

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Non-Consolidated Financial statements

December 31, 2022

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of
Conseil régional Nakonha:ka Regional Council

We have reviewed the accompanying non-consolidated financial statements of **CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL** that comprise the non-consolidated statement of financial position as at **December 31, 2022**, and the non-consolidated statements of operations, 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 Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying non-consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of non-consolidated financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these non-consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-consolidated financial statements do not present fairly, in all material respects, the financial position of **CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL** as at December 31, 2022, 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.

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL
 Non-Consolidated Statement of Operations
 Year Ended December 31, 2022

	General Funds			2022	2021
	Contingency Reserve Fund	Unrestricted	Restricted Fund		
		\$	\$	\$	\$
REVENUES					
Grants from the United Church of Canada	-	669,875	-	669,875	641,375
Grants from the Finance and Extension Board	-	530,000	-	530,000	530,000
Miscellaneous	-	9,963	-	9,963	27,206
Contributions	-	-	5,000	5,000	8,528
Donations	-	-	952	952	372
Interest	-	4,522	-	4,522	
	-	1,214,360	5,952	1,220,312	1,207,481
EXPENSES					
Salaries and benefits	-	536,321	1,250	537,571	468,253
Mission support	-	508,000	-	508,000	506,214
Mission expenses	-	13,380	-	13,380	5,624
Church subsidies	-	-	-	-	49,500
Office and administrative	-	101,866	353	102,219	92,260
Accounting and review	-	11,387	-	11,387	6,220
Committee expenses	-	12,690	-	12,690	6,729
Travel	-	3,599	-	3,599	1,120
Bad debts (recovered)	-	(2,279)	-	(2,279)	-
	-	1,184,964	1,603	1,186,567	1,135,920
EXCESS OF REVENUES OVER EXPENSES					
	-	29,396	4,349	33,745	71,561

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL
 Non-Consolidated Statement of Changes in Net Assets
 Year Ended December 31, 2022

	Contingency Reserve Fund	General Fund	Restricted Fund	2022	2021
	\$	\$	\$	\$	\$
Net assets, beginning of year	484,993	-	34,810	519,803	448,242
Excess of revenues over expenses	-	29,396	4,349	33,745	71,561
Interfund transfer (note 6)	29,396	(29,396)	-	-	-
Net assets, end of year	514,389	-	39,159	553,548	519,803

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CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL
 Non-Consolidated Statement of Financial Position
 As at December 31, 2022

	General Funds	Restricted Fund	2022	2021
	\$	\$	\$	\$
CURRENT ASSETS				
Cash	189,066	39,159	228,225	478,375
Cashable term deposit, variable rate, maturing in July 2023	300,000	-	300,000	-
Accounts receivable (note 3)	16,639	-	16,639	3,187
Prepaid expenses	734	-	734	-
Current portion of loans receivable (note 4)	11,184	-	11,184	22,184
	517,623	39,159	556,782	503,746
LOANS RECEIVABLE (note 4)				
	10,187	-	10,187	21,371
	527,810	39,159	566,969	525,117
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	13,421	-	13,421	5,314
NET ASSETS				
General funds				
Unrestricted	-	-	-	-
Contingency reserve (note 6)	514,389	-	514,389	484,993
Restricted fund (Schedule)	-	39,159	39,159	34,810
	514,389	39,159	553,548	519,803
	527,810	39,159	566,969	525,117

Approved on behalf of the Regional Council

 Treasurer

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Non-Consolidated Statement of Cash Flows

Year Ended December 31, 2022

	General Funds \$	Restricted Fund \$	2022 \$	2021 \$
OPERATING				
Excess of revenues over expenses	29,396	4,349	33,745	71,561
Net changes in non-cash items related to operations:				
Accounts receivable	(13,452)	-	(13,452)	1,881
Prepaid expenses	(734)	-	(734)	1,723
Accounts payable and accrued liabilities	8,107	-	8,107	(1,386)
	23,317	4,349	27,666	73,779
INVESTING				
Net decrease (increase) in loans receivable	22,184	-	22,184	(43,555)
Net increase in cashable term deposits	(300,000)	-	(300,000)	-
	(277,816)	-	(277,816)	-
INCREASE IN CASH	(254,499)	4,349	(250,150)	30,224
CASH, BEGINNING OF YEAR	443,565	34,810	478,375	448,151
CASH, END OF YEAR	189,066	39,159	228,225	478,375

1. Purpose

The Conseil régional Nakonha:ka Regional Council (“the Regional Council”) is a branch of the United Church of Canada, constituted under the *United Church of Canada Act* (1925). The Regional Council incorporates communities of faith and outreach ministries from the former Consistoire Laurentien and Consistoire du Québec Presbytery. The Regional Council oversees its constituent churches, missions, and outreach ministries, adopting measures to promote their religious life. Service is directed towards its members and the ecumenical and secular society within its geographic bounds, particularly the poor.

In order to maintain its registered charity status, the Regional Council must meet certain spending requirements (“disbursement quota”) according to the *Income Tax Act*. The disbursement quota is a minimum amount that the registered charity must spend on charitable programs or as gifts to qualified donees in order to maintain its registered charity status. As at December 31, 2022, the Regional Council complied with the requirement.

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2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations using the restricted fund method of accounting for contributions.

Accounting for a controlled not-for-profit organization

The Regional Council elected not to consolidate the accounts of a controlled not-for-profit organization. Summary financial information is provided in Note 8.

Fund accounting

The General Fund is unrestricted and accounts for all current operations and programs of the Regional Council.

The Contingency Reserve Fund was created by the Regional Council.

The Restricted Fund accounts for and reports all activities of the following externally imposed restrictions:

The Heritage Archives Fund

The Heritage Archives Fund was established as a result of the United Church of Canada Policy whereby Pastoral Charges contribute 2% from the sale proceeds of closing or amalgamating congregations up to a maximum contribution of \$5,000. The funds are to be used to assist with the care and maintenance of the archival records of the closing or amalgamating pastoral charge, and to assist Archivists in meeting the demand in processing, arranging, and describing the records so that they are accessible for future generations for continuing use.

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 might affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for the period reported. Actual results could differ from those estimates.

2. Accounting policies (continued)

Revenue recognition

Grants, contributions, and donations are recognized when received or when reception has been confirmed.

Financial Instruments

The Regional Council measures its financial assets and financial liabilities at fair value upon initial recognition, including the following financial instruments acquired or assumed in a related party transaction: equity instruments quoted in an active market, debt instruments quoted in an active market or for which inputs to the determination of fair value are observable, and derivatives. However, financial instruments, other than the above-mentioned instruments, resulting from related party transactions not in the normal course of operations, are usually measured at cost, the cost depending on whether the instrument has repayment terms. Financial instruments resulting from related party transactions in the normal course of operations, or in certain circumstances not in the normal course of operations, are measured at the exchange amount of the consideration transferred or received.

The Regional Council subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market and derivative contracts, which are measured at fair value. Changes in fair value of these instruments are recorded in income.

Financial assets measured at amortized cost using the straight-line method consist of cash, accounts receivable, prepaid expenses and loans receivable.

Financial liabilities measured at amortized cost using the straight-line method consist of accounts payable and accrued liabilities.

Depreciation

At the end of each reporting period, the Regional Council assesses whether there are any indications that financial assets measured at cost or amortized cost are impaired. When there are indications that there may be an impairment, the carrying amount of the financial asset is reduced to the highest of the three following amounts:

- the present value of the cash flows expected to be generated by holding the asset using a current market rate;
- the amount that could be realized by selling the asset;
- the amount that could be realized from collateral.

The amount of the impairment loss is recognized in income. When the extent of an impairment previously recognized decreases, the write-down is reversed and also recognized in income.

2. Accounting policies (continued)

Transaction costs

Transaction costs related to financial instruments that are subsequently measured at fair value are recorded in income in the period during which they are incurred. Transaction costs related to financial instruments subsequently measured at cost or amortized cost are added to financial assets or deducted from financial liabilities.

3. Accounts receivable

	2022	2021
	\$	\$
Sales taxes	2,284	1,272
Accrued interest	4,522	-
Other	9,833	1,915
	16,639	3,187

4. Loans Receivable

	2022	2021
	\$	\$
Non-interest bearing, repayable in monthly installments of \$1,000, maturing in January 2023	1,000	13,000
Non-interest bearing, repayable in bi-annual installments of \$5,092, maturing in December 2024	20,371	30,555
	21,371	43,555
Current portion	11,184	22,184
	10,187	21,371

5. Related party transactions

The Regional Council is a branch of the United Church of Canada from which it received grants during the years ended December 31, 2022 and 2021.

Grants from the Finance and Extension Board were received, during the years ended December 31, 2022 and 2021, from a controlled registered charity as described in Note 8.

The transactions were carried out 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.

6. Contingency reserve fund

The Contingency Reserve Fund was created in 2020 by the Regional Council. All of 2019, 2020, 2021 and 2022 excesses of revenues over expenses that would otherwise be considered operation surpluses are to be transferred to the Contingency Reserve fund for expenditures that are very likely to become necessary in future years inter alia to compensate for needs of the Regional Council and its constituent communities of faith. The Regional Council or its Executive may decide at any time to authorize expenditures to be charged to the Contingency Reserve Fund.

7. Commitments

The Regional Council has an operating lease agreement for its premises which was renewed subsequent to the year end and expires June 30, 2025. The future minimum lease payments over the next three years are as follows: 2023 - \$29,773; 2024 - \$31,523 and 2025 - \$16,221.

8. Controlled not-for-profit organization

The Regional Council controls the Finance and Extension Board of the Conseil régional Nakonha:ka Regional Council (the "Board"). The Board, a registered charity, manages the funds entrusted to it, acquires and helps maintain buildings within the Regional Council and provides sabbatical and bursary funds. The Board is also empowered to promote and carry on mission work with a concern for the spiritual and temporal welfare of the church, which is accomplished through its programs and annual grants transferred to the Regional Council.

According to the Board's constitution, the Regional Council elects the members of the Board, approves the Board's budget, and any changes to the By-Laws of the Constitution of the Board. The financial information of the Board has not been consolidated in the Regional Council's financial statements. Financial statements of the Board are available upon request. Financial summaries of the Board as at December 31, 2022 and 2021 and for the years then ended are as follows:

	2022	2021
	\$	\$
<i>Financial Position</i>		
Unrestricted Funds	14,997,730	15,999,437
Restricted Funds	6,025,505	6,408,245
Total assets	21,023,235	22,407,682
Liabilities - Unrestricted Funds	65,903	30,295
Net assets - Unrestricted Funds	14,931,827	15,969,142
Net assets - Restricted Funds	6,025,505	6,408,245
	20,957,332	22,377,387
	21,023,235	22,407,682

Restricted Funds:

F.W. Kelley Fund, Erskine & American - Mountainside Trust Fund, St. John's Hall Bursary Fund, St. John's Hall Endowment Fund, Ste Thérèse Fund, Bhal-Yun Fund, Grand-Mère Fund, Institut Français Évangélique Fund, Trois-Rivières French Ministry Fund, Québec Sherbrooke Area Support Fund and Granting and Enabling Strategic Fund.

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Notes to the Non-Consolidated Financial Statements

December 31, 2022

8. Controlled not-for-profit organization (continued)

	General Fund	Restricted Funds	Total 2022	Total 2021
	\$	\$	\$	\$
Results of operations				
Total revenue	(368,103)	(68,407)	(436,510)	3,276,111
Total expenses (a)	669,212	314,333	983,545	912,062
Excess of revenue over expense	(1,037,315)	(382,740)	(1,420,055)	2,364,049

(a) Total expenses include a grant to the Regional Council of \$530,000 (2021 - \$530,000)

	General Fund	Restricted Funds	Total 2022	Total 2021
	\$	\$	\$	\$
Cash flows				
From operations	166,559	109,112	275,671	135,210
From investing activities	(187,214)	(109,112)	(296,326)	(137,596)
Net decrease in cash	(20,655)	-	(20,655)	(2,386)

9. Financial instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Regional Council's main credit risks relate to its loans receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or the cash flows from a financial instrument fluctuates because of a change in market rates.

The Regional Council is exposed to interest rate risk regarding its non-interest-bearing loans receivable since the fair value of these financial instruments fluctuates inversely to changes in market interest rates.

Liquidity risk

Liquidity risk is the risk that the Regional Council will encounter difficulty in meeting its obligations associated with financial liabilities. The exposure of the Regional Council to liquidity risk relates mainly to accounts payable and accrued liabilities.

10. Other information

Good Samaritan Fund

The Good Samaritan Fund was established as a donor-directed fund with the United Church of Canada Foundation following the closure and sale of the Griffith-McConnell Residence (an outreach mission of the Regional Council). The terms of the Agreement with the Foundation provide that the Regional Council may alone designate grants from the income of the fund to ministry programs involving seniors in the Province of Québec.

The maximum annual amount of the grant is a variable percentage of the fund balance. If the Regional Council fails to designate grants, then the Foundation has the right to make grants to similar causes that year anywhere in Canada to comply with their disbursement quota under tax regulations. The fund balance as at December 31, 2022 was \$7,218,723 (2021 - \$8,046,207).

The total 2021 annual grant amount designated by the Regional Council from the Good Samaritan Fund was \$392,850 (2021 - \$244,044).

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Schedule

Year Ended December 31, 2022

Restricted Fund - Heritage Archives Fund	2022	2021
	\$	\$
Revenues		
Contributions		
Wesley United Church (Bedford)	-	3,128
Centenary United Church	-	5,000
St-Andrew's United Church (Sept-Îles)	-	400
SouthWest United Church	5,000	-
	5,000	8,528
Donations	952	372
	5,952	8,900
Expenses	1,603	1,000
Excess of revenues over expenses	4,349	7,900
Net assets, beginning of year	34,810	26,910
Net assets, end of year	39,159	34,810