

REGIONAL COUNCIL 15
Financial Statements
Year Ended December 31, 2019

REGIONAL COUNCIL 15
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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Regional Council 15

Qualified Opinion

We have audited the financial statements of Regional Council 15 (the Council), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Council as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Council derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Council. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets and net assets as at December 31, 2019.

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 Council in accordance with 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 ASNPO, 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 Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the Members of Regional Council 15 (continued)

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 Council'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 Council'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 Council to cease to continue as a going concern.
- 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.

Mount Pearl, NL
May 13, 2020

Winnor Coombs
CHARTERED PROFESSIONAL ACCOUNTANTS

REGIONAL COUNCIL 15
Statement of Financial Position
December 31, 2019

	General Fund 2019	Bequest Fund 2019	Special Fund 2019	Total 2019
ASSETS				
CURRENT				
Cash	\$ -	\$ -	\$ 79,932	\$ 79,932
Term deposits	351,878	-	-	351,878
Land held for resale (Note 4)	20,800	-	-	20,800
Prepaid expenses	151	-	-	151
Due from related parties (Note 5)	991,524	-	-	991,524
	1,364,353	-	79,932	1,444,285
LONG TERM				
INVESTMENTS (Note 3)	-	148,607	-	148,607
	\$ 1,364,353	\$ 148,607	\$ 79,932	\$ 1,592,892
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ 5,900	\$ -	\$ -	\$ 5,900
Program payables	498,516	-	-	498,516
Due to related parties (Note 5)	14,819	-	-	14,819
	519,235	-	-	519,235
NET ASSETS				
Internally restricted funds	619,515	-	-	619,515
Net assets	225,803	148,607	79,932	454,142
	845,118	148,607	79,932	1,073,657
	\$ 1,364,353	\$ 148,607	\$ 79,932	\$ 1,592,892

ON BEHALF OF THE BOARD

Jane McDonald Director
Faith March-MacLish Director

REGIONAL COUNCIL 15
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	General Fund 2019	Bequest Fund 2019	Special Fund 2019	Total 2019
REVENUES				
Grant - United Church of Canada	\$ 610,324	\$ -	\$ -	\$ 610,324
Interest income	41,655	-	6,144	47,799
Miscellaneous revenue	38,261	-	2,688	40,949
	690,240	-	8,832	699,072
EXPENSES				
Salaries and wages	274,769	-	-	274,769
Mission and Support Services	208,154	-	-	208,154
Standing Committees	68,982	-	-	68,982
Office operating expense	56,950	-	-	56,950
Other	12,075	-	2,070	14,145
Administration	7,154	-	-	7,154
Regional Council Executive	4,812	-	-	4,812
	632,896	-	2,070	634,966
EXCESS OF REVENUES OVER EXPENSES				
	\$ 57,344	\$ -	\$ 6,762	\$ 64,106

REGIONAL COUNCIL 15
Statement of Changes in Net Assets
Year Ended December 31, 2019

	General Fund	Bequest Funds	Special Fund	2019
Balance transferred from Maritime Conference	\$ 209,914	\$ 148,607	\$ 73,170	\$ 431,691
Excess of revenues over expenses	57,344	-	6,762	64,106
Transfer of interest income to internally restricted funds	(41,655)	-	-	(41,655)
NET ASSETS - END OF YEAR	\$ 225,603	\$ 148,607	\$ 79,932	\$ 454,142

REGIONAL COUNCIL 15
Statement of Cash Flows
Year Ended December 31, 2019

	2019
OPERATING ACTIVITIES	
Excess of revenues over expenses	\$ 64,106
Changes in non-cash working capital:	
Land held for resale	(20,800)
Accounts payable	5,901
Program payables	498,516
Prepaid expenses	(151)
	483,466
Cash flow from operating activities	547,572
INVESTING ACTIVITY	
Long term Investments	(148,607)
Cash flow used by investing activity	(148,607)
FINANCING ACTIVITIES	
Advances from related parties	(976,705)
Net assets transferred from Maritime Conference	431,690
Unrestricted funds transferred from Maritime Conference	147,864
Received from presbyteries for internally restricted funds	439,996
Internal transfer to Learning Grants program	(10,000)
Cash flow from financing activities	32,845
INCREASE IN CASH FLOW	431,810
Cash - beginning of year	-
CASH - END OF YEAR	\$ 431,810
CASH CONSISTS OF:	
Cash	\$ 79,932
Term deposits	351,878
	\$ 431,810

REGIONAL COUNCIL 15
Notes to Financial Statements
Year Ended December 31, 2019

1. PURPOSE OF THE COUNCIL

Regional Council 15 is a Council of the United Church of Canada. Its principal activities include the provision of services to the pastoral charges affiliated with the United Church of Canada in Nova Scotia and Bermuda.

Regional Council 15 is a registered charity under the Income Tax Act and not subject to income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Fund accounting

Regional Council 15 follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Council's delivery of services and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Bequest Fund reports the assets, liabilities, revenues and expenses related to the assets bequeathed to the Council.

The Special Funds report the assets, liabilities, revenues and expenses related to the Council's funds that have been set up for a specific purpose.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits. Bank borrowings are considered to be financing activities.

Funds held in trust - Cash and property

Cash and property held in trust arise from the disbandment of churches and camps governed under Regional Council 15 of the United Church of Canada. The decision to disband a church or camp is made by the governing body of the church or camp and the governing body of the region. The Manual of The United Church of Canada indicates that if a church or camp is disbanded, the respective Council is responsible for the remaining assets. This responsibility includes discharging any remaining liabilities and expenses, listing the property for sale, and maintaining the property in good working order until sale occurs.

When an organization has been disbanded, the Council recognizes the cash received as funds held in trust with a corresponding liability of funds held in trust. All other assets of the disbanded property are recognized at a nominal amount (\$1) as the fair value of the specialized assets is not determinable until the actual sale occurs.

Upon sale of the property, the proceeds are recognized as funds held in trust and recorded as a corresponding liability of funds held in trust. The distribution of any residual cash remaining after discharging the costs associated with the property is determined by the Council Executive. The Council records allocations in the general fund once approved by the Council Executive.

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REGIONAL COUNCIL 15
Notes to Financial Statements
Year Ended December 31, 2019

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

Amounts held in trust - Financial Services

Due to the Council's legal status, management was instructed by legal counsel that the Council is unable to enter into certain legal contracts. Financial Services, Maritime Conference of the United Church of Canada Inc. ("Financial Services") was incorporated in 1987 to assist The United Church of Canada, Presbyteries, Pastoral Charges, local congregations and groups within the Council by holding trust properties and entering into certain contracts, among various other financial services, on behalf of the aforementioned entities. Financial Services holds in trust all of the investments of the Bequest and Special Funds.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund in the year in which the contribution is received or receivable. All restricted contributions for which there is no specific restricted fund are recognized as revenues when the related expenses are incurred in the general fund.

Unrestricted contributions are recognized as revenue of the general fund when received or receivable if the amount can be reasonably estimated and receipt is reasonably assured.

Investment income earned on restricted investments is recognized as revenue as it is earned in the appropriate fund. Other investment income is recognized in the general fund statement of operations.

Post retirement benefit plan

The employees of the Council participate in a defined benefit plan administered and held nationally by The United Church of Canada. The Council is not responsible for the obligations due for the employees under this benefit plan.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Council's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- the allowance for doubtful accounts.

REGIONAL COUNCIL 15
Notes to Financial Statements
Year Ended December 31, 2019

3. INVESTMENTS

The investments are investment certificates issued and held in trust by Financial Services, Maritime Conference of the United Church of Canada.

Investment - interest for distribution as bursaries for ministerial candidates	
Aitken Memorial Trust	\$ 2,500
Vera Dickey Bequest	8,807
Wesley Memorial United Church	1,000
	<hr/> 12,307
Investment - interest for distribution as support for special projects	
MacRae Belliveau	4,070
William A. Crawford Trust	988
Metzler Bequest	411
Annie V. King Bequest	23,000
Guy R. King Bequest	75,331
J. Oscar Young Bequest	19,500
Edith MacPherson Bequest	5,000
Edward Jost Bequest	8,000
	<hr/> 136,300
	<hr/> \$ 148,607 <hr/>

4. LAND HELD FOR RESALE

The Council received an unrestricted contribution of land which had a fair market value of \$20,800 when received. The transaction was measured and recognized based on the fair market value and the value was included in other revenue on the statement of revenue and expenses when received.

The Council has listed the land for sale and, as such, it is classified as land held for resale on the balance sheet.

5. DUE TO/FROM RELATED PARTIES

Current portion due from related party	
Due from RC14	\$ 991,524
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Current portion due to related party	
First Dawn Eastern Edge Regional Council	\$ 14,819
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Advances from related parties are non-interest bearing and have no set repayment. These related parties are Regional Councils of the United Church of Canada.

6. INTERNALLY RESTRICTED FUNDS

The contingency reserve fund internally restricts excess cash and other amounts as approved by the Executive Council to offset potential future changes in funding support and to cover other contingencies or expenditures not included in the annual operating budget.

REGIONAL COUNCIL 15
Notes to Financial Statements
Year Ended December 31, 2019

7. FINANCIAL INSTRUMENTS

The Council considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Council's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, accounts payable, investments and funds held in trust.

The Council initially measures its financial assets and liabilities at fair value adjusted for transaction costs. Transaction costs related to financial instruments subsequently measured at fair value are recorded in the statement of revenues and expenditures on initial measurement. The Council subsequently measures all of its financial instruments at amortized cost.

The risks that arise from financial instruments include liquidity risk, market risk and interest rate risk. Unless otherwise noted, it is management's opinion that the Council is not exposed to other price risks arising from financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Council is exposed to this risk mainly in respect of its receipt of funds from its charges and payments of expenditures.

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 Council is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Council manages exposure through its normal operating and financing activities. The Council is exposed to interest rate risk primarily through its long-term investments.

8. RELATED PARTY TRANSACTIONS

The following is a summary of the Council's related party transactions:

United Church of Canada General Council	
<i>(Governing body of the Council)</i>	
Grants - United Church of Canada less amount deferred for	
Mission and Support grants unexpended	\$ 610,324
Office operating expense paid to	18,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. ECONOMIC DEPENDENCE

The Council receives 100% of its operating funds under a grant from the United Church of Canada. If this situation should change in the future, management is of the opinion that continued viable operations would be doubtful.