016	2015
	\$	\$
Revenue		
Government funding	1,242,730	1,196,194
Donations	818,735	761,257
Foundations	538,058	513,870
Management fees and salary recoveries <i>[note 9]</i>	391,689	410,762
Fundraising	190,107	186,628
Special projects	47,126	159,925
Mission support grant – operating	285,500	115,000
Investment income <i>[note 12]</i>	121,424	44,573
Mission support grant – building	52,516	44,524
Bequest funds received <i>[schedule 2]</i>	229,022	16,117
Amortization of deferred contributions – property and equipment <i>[note 7]</i>	38,241	9,560
Building use	151	1,634
	<u>3,955,299</u>	<u>3,460,044</u>
Expenses <i>[schedule 3]</i>		
Salaries and benefits <i>[note 10]</i>	2,713,800	2,504,314
Building maintenance and operations	337,702	251,771
Special projects	47,126	201,606
Hospitality, healing and advocacy	220,040	179,499
Office and administration	316,104	159,528
Fundraising and communication	196,521	112,751
Amortization	59,997	29,141
	<u>3,891,290</u>	<u>3,438,610</u>
Excess of revenue over expenses for the year	<u>64,009</u>	<u>21,434</u>

See accompanying notes

First United Church Community Ministry Society

Statement of changes in net assets

Year ended December 31

	2016			2015	
	Unrestricted fund \$	Internally restricted for property and equipment fund \$	Other internally restricted funds \$	Total \$	Total \$
Net assets, beginning of year	474,697	51,009	850,000	1,375,706	1,354,272
Excess of revenue over expenses for the year	64,009	—	—	64,009	21,434
Purchase of property and equipment	(14,860)	14,860	—	—	—
Net assets, end of year	523,846	65,869	850,000	1,439,715	1,375,706

See accompanying notes

First United Church Community Ministry Society

Statement of cash flows

Year ended December 31

	2016	2015
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	64,009	21,434
Add (deduct) items not affecting cash		
Amortization	59,997	29,141
Amortization of deferred contributions – property and equipment	(38,241)	(9,560)
Unrealized gains on investment income	(88,529)	—
	<u>(2,764)</u>	<u>41,015</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(35,479)	(118,696)
Prepaid expenses	2,320	1,929
Due from affiliated organization	31,503	44,116
Inventory	300	300
Accounts payable and accrued liabilities	60,470	36,327
Deferred contributions	(184,565)	483,901
Cash provided by operating activities	<u>(128,215)</u>	<u>488,892</u>
Financing activities		
Deferred capital contribution funding received	95,000	191,205
Cash provided by financing activities	<u>95,000</u>	<u>191,205</u>
Investing activities		
Decrease (increase) in short-term investments, net	59,629	(394,479)
Purchase of property and equipment	(131,617)	(224,152)
Decrease in administered funds	(187)	(7,162)
Increase in term deposits	—	(50,000)
Cash used in investing activities	<u>(72,175)</u>	<u>(675,793)</u>
Net increase (decrease) in cash and cash equivalents during the year	(105,390)	4,304
Cash and cash equivalents, beginning of year	230,471	226,167
Cash and cash equivalents, end of year	<u>125,081</u>	<u>230,471</u>

See accompanying notes

First United Church Community Ministry Society

Notes to financial statements

December 31, 2016

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.

The Society is in the process of transitioning to the new *Societies Act* of British Columbia and this is expected to be ratified within the next year.

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 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

December 31, 2016

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 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 capital assets 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.

First United Church Community Ministry Society

Notes to financial statements

December 31, 2016

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 2017 and October 2017 [2015 – January 2016 and October 2016] and bear interest at between 0.5% per annum to 1.1% per annum [2015 – 0.5% per annum to 1.05% 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:

	2016	2015
	\$	\$
Fixed income – Canadian	361,181	750,424
Common shares – Canadian	720,467	686,968
Exchange traded funds	103,732	—
Mutual funds – Canadian	556,609	275,697
	<u>1,741,989</u>	<u>1,713,089</u>

5. Property and equipment

	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>

First United Church Community Ministry Society

Notes to financial statements

December 31, 2016

	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	182,767	173,100	9,667
Building fixtures	288,875	68,026	220,849
Computer equipment	117,642	115,504	2,138
Vehicles	30,022	30,022	—
	619,306	386,652	232,654

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.

	2016	2015
	\$	\$
Balance, beginning of year	660,787	176,886
BC Housing grant	134,849	95,170
Seeds of Hope grant	20,000	10,000
City of Vancouver grants	29,790	28,596
Face the World grant	10,000	10,000
Government of Canada grant	12,500	25,002
ProVision grants	46,335	26,505
CAI Seniors grant	21,315	—
Cash for Socks donations	13,641	3,476
Jiles grant	—	10,000
Aviva Community Fund grant	—	40,000
Capilano United contribution	—	500,000
Other	4,500	—
	953,717	925,635
Less amounts recognized as revenue during the year	477,495	264,848
Balance, end of year	476,222	660,787
Less current portion	376,222	360,787
Long term portion	100,000	300,000

First United Church Community Ministry Society

Notes to financial statements

December 31, 2016

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 on the related assets.

	2016	2015
	\$	\$
Balance, beginning of year	181,645	—
Add funds received during the year		
Boiler replacement funding	—	191,205
Furniture replacement funding	95,000	—
	276,645	191,205
Less amortization of deferred capital contributions – property and equipment	38,241	9,560
Balance, end of year	238,404	181,645

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.

	2016	2015
	\$	\$
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

December 31, 2016

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, 2016, management fees of \$65,000 [2015 – \$65,002] and salary recoveries of \$326,689 [2015 – \$348,262] were received. As at December 31, 2016, a receivable amount of \$33,576 [2015 – \$65,079] 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.

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, 2016 in respect of pension contributions for certain employees to the Defined Benefit Pension Plan amounted to \$73,548 [2015 – \$84,323].

11. Government receivables and remittances

Government receivables of \$11,827 [2015 – \$12,642] are included in accounts receivable.

12. Investment income

Investment income consists of the following:

	2016	2015
	\$	\$
Dividends	25,985	32,436
Interest	1,921	2,325
Unit distributions	4,989	2,667
Realized and unrealized capital gains	88,529	7,145
	<u>121,424</u>	<u>44,573</u>

First United Church Community Ministry Society

Notes to financial statements

December 31, 2016

13. British Columbia *Societies Act* 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, 2016, no remuneration was paid to the directors.

[b] Remuneration paid to employees and contractors

During the year ended December 31, 2016, one employee was paid a salary of \$90,000. No other employees or contractors received remuneration of more than \$75,000 during the year ended December 31, 2016.

14. Contingencies

The Society may from time to time be subject to legal claims in the normal course of business. As at December 31, 2016, no material claims exist.

Administered funds

Year ended December 31

	2016	2015
	\$	\$
Building Capital Fund	54,454	53,892
Pat Dyer Fund	9,764	9,764
Fircom Retreats Fund	2,622	2,622
Discretionary Fund	2,711	2,711
Other funds	—	750
	69,551	69,739

See accompanying notes

Bequest funds received

Year ended December 31

	2016	2015
	\$	\$
Estate of Janet Tollefson	100,000	—
Estate of Jocelyn Urch	92,500	—
Estate of Mary Lousie 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	—
Estate of Evelyn Mosher	—	8,000
Estate of Carmen Leigh	—	4,073
Estate of Margaret Prang	—	2,044
Estate of Sharon Amer	—	2,000
	<u>229,022</u>	<u>16,117</u>

See accompanying notes

Schedule of expenses

Year ended December 31

	2016					2015
	Community service	Building maintenance	Administration	Fundraising and communication	Housing	Total
	\$	\$	\$	\$	\$	\$
Salaries and benefits	1,326,964	192,540	584,352	260,978	348,966	2,713,800
Building maintenance and operations	—	337,702	—	—	—	337,702
Office and administration	—	—	316,104	—	—	316,104
Hospitality, healing and advocacy	220,040	—	—	—	—	220,040
Special projects	—	47,126	—	—	—	47,126
Fundraising and communication	—	—	—	196,521	—	196,521
Amortization	—	—	59,997	—	—	59,997
	1,547,004	577,368	960,453	457,499	348,966	3,891,290
						2,504,314
						251,771
						159,528
						179,499
						201,606
						112,751
						29,141
						3,438,610

See accompanying notes