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Financial statements

Ukrainian Catholic Episcopal Corporation of Saskatchewan

December 31, 2019

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Financial statements

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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, 2019, and the statement of operations and statement of changes in net assets and statement of 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, 2019, 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, 2019 and December 31, 2018, and current assets as at December 31, 2019 and December 31, 2018 and fund balances as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2019, 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, Canada
December 16, 2020



A member firm of Ernst & Young Global Limited

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of financial position

As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	198,985	214,371
Accounts receivable	47,438	36,733
Prepaid expenses and deposits	5,639	12,874
Investments <i>[note 4]</i>	818,222	827,321
Current portion of loans receivable <i>[note 5]</i>	224,000	214,000
Total current assets	1,294,284	1,305,299
Loans receivable <i>[note 5]</i>	-	20,000
Investments <i>[note 4]</i>	419,733	462,721
Capital assets <i>[note 6]</i>	860,456	870,825
Other assets		
Saskatoon Co-op equity	462	462
Cemetery plots	18,979	18,979
	2,593,914	2,678,286
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	79,010	61,867
Mass stipends payable	-	3,010
Deferred contributions		
Aid to Ukraine	3	1,756
Papal visit to Ukraine	12,871	24,213
Bishop Basil Filevich memorial	960	960
Family Life and Human & Environmental Ministry	77,793	77,455
Estate of Mike Yuras <i>[note 7]</i>	289,913	361,570
Other deferred contributions	26,673	29,245
Annual Eparchial Appeal	178,575	165,962
	665,798	726,038
Contingencies <i>[note 8]</i>		
Net assets		
Balance	987,849	870,825
Internally-restricted assets for parish development	79,811	79,812
Unrestricted net assets	860,456	1,001,611
	1,928,116	1,952,248
	2,593,914	2,678,286

See accompanying notes

Approved on behalf of the Eparchy:

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of operations

Year ended December 31, 2019

	2019 \$	2018 \$
Revenue		
Parish cathedraticum	160,296	172,896
Parish assessment for clergy insurance	29,110	31,306
Parish assessment for liability insurance	25,574	25,746
Donations and contributions		
Canadian Conference of Catholic Bishops collection	2,065	2,163
Catholic Missions in Canada	98,000	109,502
Eparchial Appeal	107,357	135,242
Eparchial charities	10,042	8,801
Eparchial Communication Office	30,000	30,000
Eparchial study days receipts	3,275	2,700
Family Life and Human & Environmental Ministry	65,318	5,474
Knights of Columbus	409	636
Other donations and contributions	31,210	28,837
Seminary offerings and donations	32,314	29,240
St. Michael's Camp	-	5,000
St. Volodymyr Park	4,000	3,586
Stewardship funding	5,000	12,921
Youth ministry contributions	21,313	5,080
Transfer from Yuras estate fund	78,031	37,113
Parish collections - [Schedule 1]	62,039	21,030
Investment income	19,432	16,658
Miscellaneous - certificates, dispensation income, scrolls and books	579	1,170
Rental income	24,450	27,550
Expense recoveries	12,582	-
	822,396	712,651
Expenses		
Administration - [Schedule 2]	121,333	126,959
Assessments and dues - [Schedule 2]	56,293	71,203
Donations and contributions - [Schedule 2]	77,118	42,326
Eparchial Communications Office	48,854	53,981
Eparchial, parish and clergy needs - [Schedule 2]	222,489	227,947
Eparchial stewardship expenses	83,031	50,144
Occupancy costs - [Schedule 2]	69,988	68,064
Family Life and Human & Environmental Ministry	75,999	39,526
Travel, meetings and conferences - [Schedule 2]	45,249	31,233
Youth and young adult ministry - [Schedule 2]	46,174	39,376
	846,528	750,759
Deficiency of revenue over expenses for the year	(24,132)	(38,108)

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of changes in net assets

Year ended December 31, 2019

	Unrestricted net assets \$	Internally- restricted for parish development \$	Invested in capital assets \$	Total 2019 \$	Total 2018 \$
Balance, beginning of year	1,001,611	79,811	870,826	1,952,248	1,990,356
Deficiency of revenue over expenses	(24,132)	-	-	(24,132)	(38,108)
Transfer for amortization	32,400	-	(32,400)	-	-
Transfer for capital purchases	(22,030)	-	22,030	-	-
Balance, end of year	987,849	79,811	860,456	1,928,116	1,952,248

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Statement of cash flows

Year ended December 31, 2019

	2019 \$	2018 \$
Operating activities		
Deficiency of revenue over expenses	(24,132)	(38,108)
Add item not involving cash		
Amortization of deferred charges	32,400	34,990
	8,268	(3,118)
Net change in non-cash working capital items:		
Accounts receivable	(10,705)	527
Prepaid expenses and deposits	7,235	(7,147)
Mass stipends payable	(3,010)	(2,050)
Deferred contributions	(74,373)	(10,698)
Accounts payable and accrued liabilities	17,143	(2,082,070)
Cash used in operating activities	(55,442)	(2,104,556)
Investing activities		
Increase (decrease) in loans receivable	10,000	(160,000)
Proceeds on disposal of investments	52,087	2,284,786
Purchase of capital assets	(22,031)	(3,243)
Cash provided by investing activities	40,056	2,121,543
Net increase (decrease) in cash	(15,386)	16,987
Cash, beginning of year	214,371	197,384
Cash, end of year	198,985	214,371

See accompanying notes

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to financial statements

December 31, 2019

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. Change in accounting policy

Effective April 1, 2019, the Organization adopted Section 4433, *Tangible Capital Assets Held by Not-for-Profit Organizations*. Section 4433 replaced Section 4431, *Tangible Capital Assets Held by Not-for-Profit Organizations* and requires the application of Part II of the *CPA Canada Handbook - ASPE 3061, Property, Plant and Equipment* and ASPE 3110, *Asset Retirement Obligations* for tangible capital assets held by NPOs, and provides guidance on contributed assets and write-downs of tangible capital assets. As a result of adopting Section 4433, tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts. This section was adopted prospectively. The Organization determined that the adoption of this section had no impact on their December 31, 2019 financial statements.

3. Significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada 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.

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to financial statements

December 31, 2019

3. Significant accounting policies (continued)

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%
Office equipment	20%
Vehicle	30%

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

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 Organization 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.

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Notes to financial statements

December 31, 2019

3. Significant accounting policies (continued)

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 Episcopal Corporation to conduct its activities. In the current year, this cathedraticum amounted to 19% of the Organization's revenue [2018 - 24%]. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. 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.

5. Loans receivable

	2019 \$	2018 \$
3.00% St. Michael's Ukrainian Catholic Church Camp Inc. loan receivable, interest and principal are payable monthly, matures January 1, 2019	204,000	214,000
Non-interest bearing Ukrainian Catholic Parish of St. George at Saskatoon, Saskatchewan loan receivable, matures March 13, 2020	20,000	20,000
	224,000	234,000
Less current portion	(224,000)	(214,000)
Long term portion	-	20,000

6. Capital assets

	Cost \$	Amortization \$	2019 \$	2018 \$
Bishop's residence	272,850	41,835	231,016	221,064
Chancery	714,643	147,381	567,262	582,844
Office Equipment	112,997	69,977	43,020	45,864
Vehicle	30,577	11,420	19,158	21,053
	1,131,068	270,612	860,456	870,825

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 financial statements

December 31, 2019

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, \$nil was drawn out of this lending facility.

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 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 \$1,237,956 [2018 - \$1,290,042] in term deposits and guaranteed investment certificates, with fixed interest rates ranging from 1.65% to 2.10%.

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, 2019

	2019 \$	2018 \$
Parish collections		
Eparchial Charities	32,385	6,794
Aid for Ukraine contributions	13,743	-
Holy Land support	5,184	5,740
Missions Offerings and Catholic Missions collections	3,890	3,555
Donetz/Kharkiw Eparchy in Ukraine	3,240	1,937
Peter's Pence and Papal charities	2,413	2,458
St. Andrew's Pence	874	397
Patriarchal Cathedral in Kiev	310	149
	62,039	21,030

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses

Year ended December 31, 2019

	2019 \$	2018 \$
Administration		
Amortization	32,400	34,990
Bank charges	919	537
Books and subscriptions	4,904	4,717
Office equipment rental	3,394	2,657
Office supplies and postage	1,958	3,626
Professional fees	14,172	19,986
Salaries and benefits	52,242	48,918
Telephone and cable	11,344	11,528
	121,333	126,959
Assessments and dues		
Annual corporate licence	40	40
Canadian Conference of Catholic Bishops	11,567	9,460
Canadian Council of Charities	1,135	927
Catholic Health Association of Saskatchewan	3,715	3,915
Ecumenical Centre	-	3,500
Holy Spirit Seminary	22,829	36,090
Ukrainian Catholic Bishops Synod	17,007	17,271
	56,293	71,203
Donations and contributions		
Aid for Ukraine	13,743	-
Beatification funds	521	518
Catholic Missions in Canada	3,890	3,555
Donetz/Kharkiw Eparchy	3,240	1,937
Holy Land/Lenten charities	5,184	5,740
Patriarchal Cathedral Kyiv	310	149
Peter's Pence	2,414	2,459
St. Andrew's Pence	874	397
Ukrainian Catholic Religious Education Centre	41,200	25,100
Various Catholic schools, choirs, youth organizations and community support	5,742	2,471
	77,118	42,326

Ukrainian Catholic Episcopal Corporation of Saskatchewan

Schedule of operating expenses (continued)

Year ended December 31, 2019

	2019 \$	2018 \$
Eparchial, parish and clergy needs		
Cantor's Workshops	3,183	755
Clergy insurance fund contribution	29,110	31,306
Clergy support	60,934	66,261
Eparchial Study Days	3,275	1,893
Lay formation	27,756	15,000
Meetings	5,331	3,140
Parish support	33,838	24,891
Seminarian dues and support	51,087	70,081
St. Michael's Youth Camp	-	5,000
St. Volodymyr Park	5,297	7,532
Vision 2020	2,678	2,088
	222,489	227,947
Occupancy costs		
Chapel and religious articles	104	187
Household supplies and fixtures	1,294	1,556
Housekeeping	3,664	4,094
Insurance	30,333	30,524
Pinehouse Drive rental expenses	10,822	11,059
Property taxes	5,409	5,258
Repairs and maintenance	9,126	2,574
Utilities	9,236	9,762
Willowgrove property expenses	-	3,050
	69,988	68,064
Travel, meetings and conferences		
Chancery office and clergy travel	7,470	2,449
Travel	37,779	28,784
	45,249	31,233
Youth and young adult ministry		
Campus and youth ministry	25,000	25,000
Program expenses and travel	5,698	7,751
Telephone	221	-
Youth camps	4,000	6,625
World youth days	11,256	-
	46,174	39,376