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Financial statements

**Ukrainian Catholic Episcopal Corporation of
Saskatchewan**

December 31, 2016

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Financial statements

December 31, 2016

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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, 2016, and the statements of operations and 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 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 donations and contributions revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 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.

Ernst & Young LLP

Chartered Professional Accountants



Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of financial position

As at December 31

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	209,018	266,878
Accounts receivable	37,178	41,407
Prepaid expenses and deposits	7,528	6,022
Investments [note 3]	551,433	377,437
Inventory	-	2,171
Current portion of loans receivable [note 4]	10,000	2,350
Total current assets	815,157	696,265
Loans receivable [note 4]	74,000	-
Investments [note 3]	222,726	465,069
Capital assets [note 5]	1,047,627	1,025,655
Other assets		
Saskatoon Co-op equity	459	459
Cemetery plots	18,979	18,979
	2,178,948	2,206,427
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	53,472	66,560
Mass stipends payable	2,000	2,150
Deferred contributions		
Aid to Ukraine	877	6,817
Papal visit to Ukraine	24,213	24,213
Bishop Basil Filevich memorial	960	960
Office of Family Life Ministry	17,455	29,998
Estate of Mike Yuras [note 6]	415,518	407,646
Other deferred contributions	40,790	65,366
Annual Eparchial Appeal	177,476	136,398
	732,761	740,108
Contingencies [note 7]		
Net assets		
Investment in capital assets	1,047,627	1,025,655
Internally-restricted assets for parish development	79,811	79,811
Unrestricted net assets	318,749	360,853
	1,446,187	1,466,319
	2,178,948	2,206,427

See accompanying notes

Approved on behalf of the Eparchy:

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of operations

Year ended December 31

	2016	2015
	\$	\$
Revenue		
Parish cathedraticum	171,568	168,415
Parish assessment for clergy insurance	32,491	28,836
Parish assessment for liability insurance	23,616	24,811
Donations and contributions		
Canadian Conference of Catholic Bishops collection	3,433	3,422
Catholic Missions in Canada	92,514	103,551
Eparchial Appeal	106,666	49,864
Eparchial charities	7,604	8,366
Eparchial Communication Office	25,000	21,023
Eparchial News	350	905
Eparchial Social Justice Office	906	749
Eparchial study days receipts	2,850	2,400
Office of Family Life	31,338	26,022
Knights of Columbus	616	616
Other donations and contributions	18,630	29,288
Seminary offerings and donations	26,378	28,214
St. Michael's Camp	183,588	76,500
St. Volodymyr Park	3,676	1,307
Stewardship funding	-	24,000
Youth ministry contributions	8,500	10,260
Parish collections - Schedule 1	55,815	90,271
Investment income	8,257	9,059
Miscellaneous - certificates, dispensation income, scrolls and books	10,330	932
Rental income	18,660	18,660
	832,786	727,471
Expenses		
Administration - Schedule 2	137,066	126,935
Assessments and dues - Schedule 2	59,333	60,223
Donations and contributions - Schedule 2	60,374	58,470
Eparchial Communications Office	47,550	29,762
Eparchial, parish and clergy needs - Schedule 2	389,842	336,416
Eparchial Social Justice Office	906	749
Eparchial stewardship expenses	-	24,000
Occupancy costs - Schedule 2	60,080	66,168
Office of Family Life	31,338	28,699
Travel, meetings and conferences - Schedule 2	32,041	21,316
Youth and young adult ministry - Schedule 2	34,388	27,613
	852,918	780,351
Deficiency of revenue over expenses for the year	(20,132)	(52,880)

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 2016 \$	Total 2015 \$
Balance, beginning of year	360,853	79,811	1,025,655	1,466,319	1,519,199
Deficiency of revenue over expenses	(20,132)	-	-	(20,132)	(52,880)
Transfer for amortization	37,911	-	(37,911)	-	-
Transfer for capital purchases	(59,883)	-	59,883	-	-
Balance, end of year	318,749	79,811	1,047,627	1,446,187	1,466,319

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of cash flows

Year ended December 31

	2016	2015
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(20,132)	(52,880)
Items not affecting cash		
Amortization	37,911	31,905
	17,779	(20,975)
Net change in non-cash working capital items		
Accounts receivable	4,229	(32,096)
Accounts payable and accrued liabilities	(13,091)	(41,855)
Inventory	2,171	-
Mass stipends payable	(150)	1,000
Prepaid expenses (and deposits)	(1,502)	(6,022)
Deferred contributions	5,890	129,171
Cash provided by operating activities	15,326	29,223
Investing activities		
Loans receivable	(74,000)	-
Increase in loans receivable	(84,000)	-
Decrease in loans receivable	2,350	11,390
Purchase of capital assets	(59,883)	(9,860)
Net decrease of investments	68,347	93,176
Cash (used in) provided by investing activities	(73,186)	94,706
Net (decrease) increase in cash	(57,860)	123,929
Cash, beginning of year	266,878	142,949
Cash, end of year	209,018	266,878

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2016

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.

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%
Vehicle	30%

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2016

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.

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2016

4. Loans receivable

	2016 \$	2015 \$
1.5% Ukrainian Catholic Church Camp of Saskatchewan Inc. loan receivable, interest is payable quarterly and principle is repayable in \$5,000 semi-annual payments, unsecured, matures September 2018	84,000	-
All Saint's Parish - Humboldt, Saskatchewan, repaid in 2016	-	2,350
	84,000	2,350
Less current portion	10,000	-
	74,000	2,350

5. Capital assets

	Cost \$	Accumulated amortization \$	2016 Net \$	2015 Net \$
Bishop's residence	257,850	27,325	230,525	235,553
Chancery	703,471	97,410	606,061	623,985
Fences	7,724	3,048	4,676	5,197
Office equipment	91,127	37,071	54,056	34,602
Vehicle	30,577	4,586	25,991	-
Land	126,318	-	126,318	126,318
	1,217,067	169,440	1,047,627	1,025,655

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

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.

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 21% (2015 - 23%) of the Corporation's revenue.

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2016

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 \$696,600 (2015 - \$745,757) in term deposits and guaranteed investment certificates, with fixed interest rates ranging from 1.55% to 2.10%.

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.

Schedule of operating income

Year ended December 31, 2016

	2016	2015
	\$	\$
Parish collections		
Parish support donations and contributions	34,911	66,703
Holy Land support	5,946	6,504
Donetz/Kharkiw Eparchy in Ukraine	4,944	4,660
Missions Offerings and Catholic Missions collections	4,138	4,660
Peter's Pence and Papal charities	3,481	3,545
St. Andrew's Pence	1,405	1,595
Patriarchal Cathedral in Kiev	990	899
Aid for Ukraine contributions	-	1,705
	55,815	90,271

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses

Year ended December 31, 2016

	2016	2015
	\$	\$
Administration		
Amortization	37,911	31,905
Bank charges	918	621
Books and subscriptions	15,479	3,165
Office equipment rental	3,096	2,801
Office supplies and postage	5,249	4,190
Professional fees	20,312	29,576
Salaries and benefits	44,549	45,804
Telephone and cable	9,552	8,873
	<u>137,066</u>	<u>126,935</u>
Assessments and dues		
Annual corporate licence	40	40
Canadian Conference of Catholic Bishops	2,998	2,998
Catholic Health Association of Saskatchewan	3,500	5,500
Ecumenical Centre	4,252	3,500
Holy Spirit Seminary	29,993	30,985
Ukrainian Catholic Bishops Synod	17,623	17,200
Canadian Council of Charities	927	-
	<u>59,333</u>	<u>60,223</u>
Donations and contributions		
Aide to Ukraine	-	1,706
Beatification funds	871	1,583
Catholic Missions in Canada	4,138	4,660
Donetz/Kharkiw Eparchy	4,944	4,660
Holy Land/Lenten charities	5,946	6,504
Patriarchal Cathedral Kyiv	990	899
Peter's Pence	3,481	3,545
St. Andrew's Pence	1,405	1,595
Ukrainian Catholic Religious Education Centre	35,800	27,600
Various Catholic schools, choirs, youth organizations and community support	2,799	5,718
	<u>60,374</u>	<u>58,470</u>

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses (continued)

Year ended December 31, 2016

	2016	2015
	\$	\$
Eparchial, parish and clergy needs		
Cantor's Workshops	1,138	-
Clergy insurance fund contribution	32,491	28,836
Clergy support	57,936	66,865
Eparchial News publication	350	905
Eparchial Study Days (recovery)	(456)	1,065
Lay formation	29,300	13,135
Meetings	7,070	4,411
Parish support	34,979	71,807
Seminarian dues and support	30,514	53,251
Sobor expenses	-	9,339
St. Michael's Youth Camp	183,067	74,996
St. Volodymyr Park	10,287	10,177
Vision 2020	3,166	1,629
	389,842	336,416
Occupancy costs		
Chapel and religious articles	94	479
Household supplies and fixtures	1,184	1,413
Housekeeping	4,123	4,335
Insurance	27,883	28,749
Property taxes	8,906	8,888
Repairs and maintenance	3,203	8,502
Utilities	10,806	9,100
Willowgrove property expenses	3,881	4,702
	60,080	66,168
Travel, meetings and conferences		
Chancery office and clergy travel	4,272	2,847
Travel	27,769	18,469
	32,041	21,316
Youth and young adult ministry		
Campus and youth ministry	20,250	15,458
Program expenses and travel	8,691	5,849
Telephone	54	776
World Youth Day	1,393	-
Youth camps	4,000	5,530
	34,388	27,613