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Financial statements

**Ukrainian Catholic Episcopal Corporation of
Saskatchewan**

December 31, 2018

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Financial statements

December 31, 2018

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Independent auditor's report

To the Members of
Ukrainian Catholic Episcopal Corporation of Saskatchewan

Qualified Opinion

We have audited the financial statements of **Ukrainian Catholic Episcopal Corporation of Saskatchewan** [the "Organization"], which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended and notes to 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 Organization 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 not-for-profit organizations, the Organization 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, deficiency of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and December 31, 2017, and current assets as at December 31, 2018 and December 31, 2017 and fund balances as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2018, was modified accordingly 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 Organization 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



Independent auditor's report (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 Organization'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 Organization'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 Organization 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.

Ernst & Young LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan
December 23, 2019



A member firm of Ernst & Young Global Limited

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of financial position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	214,371	197,384
Accounts receivable	36,733	37,260
Prepaid expenses and deposits	12,874	5,727
Investments <i>[note 3]</i>	827,321	2,911,227
Current portion of loans receivable <i>[note 4]</i>	214,000	74,000
Total current assets	1,305,299	3,225,598
Loans receivable <i>[note 4]</i>	20,000	-
Investments <i>[note 3]</i>	462,721	663,602
Capital assets <i>[note 5]</i>	870,825	902,573
Other assets		
Saskatoon Co-op equity	462	459
Cemetery plots	18,979	18,979
	2,678,286	4,811,211
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>[note 6]</i>	61,867	2,143,931
Mass stipends payable	3,010	5,060
Deferred contributions		
Aid to Ukraine	1,756	877
Papal visit to Ukraine	24,213	24,213
Bishop Basil Filevich memorial	960	960
Office of Family Life Ministry	77,455	17,455
Estate of Mike Yuras <i>[note 7]</i>	361,570	392,021
Other deferred contributions	29,245	40,606
Annual Eparchial Appeal	165,962	195,732
	726,038	2,820,855
Contingencies <i>[note 8]</i>		
Net assets		
Balance	870,826	902,573
Internally-restricted assets for parish development	79,811	79,811
Unrestricted net assets	1,001,611	1,007,972
	1,952,248	1,990,356
	2,678,286	4,811,211

See accompanying notes

Approved on behalf of the Eparchy:

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of operations

Year ended December 31, 2018

	2018 \$	2017 \$
Revenue		
Parish cathedraticum	172,896	161,690
Parish assessment for clergy insurance	31,306	29,659
Parish assessment for liability insurance	25,746	25,715
Donations and contributions		
Canadian Conference of Catholic Bishops collection	2,163	2,251
Catholic Missions in Canada	109,502	97,515
Eparchial Appeal	135,242	93,731
Eparchial charities	8,801	8,028
Eparchial Communication Office	30,000	26,000
Eparchial News	-	290
Eparchial Social Justice Office	-	1,391
Eparchial study days receipts	2,700	2,400
Office of Family Life	5,474	12,954
Knights of Columbus	636	622
Other donations and contributions	28,837	36,105
Seminary offerings and donations	29,240	39,809
St. Michael's Camp	5,000	-
St. Volodymyr Park	3,586	16,006
Stewardship funding	12,921	10,000
Youth ministry contributions	5,080	42,156
Transfer from Yuras estate fund	37,113	31,079
Parish collections - [Schedule 1]	21,030	28,212
Investment income	16,658	6,966
Miscellaneous - certificates, dispensation income, scrolls and books	1,170	1,431
Rental income	27,550	18,350
Gain on sale of Willowgrove property	-	589,160
Gain on sale of Sheptytsky property [note 6]	-	2,071,035
	712,651	3,352,555
Expenses		
Administration - [Schedule 2]	126,959	122,281
Assessments and dues - [Schedule 2]	71,203	58,541
Donations and contributions - [Schedule 2]	42,178	2,145,757
Eparchial Communications Office	53,981	44,156
Eparchial, parish and clergy needs - [Schedule 2]	227,947	203,939
Eparchial Social Justice Office	-	1,391
Eparchial stewardship expenses	50,144	27,282
Occupancy costs - [Schedule 2]	68,212	64,178
Office of Family Life	39,526	34,820
Travel, meetings and conferences - [Schedule 2]	31,233	41,926
Youth and young adult ministry - [Schedule 2]	39,376	64,115
	750,759	2,808,386
(Deficiency) excess of revenue over expenses for the year	(38,108)	544,169

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of changes in net assets

Year ended December 31, 2018

	Unrestricted net assets \$	Internally- restricted for parish development \$	Invested in capital assets \$	Total 2018 \$	Total 2017 \$
Balance, beginning of year	1,007,972	79,811	902,573	1,990,356	1,446,187
Excess (deficiency) of revenue over expenses	(38,108)	-	-	(38,108)	544,169
Transfer for amortization	34,990	-	(34,990)	-	-
Transfer for capital purchases	(3,243)	-	3,243	-	-
Balance, end of year	1,001,611	79,811	870,826	1,952,248	1,990,356

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of cash flows

Year ended December 31, 2018

	2018 \$	2017 \$
Operating activities		
Excess (deficiency) of revenue over expenses	(38,108)	544,169
Add (deduct) items not involving cash		
Amortization of deferred charges	34,990	36,828
Gain on sale of Sheptytsky property	-	(589,160)
Gain on sale of Willowgrove property	-	(2,071,035)
	(3,118)	(2,079,198)
Net change in non-cash working capital items:		
Accounts receivable	527	(82)
Prepaid expenses and deposits	(7,147)	1,801
Mass stipends payable	(2,050)	3,060
Deferred contributions	(10,698)	(5,427)
Accounts payable and accrued liabilities	(2,082,070)	2,090,462
	(2,101,438)	2,089,814
Cash (used in) provided by operating activities	(2,104,556)	10,616
Investing activities		
Increase (decrease) in loans receivable	(160,000)	10,000
Proceeds on disposal of investments	2,284,786	(2,800,670)
Purchase of capital assets	(3,243)	(22,769)
Proceeds of disposal	-	2,791,189
Cash provided by (used in) investing activities	2,121,543	(22,250)
Net increase (decrease) in cash	16,987	(11,634)
Cash, beginning of year	197,384	209,018
Cash, end of year	214,371	197,384

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2018

1. Nature of operations

Ukrainian Catholic Episcopal Corporation of Saskatchewan [the "Organization"] is a not-for-profit entity incorporated under Federal statute and is a registered charity under the *Income Tax Act*.

The purpose of the Organization 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 Organization 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 Organization 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, 2018

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, 2018

4. Loans receivable

	2018 \$	2017 \$
3.00% St. Michael's Ukrainian Catholic Church Camp Inc. loan receivable, interest and principal are payable monthly, matures January 1, 2019	214,000	-
Non-interest bearing Ukrainian Catholic Parish of St. George at Saskatoon, Saskatchewan loan receivable, matures March 13, 2020	20,000	-
1.50% Ukrainian Catholic Church Camp of Saskatchewan Inc. loan receivable, repaid during the year	-	74,000
	234,000	74,000
Less current portion	(214,000)	(74,000)
Long term portion	20,000	-

5. Capital assets

	Cost \$	Amortization \$	2018 \$	2017 \$
Bishop's residence	257,850	36,786	221,064	225,698
Chancery	714,643	131,799	582,844	599,801
Office equipment	105,966	60,102	45,864	53,682
Vehicle	30,577	9,524	21,053	23,392
	1,109,036	238,211	870,825	902,573

6. Accounts payable and accrued liabilities

During the year ended December 31, 2017, the Organization disposed of a property and committed to donate the net proceeds to the Bishop Budka Eparchial Stewardship Society Inc. Included in accounts payable and accrued liabilities is \$2,071,035 related to this commitment.

7. Estate of Mike Yuras

During 2011, the Organization 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.

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to the financial statements

December 31, 2018

8. Contingencies

The Organization 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.

The Organization was named as a guarantor for a line-of-credit to St. Michael's Ukrainian Catholic Camp Inc. In the current year, \$140,000 was drawn out of this lending facility.

9. Related party transactions

The Organization assesses a cathedraticum on all active Ukrainian Catholic Parishes in the Eparchy of Saskatoon. This cathedraticum is used by the Organization to conduct its activities. In the current year, this cathedraticum amounted to 24.00% [2017 - 23.00%] of the Organization's revenue.

10. 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 Organization 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 Organization is exposed to interest rate risk with respect to its \$1,290,042 [2017 - \$3,496,517] in term deposits and guaranteed investment certificates, with fixed interest rates ranging from 1.10% to 2.00%.

Credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of investments and accounts receivable. It is management's opinion that the Organization'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, 2018

	2018	2017
	\$	\$
Parish collections		
Parish support donations and contributions	-	9,087
Holy Land support	5,740	6,142
Donetz/Kharkiw Eparchy in Ukraine	1,937	4,522
Missions Offerings and Catholic Missions collections	3,555	4,408
Peter's Pence and Papal charities	2,459	2,918
St. Andrew's Pence	397	666
Patriarchal Cathedral in Kiev	149	469
Eparchial Charities	6,794	-
	21,031	28,212

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses

Year ended December 31, 2018

	2018 \$	2017 \$
Administration		
Amortization	34,990	36,828
Bank charges	537	592
Books and subscriptions	4,717	2,121
Office equipment rental	2,657	3,784
Office supplies and postage	3,626	1,653
Professional fees	19,986	19,306
Salaries and benefits	48,918	45,434
Telephone and cable	11,528	12,563
	126,959	122,281
Assessments and dues		
Annual corporate licence	40	40
Canadian Conference of Catholic Bishops	9,460	7,354
Canadian Council of Charities	927	718
Catholic Health Association of Saskatchewan	3,915	3,570
Ecumenical Centre	3,500	3,500
Holy Spirit Seminary	36,090	26,621
Ukrainian Catholic Bishops Synod	17,271	16,738
	71,203	58,541
Donations and contributions		
Bishop Budka Eparchial Stewardship Society Inc. [note 6]	-	2,071,035
Beatification funds	518	725
Catholic Missions in Canada	3,555	4,408
Donetz/Kharkiw Eparchy	1,937	4,522
Holy Land/Lenten charities	5,740	6,142
Patriarchal Cathedral Kyiv	149	469
Peter's Pence	2,459	2,918
St. Andrew's Pence	397	666
Ukrainian Catholic Religious Education Centre	25,100	42,600
Various Catholic schools, choirs, youth organizations and community support	2,472	12,272
	42,327	2,145,757

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses (continued)

Year ended December 31, 2018

	2018 \$	2017 \$
Eparchial, parish and clergy needs		
Cantor's Workshops	755	6,972
Clergy insurance fund contribution	31,306	29,659
Clergy retreat and meeting expenses	73,154	70,840
Clergy support	-	290
Eparchial News publication	1,698	144
Eparchial Study Days	15,000	11,680
Lay formation	1,442	4,674
Meetings	24,891	12,626
Parish support	70,081	48,703
St. Michael's Youth Camp	7,532	12,152
Vision 2020	2,088	6,199
	227,947	203,939
Occupancy costs		
Chapel and religious articles	187	116
Household supplies and fixtures	1,556	2,337
Housekeeping	4,094	4,408
Insurance	30,524	29,679
Pinehouse Drive rental expenses	11,059	4,109
Property taxes	5,258	8,218
Repairs and maintenance	2,574	4,440
Utilities	9,762	9,946
Willowgrove property expenses	3,049	925
	68,063	64,178
Travel, meetings and conferences		
Chancery office and clergy travel	2,449	15,217
Travel	28,784	26,709
	31,233	41,926
Youth and young adult ministry		
Campus and youth ministry	25,000	13,200
Program expenses and travel	7,751	22,638
Telephone	-	77
Youth camps	6,625	28,200
	39,376	64,115