
FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
FINANCIAL STATEMENTS
DECEMBER 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of First United Church Community Ministry Society

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of First United Church Community Ministry Society (the "Church"), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Church derives revenue from donations and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Church and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2018 and 2017, total assets as at December 31, 2018, and 2017, and net assets at both beginning and end of the December 31, 2018, and 2017 years. The opinion on the financial statements for the year ended December 31, 2017 also contained a qualification because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Church 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



INDEPENDENT AUDITOR'S REPORT

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.

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

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



INDEPENDENT AUDITOR'S REPORT

- 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.

Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another firm of accountants who issued a similar qualified opinion on May 30, 2018.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Church's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

Manning Elliott LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 10, 2019

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 342,722	\$ 250,856
Term deposits	50,000	62,500
Short-term investments (Note 3)	1,130,670	1,377,277
Accounts receivable	97,664	249,448
Inventory	1,800	1,800
Prepaid expenses and deposits	11,117	2,137
Due from related party (Note 4)	76,771	27,095
	1,710,744	1,971,113
CAPITAL ASSETS (Note 5)	424,716	340,706
	\$ 2,135,460	\$ 2,311,819
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 422,711	\$ 334,378
Government remittances	74,676	-
Deferred revenue (Note 6)	201,448	315,264
	698,835	649,642
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	277,290	303,163
ADMINISTERED FUNDS (Note 8)	70,108	70,104
	1,046,233	1,022,909
NET ASSETS		
Unrestricted fund	91,801	401,367
Invested in capital assets	147,426	37,543
Internally restricted funds (Note 10)	850,000	850,000
	1,089,227	1,288,910
	\$ 2,135,460	\$ 2,311,819

Approved by the Board


 _____ Director

 _____ Director

See notes to financial statements

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted Fund	Invested in capital assets	Internally restricted funds (Note 10)	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 401,367	\$ 37,543	\$ 850,000	\$ 1,288,910	\$ 1,439,715
Deficiency of revenue over expenses for the year	(199,683)	-	-	(199,683)	(150,805)
Purchase of capital assets	(224,768)	224,768	-	-	-
Amortization of capital assets	140,758	(140,758)	-	-	-
Additions to deferred contributions related to capital assets	67,781	(67,781)	-	-	-
Amortization of deferred contributions	(93,654)	93,654	-	-	-
NET ASSETS - END OF YEAR	\$ 91,801	\$ 147,426	\$ 850,000	\$ 1,089,227	\$ 1,288,910

See notes to financial statements

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
REVENUES		
Operational funding (BC Housing)	\$ 1,647,540	\$ 1,294,140
Grants and government funding	1,133,695	1,076,432
Donations (Note 9)	702,228	877,571
Bequest funds received	239,248	69,113
Special projects	94,824	118,866
Amortization of deferred contributions related to capital assets (Note 7)	93,654	53,406
Sponsorships and fees	83,176	236,158
Property management services (Note 4)	68,250	66,625
Sundry income	100	2,594
	4,062,715	3,794,905
EXPENSES		
Salaries and benefits	3,016,432	2,721,169
Kitchen supplies	162,329	163,198
Amortization	140,758	82,307
Communications	117,173	88,731
Janitorial Supplies	107,013	90,144
Temporary staff	94,855	68,066
Office expenses	79,666	155,701
Communications and resource development	78,260	65,929
Special Project - Redevelopment	48,293	2,721
Repairs and maintenance - buildings	70,811	161,147
Utilities	70,511	69,218
Professional fees	58,346	66,594
General and program expenses (Note 9)	47,850	114,319
Bank and credit card charges	40,139	24,538
Legal fees	36,066	121,604
Special Project - Social housing innovation lab	27,138	-
Professional development	32,018	8,293
Special Project - Lecture/Education series	21,120	13,840
Fundraising	18,058	38,661
Bad debts	8,680	38,125
Advertising and promotion	7,185	-
Travel expenses	5,112	12,125
Repairs and maintenance	3,712	-
Insurance	3,384	3,966
	4,294,909	4,110,396
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	(232,194)	(315,491)
OTHER INCOME (EXPENSES)		
Investment income	75,822	133,826
Gain on foreign exchange	237	-
Unrealized gains (losses)	(43,548)	30,860
	32,511	164,686
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (199,683)	\$ (150,805)

See notes to financial statements

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (199,683)	\$ (150,805)
Items not affecting cash:		
Amortization	140,758	82,307
Amortization of deferred contributions related to capital assets	(93,654)	(78,516)
Unrealized gain (loss) on short-term investments	43,548	(53,565)
	(109,031)	(200,579)
Changes in non-cash working capital:		
Accounts receivable	151,784	(12,348)
Term deposits	12,500	-
Prepaid expenses and deposits	(8,980)	(1,137)
Due from related party	(49,676)	955
Accounts payable and accrued liabilities	88,333	56,477
Deferred revenue	(113,816)	(187,365)
Government remittances	74,676	-
	154,821	(143,418)
Cash flow from (used by) operating activities	45,790	(343,997)
INVESTING ACTIVITIES		
Purchase of capital assets	(224,768)	(118,740)
Decrease in short-term investments	-	418,277
Increase in administered funds	4	553
Purchase of investments	(331,717)	-
Proceeds from sale of investments	534,776	-
Cash flow from (used by) investing activities	(21,705)	300,090
FINANCING ACTIVITY		
Deferred capital contributions funding received	67,781	169,682
INCREASE IN CASH FLOW	91,866	125,775
CASH - BEGINNING OF YEAR	250,856	125,081
CASH - END OF YEAR	\$ 342,722	\$ 250,856

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

PURPOSE OF THE ORGANIZATION

First United Church Community Ministry Society (the "Church") is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act (Canada) and is accordingly exempt from income taxes.

The Church operates to provide work related to the ministry of social justice, hospitality, and pastoral care in the Downtown Eastside of Vancouver.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have, in management's opinion been prepared within reasonable limits of materiality using the significant accounting policies noted below:

(a) Cash

Cash includes cash on hand and balances held with banks.

(b) Financial instruments

i) Measurement

The Church's financial instruments consist of cash, term deposits, short-term investments, accounts receivable, due from related party and accounts payable. The Church initially measures all of its financial assets and liabilities at fair value. The Church subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of financial instruments carried at fair value are recognized in the statement of operations.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

(c) 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
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) 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 amount of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the year in which they become known. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of the useful lives of capital assets used for calculating amortization, measurement of deferred revenue and deferred contributions related to capital assets and the amounts recorded as accrued liabilities and bad debts.

(e) Capital assets

Capital assets are stated at cost less accumulated amortization which is recorded over the useful lives of the assets on the straight line method at the following annual rates:

Furniture and equipment	5 years
Building improvements	5 years
Computer equipment	5 years

The Church monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Church, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs recognized under this policy are not reversed.

(f) Revenue recognition

The Church follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Deferred revenue represents restricted operating funding received in the current period that is related to a subsequent period or designated for a specific expenditure that has not yet occurred.

Contributions received for the purchase of capital assets are amortized as revenue on the same basis as the amortization related to the acquired capital assets.

(g) Contributed services and materials

The Church benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements. Contributed materials are recorded at their fair value only when a realizable value of the related benefit can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Employee future benefits

The Church 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 Church has insufficient information to apply defined benefit plan accounting.

2. FINANCIAL INSTRUMENTS RISKS

The Church is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Church's risk exposure and concentration of risk. There has been no change in risk exposures from the prior year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Church's main credit risk relates to accounts receivable and advances due from related party. The Church maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

(b) Liquidity risk

Liquidity risk is the risk that the Church will encounter difficulty in meeting obligations associated with liabilities. The Church is exposed to this risk mainly in respect of its accounts payable. The Church's objective is to have sufficient financial liquidity to meet its financial obligations as they become due. The Church's ability to meet obligations depends on the receipt of government funding and its donors. The Church controls liquidity risk by managing its working capital and cash flows.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Church is mainly exposed to interest rate risk.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Church manages exposure through its normal operating and financing activities. The primary financial risk to the Church lies in the exposure of its investment income stream to the effects of fluctuations in market interest rates.

3. SHORT-TERM INVESTMENTS

Investments consist of various investments in money market funds, common shares, ETF's, mutual funds and other securities and are stated at fair value. The cost of the investments as at December 31, 2018 was \$931,408 (2017 - \$1,104,440).

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. RELATED PARTY TRANSACTIONS

The Church's board of directors includes members who are also directors on the board of First United Church Social Housing Society (the "Society"). However, the number of common members is such that neither organization can control decisions of the other. In addition, the Society and Church are related through common management.

During the year, the Society paid management fees in the amount of \$68,250 (2017 - \$66,625) for property management services received by the Society from the Church.

In addition, the Society paid wages and benefits in the amount of \$466,921 (2017 - \$330,072) for organization support and staffing services provided by the Church.

At the end of the year, the Church has an amount receivable from the Society of \$76,771 (2017 - \$27,095). Those amounts are without any terms of repayment and are interest free.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and equipment	\$ 333,477	\$ 240,090	\$ 93,387	\$ 113,717
Building improvements	584,663	273,499	311,164	218,506
Computer equipment	146,724	126,559	20,165	8,483
	\$ 1,064,864	\$ 640,148	\$ 424,716	\$ 340,706

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. DEFERRED REVENUE

Deferred revenue 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.

	2018	2017
Balance, beginning of year	\$ 315,264	\$ 476,222
BC Housing grant	137,295	147,024
Hockey Helps the Homeless	27,500	-
Seedlings grant	18,750	-
Pre-ReDevelopment funding	6,531	26,407
Sponsorship fees received	5,000	-
ProVision Lecture Series	2,000	-
CAI Seniors grant	-	21,315
Cash for Socks donations	-	6,256
New Ministries	-	9,000
Home Depot Foundation	-	2,500
West Vancouver United Church	-	2,000
Face the World grant	-	10,000
ProVision grant	-	53,450
Government of Canada grant	-	24,467
City of Vancouver grant	-	25,376
	512,340	804,017
Less amounts recognized as revenue during the year	(310,892)	(488,753)
	\$ 201,448	\$ 315,264

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represents funds received for the purchase of capital assets and are recognized as revenue on a straight-line basis based on the amortization rate of the related capital assets.

	2018	2017
Balance, beginning of year	\$ 303,163	\$ 238,404
Men's washroom renovation funding	40,281	-
Security upgrade funding	22,500	-
Hub renovation	5,000	-
Boiler replacement funding	-	143,275
	370,944	381,679
Less amortization of deferred capital contributions related to capital assets	(93,654)	(78,516)
	\$ 277,290	\$ 303,163

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

8. ADMINISTERED FUNDS

The Pat Dyer, Fircom Retreat and Alistair MacLeod Funds are monies received in prior years specifically to take people of the Downtown Eastside to camps or pay for courses.

The Capital Campaign Fund was established in 2010 to raise funds to provide for a new First United building to better service the Downtown East Side.

	2018	2017
Capital Campaign Fund	\$ 55,011	\$ 55,007
Pat Dyer Fund	9,764	9,764
Fircom Retreats Fund	2,622	2,622
Alastair MacLeod Discretionary Fund	2,711	2,711
	\$ 70,108	\$ 70,104

9. DONATIONS IN-KIND

In addition to monetary donations, the Church receives donations in-kind. During the year, the Church received donations of food and supplies in the amount of \$30,466 (2017 - \$76,840). These amounts have been recorded as a donation and a corresponding expense has been included in general and program expense.

During the year ended December 31, 2018, the Church received equity shares traded on a public stock exchange. The shares were recorded at fair market value as at the date they were contributed and sold shortly after. Total revenue of \$6,450 (2017 - \$22,635) from those donations in-kind was included in general donations in the statement of operations.

10. INTERNALLY RESTRICTED FUNDS

Internally restricted funds are to be used for specific purposes 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.

	2018	2017
Chalmers fund	\$ 700,000	\$ 700,000
Mountain View fund	50,000	50,000
Brownridge fund	100,000	100,000
	\$ 850,000	\$ 850,000

11. PENSION PLAN

The Church is part of a multi-employer defined benefit pension plan. The Church's expense for the year ended December 31, 2018 in respect of pension contributions for certain employees to the Defined Benefit Pension Plan amounted to \$99,835 (2017 - \$97,176).

FIRST UNITED CHURCH COMMUNITY MINISTRY SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

12. SALARIES AND RELATED BENEFITS

Wages and employee benefits expense for the year includes seven employees who are also directors of the Church who earned over \$75,000 each for a total of \$383,757 (2017 – four employees that each earned over \$75,000 for a total of \$372,000).

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation. The reclassifications have no effect on the presently reported assets, liabilities and net assets of the Church or previously reported deficiency of revenue over expenses.