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Financial statements

**Ukrainian Catholic Episcopal Corporation of
Saskatchewan**

December 31, 2015

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Financial statements

December 31, 2015

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Independent auditors' report

To the Members of
Ukrainian Catholic Episcopal Corporation of Saskatchewan

We have audited the accompanying financial statements of **Ukrainian Catholic Episcopal Corporation of Saskatchewan**, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and changes in net assets and cash flows for the year ended December 31, 2015 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 not-for profit organizations, **Ukrainian Catholic Episcopal Corporation of Saskatchewan** derives revenue from fundraising and donations, 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 **Ukrainian Catholic Episcopal Corporation** of Saskatchewan. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donations revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended December 31, 2015, current assets and net assets as at December 31, 2015. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation of scope.



Independent auditors' report (continued)

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 **Ukrainian Catholic Episcopal Corporation of Saskatchewan** as at December 31, 2015 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.

Ernst + Young LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan

September 23, 2016



Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of financial position

As at December 31

	2015	2014
	\$	\$
Assets		
Current assets		
Cash	266,878	142,949
Accounts receivable	41,407	9,311
Prepaid expenses and deposits	6,022	-
Investments [note 3]	377,437	445,950
Inventory	2,171	2,171
Loans receivable [note 4]	2,350	13,740
Total current assets	696,265	614,121
Investments [note 3]	465,069	489,732
Capital assets [note 5]	1,025,655	1,047,700
Other assets		
Saskatoon Co-op equity	459	459
Cemetery plots	18,979	18,979
	2,206,427	2,171,450
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	66,560	108,415
Mass stipends payable	2,150	1,150
Deferred contributions		
Aid to Ukraine	6,817	6,817
Papal Visit to Ukraine	24,213	24,213
Bishop Basil Filevich memorial	960	960
Office of Family Life Ministry	29,998	31,979
Estate of Mike Yuras [note 6]	407,646	399,380
Other deferred contributions	65,366	72,855
Eparchial Communications Office	-	6,023
Annual Eparchial Appeal	136,398	-
	740,108	651,792
Contingencies [note 7]		
Net assets		
Investment in capital assets	1,025,655	1,047,700
Internally-restricted assets for parish development	79,811	79,811
Unrestricted net assets	360,853	391,688
	1,466,319	1,519,199
	2,206,427	2,170,991

See accompanying notes

Approved on behalf of the Eparchy:

Statement of operations

Year ended December 31

	2015	2014
	\$	\$
Revenue		
Parish cathedraticum	168,415	172,394
Parish assessment for clergy insurance	28,836	29,957
Parish assessment for liability insurance	24,811	23,595
Donations and contributions		
Canadian Conference of Catholic Bishops collection	3,422	3,966
Catholic Missions in Canada	103,551	98,095
Eparchial Appeal	49,864	-
Eparchial charities	8,366	7,568
Eparchial Communication Office	21,023	1,689
Eparchy deficit donations	-	12,790
Eparchial News	905	1,050
Eparchial Social Justice Office	749	-
Eparchial study days receipts	2,400	2,325
Office of Family Life	26,022	16,867
Knights of Columbus	616	617
Other donations and contributions	29,288	61,946
Seminary offerings and donations	28,214	32,401
St. Michael's Camp	76,500	-
St. Volodymyr Park	1,307	1,290
Stewardship funding	24,000	5,560
Youth ministry contributions	10,260	-
Parish collections - Schedule 1	90,271	57,731
Investment income	9,059	8,865
Miscellaneous - certificates, dispensation income, scrolls and books	932	275
Rental income	18,660	26,660
	727,471	565,641
Expenses		
Administration - Schedule 2	126,935	112,338
Assessments and dues - Schedule 2	60,223	58,772
Donations and contributions - Schedule 2	58,470	72,494
Eparchial communications office	29,762	3,805
Eparchial, parish and clergy needs - Schedule 2	336,416	202,822
Eparchial social justice office	749	-
Eparchial stewardship expenses	24,000	398
Occupancy costs - Schedule 2	66,168	114,183
Office of family life	28,699	16,867
Travel, meetings and conferences - Schedule 2	21,316	23,927
Youth and young adult ministry - Schedule 2	27,613	34,101
	780,351	639,707
Deficiency of revenue over expenses for the year	(52,880)	(74,066)

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of changes in net assets

Year ended December 31

	Unrestricted net assets \$	Internally- restricted for parish development \$	Invested in capital assets \$	Total 2015 \$	Total 2014 \$
Balance, beginning of year	391,688	79,811	1,047,700	1,519,199	1,593,265
Deficiency of revenue over expenses	(52,880)	-	-	(52,880)	(74,066)
Transfer for amortization	31,905	-	(31,905)	-	-
Transfer for capital purchases	(9,860)	-	9,860	-	-
Balance, end of year	360,853	79,811	1,025,655	1,466,319	1,519,199

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of cash flows

Year ended December 31

	2015	2014
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(52,880)	(74,066)
Items not affecting cash:		
Amortization	31,905	32,332
Inventory write-down	-	4,407
	(20,975)	(37,327)
Net change in non-cash working capital items:		
Accounts receivable	(32,096)	19,232
Accounts payable and accrued liabilities	(41,855)	(25,154)
Mass stipends payable	1,000	-
Prepaid expenses (and deposits)	(6,022)	-
Deferred contributions	129,171	14,543
Cash provided by (used in) operating activities	29,223	(28,706)
Investing activities		
Decrease in loans receivable	11,390	1,800
Purchase of capital assets	(9,860)	(10,038)
Purchase of cemetery plots	-	(13,023)
Net decrease (increase) of investments	93,176	(17,055)
Cash provided by (used in) investing activities	94,706	(38,316)
Net increase (decrease) in cash	123,929	(67,022)
Cash, beginning of year	142,949	209,971
Cash, end of year	266,878	142,949

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2015

1. Nature of operations

Ukrainian Catholic Episcopal Corporation of Saskatchewan (the "Corporation") is a corporate entity incorporated under Federal statute and is a registered charity under the Income Tax Act.

The purpose of the Corporation is to administer the property, business, temporal and spiritual affairs of the Eparchy of Saskatoon in accordance with the Code of Canon Law.

2. Significant accounting policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA") Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally-restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Parish cathedraticum and assessments are recorded as revenue only when received due to the extent of uncertainty about the amounts that will ultimately be collected.

Rental revenue is recognized when the services have been provided.

Investment income is recorded in the statements of operations and changes in net assets when earned.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Capital assets

Purchased capital assets are recorded at acquisition cost, less accumulated amortization. Contributed capital assets are recorded at fair value at the date of the contribution.

The Corporation provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. Amortization is recorded on the difference between the cost and the residual value. Annual amortization rates are as follows:

Bishop's residence	4%
Chancery	4%
Fences	10%
Office equipment	20%

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2015

2. Significant accounting policies (continued)

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Corporation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value, plus any transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

The Corporation's investment in Saskatoon Co-op is recorded at original cost, plus undistributed patronage allocations.

All transactions are recorded on a trade date basis.

Allocation of expenses

The costs of personnel and other expenses directly related to functions are allocated to each function. General support and other costs are not allocated.

Contributed services and materials

Volunteers assist the Corporation in carrying out its service delivery activities. As a result of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recorded in the accounts.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

3. Investments

Investments consist of guaranteed investment certificates and higher interest savings accounts. Guaranteed investment certificates maturing within the next fiscal year have been classified as current.

4. Loans receivable

	2015	2014
	\$	\$
All Saint's Parish - Humboldt, Saskatchewan	2,350	4,300
Clergy and seminarian loans - balance forgiven during the year	-	9,440
	<u>2,350</u>	<u>13,740</u>

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2015

5. Capital assets

	Cost	Accumulated amortization	2015 Net	2014 Net
	\$	\$	\$	\$
Bishop's residence	257,850	22,297	235,553	240,791
Chancery	703,471	79,486	623,985	642,658
Fences	7,723	2,526	5,197	5,774
Office equipment	61,822	27,220	34,602	32,159
Land	126,318	-	126,318	126,318
	1,157,184	131,529	1,025,655	1,047,700

6. Estate of Mike Yuras

During 2011, the Corporation was the recipient of a bequest from the Estate of Mike Yuras to be used in providing for the education of candidates for the priesthood and to contribute to the growth and expansion of the Ukrainian Greek Catholic Church in the province of Saskatchewan. The Bishop has directed that this bequest be maintained until such a time that some parameters are established as to what the fund will be used for in future years. As such, the bequest has been included in deferred contributions.

7. Contingencies

In 2007, the Corporation was named as a defendant in a legal action on behalf of a priest seeking to obtain ongoing support relating to a medical disability. As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. No developments have occurred in 2015.

8. Related party transactions

The Corporation assesses a cathedraticum on all active Ukrainian Catholic Parishes in the Eparchy of Saskatoon. This cathedraticum is used by the Corporation to conduct its activities. In the current year, this cathedraticum amounted to 23% of the Corporation's revenue (2014 - 30%).

9. Financial instruments

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 Corporation manages exposure through its normal operating and investing activities. Changes in market interest rates may have an effect on the cash flows associated with some financial assets, known as cash flow risk, and on the fair value of other financial assets, known as price risk.

The Corporation is exposed to interest rate risk with respect to its \$745,757 (2014 - \$731,338) in term deposits and guaranteed investment certificates, with fixed interest rates ranging from 1.7% to 2.6%.

Credit risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of investments and accounts receivable. It is management's opinion that the Corporation's credit risk is minimal, as its investments are primarily in fixed income instruments issued by a number of Canadian financial institutions.

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating income

Year ended December 31, 2015

	2015	2014
	\$	\$
Parish collections		
Aid for Ukraine Contributions	1,705	-
Donetz/Kharkiw Eparchy in Ukraine	4,660	6,685
Holy Land Support	6,504	5,936
Missions Offerings and Catholic Missions collections	4,660	5,386
Patriarchal Cathedral in Kiev	899	442
Parish support donations and contributions	66,703	33,285
Peter's Pence and Papal Charities	3,545	4,402
St. Andrew's Pence	1,595	1,595
	90,271	57,731

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses

Year ended December 31, 2015

	2015	2014
	\$	\$
Administration		
Amortization	31,905	32,332
Bank charges	621	305
Books and subscriptions	3,165	7,713
Marriage tribunal	-	696
Office equipment rental	2,801	1,876
Office supplies and postage	4,190	5,547
Professional fees	29,576	20,392
Salaries and benefits	45,804	35,446
Telephone and cable	8,873	8,031
	<u>126,935</u>	<u>112,338</u>
Assessments and dues		
Annual corporate licence	40	40
Canadian Conference of Catholic Bishops	2,998	2,998
Catholic Health Association of Saskatchewan	5,500	5,500
Ecumenical Centre	3,500	3,500
Holy Spirit Seminary	30,985	31,930
Ukrainian Catholic Bishops Synod	17,200	14,804
	<u>60,223</u>	<u>58,772</u>
Donations and contributions		
Aide to Ukraine	1,706	-
Beatification funds	1,583	-
Catholic Missions in Canada	4,660	5,385
Donetz/Kharkiw Eparchy	4,660	6,685
Holy Land/Lenten Charities	6,504	5,936
Patriarchal Cathedral Kyiv	899	442
Peter's Pence	3,545	4,402
St. Andrew's Pence	1,595	1,595
Ukrainian Catholic Religious Education Centre	27,600	39,600
Various Catholic schools, choirs, youth organizations and community support	5,718	8,449
	<u>58,470</u>	<u>72,494</u>

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of expenses (continued)

Year ended December 31, 2015

	2015	2014
	\$	\$
Eparchial, parish and clergy needs		
Clergy insurance fund contribution	28,836	29,957
Clergy retreat and meeting expenses	-	450
Clergy support	66,865	50,905
Eparchial News publication	905	1,050
Eparchial Study Days	1,065	-
Lay formation	13,135	12,025
Meetings	4,411	2,873
Parish support	71,807	33,425
Pastoral care - sick/shut-ins	-	5,000
Seminarian dues and support	53,251	49,621
Sobor expenses	9,339	3,893
St. Michael's Youth Camp	74,996	-
St. Volodymyr Park	10,177	8,461
Vision 2020	1,629	5,162
	336,416	202,822
Occupancy costs		
Chapel and religious articles	479	134
Household supplies and fixtures	1,413	1,438
Housekeeping	4,335	4,170
Insurance	28,749	27,136
Property taxes	8,888	8,820
Repairs and maintenance	8,502	55,687
Utilities	9,100	11,706
Willowgrove property expenses	4,702	5,092
	66,168	114,183
Travel, meetings and conferences		
Chancery office and clergy travel	2,847	4,718
Travel	18,469	19,209
	21,316	23,927
Youth and young adult ministry		
Campus and youth ministry	15,458	21,187
Program expenses and travel	5,849	5,556
Telephone	776	739
World Youth Day	-	1,619
Youth camps	5,530	5,000
	27,613	34,101