

Appendix B

Financial statements of

**CONSEIL RÉGIONAL
NAKONHA:KA REGIONAL
COUNCIL**

December 31, 2019

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December 31, 2019

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CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILStatement of financial position
as at December 31, 2019

(unaudited)

	General Fund	Restricted Funds	2019	2018
	\$	\$	\$	\$
Assets				
Cash	216,316	19,353	235,669	64,075
Fund held in trust (Note 3)	-	-	-	2,767
Accounts receivable from pastoral charges (Note 4)	10,957	-	10,957	37,891
Accounts receivable other	18,068	5,000	23,068	-
Government rebates receivable	752	-	752	5,247
	246,093	24,353	270,446	109,980
Liabilities				
Current				
Account payable and accrued liabilities	5,632	-	5,632	11,321
Fund held in trust (Note 3)	-	-	-	2,767
Due to Finance & Extension Board (Note 7)	-	-	-	95,892
	5,632	-	5,632	109,980
Net assets				
Unrestricted Fund	240,461	-	240,461	-
Restricted Funds (Schedule 1)	-	24,353	24,353	-
	240,461	24,353	264,814	-
	246,093	24,353	270,446	109,980

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILStatement of changes in net assets
year ended December 31, 2019

(unaudited)

	General Fund	Restricted Funds	2019	2018
	\$	\$	\$	\$
Net assets, beginning of year	-	-	-	38,847
Excess (deficiency) of revenue over expenses	240,461	14,353	254,814	(38,847)
Contribution during year	-	10,000	10,000	-
Net assets, end year	240,461	24,353	264,814	-

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILStatement of operations and changes in net-assets
year ended December 31, 2019

(unaudited)

	General Fund	Restricted Funds	2019	2018
	\$	\$	\$	\$
Revenue				
Grants from the United Church of Canada	681,000	-	681,000	-
Grants from the Finance & Extension Board	530,000	-	530,000	481,900
Montréal and Ottawa Conference	69,745	14,223	83,968	-
Pastoral charges	-	-	-	194,578
Forgiveness of debt to Finance & Extension Board	-	-	-	8,370
Miscellaneous	25,385	-	25,385	3,003
Donations	-	130	130	40
	1,306,130	14,353	1,320,483	687,891
Expenses				
Salaries and benefits	404,920	-	404,920	153,875
Mission support – Schedule 2	550,000	-	550,000	274,748
Mission expenses	34,737	-	34,737	-
Montréal and Ottawa Conference	-	-	-	138,064
Office and administrative	44,653	-	44,653	64,019
Accounting and review	8,466	-	8,466	13,205
Committee expenses	15,867	-	15,867	12,943
Travel	4,785	-	4,785	8,926
Transformation	-	-	-	15,260
Contingency fund	-	-	-	42,173
Bad debts	2,241	-	2,241	3,525
	1,065,669	-	1,065,669	726,738
Excess (deficiency) of revenue over expenses	240,461	14,353	254,814	(38,847)

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILStatement of cash flows
year ended December 31, 2019
(unaudited)

	General Fund	Restricted Funds	2019	2018
	\$	\$	\$	\$
Operating activities				
Excess (deficiency) of revenue over expenses	240,461	14,353	254,814	(38,847)
Changes in non-cash operating working capital items:				
Funds held in trust	2,767	-	2,767	-
Accounts receivable from pastoral charges	26,934	-	26,934	3,525
Accounts receivable other	(18,068)	(5,000)	(23,068)	3,163
Government rebates receivable	4,495	-	4,495	510
Prepaid expenses	-	-	-	3,439
Accounts payable and accrued liabilities	(5,689)	-	(5,689)	1,345
Funds held in trust	(2,767)	-	(2,767)	-
Due to Finance & Extension Board	(95,892)	-	(95,892)	57,054
	152,241	9,353	161,594	30,189
Investing activities				
Contributions to funds	-	10,000	10,000	-
Net increase in cash	152,241	19,353	171,594	30,189
Cash position, beginning of year	64,075	-	64,075	33,886
Cash position, end of year	216,316	19,353	235,669	64,075

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Notes to the financial statements

December 31, 2019

(unaudited)

1. Purpose

The Conseil Régional Nakonha:ka Regional Council (Regional Council) is a branch of the United Church of Canada, constituted under the *United Church of Canada Act* (1926). 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.

Effective January 1, 2019 the presbyteries and conference courts of the United Church of Canada across Canada were replaced with 16 independent regional councils. As such the Québec Presbytery of the United Church of Canada ceased operating as at December 31, 2018 having realized all of its assets, satisfied its liabilities and remitted all of the remaining funds to the Conseil Régional Nakonha:ka Regional Council which succeeded to all of Québec Presbytery's assets and liabilities and continued with the charitable status of the Québec Presbytery.

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, 2019, the Regional Council complied with the requirement.

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.

Fund accounting

The general Unrestricted Fund accounts for all current operations and programs of the Regional Council.

The Restricted Funds account for and report all activities of the following externally imposed restrictions:

The Archives Fund

The 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 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.

The Heritage Fund

The Heritage Trust Fund was formed to provide financial support for the Montréal and Ottawa Conference archives and to be an on-going fund source to ensure the support and preservation of the heritage of the United Church and its antecedent denominations in the Conference area.

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Notes to the financial statements
December 31, 2019
(unaudited)

2. Accounting policies (continued)*Financial instruments*

The Regional Council initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Regional Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments, bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

There are no financial assets measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Regional Council recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

Revenue recognition

Grants and donations are recognized when received or receivable has been confirmed. Revenue from pastoral charges is recognized on the accrual basis and when collection is reasonably assured.

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 7.

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILNotes to the financial statements
December 31, 2019
(unaudited)**2. Accounting policies (continued)***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 amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect revenues and expenses during the period. Actual results could differ from these estimates.

3. Funds held in trust

Funds held in trust for the Québec-Sherbrooke Presbytery United Church Women were disbursed during the year.

4. Accounts receivable from pastoral charges

	2019	2018
	\$	\$
Accounts receivable pastoral charges	13,198	37,891
Provision for doubtful accounts	2,241	-
	10,957	37,891

5. Related party transactions and balance

The grant from and the due to the Finance and Extension Board in the financial statements was received from and is payable to a controlled registered charity as described in Note 7.

The transactions 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.

The due to the Finance and Extension Board is non-interest bearing with no fixed repayment terms.

6. Commitments

The Regional Council has an operating lease agreement for its premises which expires June 30, 2022. The future minimum lease payments over the next three years are as follows: 2020 - \$25,236; 2021 - \$26,700; and 2022 - \$13,716.

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILNotes to the financial statements
December 31, 2019
(unaudited)**7. Controlled not-for-profit organization**

The Regional Council controls the Finance and Extension Board of the Montréal Presbytery (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 on request. Financial summaries of the Board as at December 31, 2019 and 2018 and for the periods then ended are as follows:

	2019	2018
	\$	\$
<i>Financial Position</i>		
Total unrestricted assets	13,954,571	13,511,353
Funds and assets held in trust (a)	-	91,831
Total restricted funds (b)	5,428,924	4,708,097
Total assets	19,383,495	18,311,281
Total liabilities	37,909	19,136
Funds and assets held in trust (a)	-	91,831
Total restricted funds (b)	5,428,924	4,708,097
Total net assets unrestricted	13,916,662	13,492,217
	19,383,495	18,311,281

- a) The Board holds funds and assets in trust on behalf of churches and other religious organizations. These assets and investments and their off-setting liability are recorded at fair value.
- b) 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, and Québec Sherbrooke Area Support Fund.

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILNotes to the financial statements
December 31, 2019
(unaudited)**7. Controlled not-for-profit organization (continued)**

	General Fund	Restricted Funds	2019	2018
	\$	\$	\$	\$
<i>Results of operations</i>				
Total revenue (loss)	1,126,279	506,323	1,632,602	(443,991)
Total expense (c)	701,834	288,143	989,977	892,086
Excess (deficiency) of revenue over expense	424,445	218,180	642,625	(1,336,077)

c) Total expenses include a grant to the Regional Council of \$530,000 (2018 - \$481,900) and forgiveness of debt of \$8,370 in 2018.

	General Fund	Restricted Funds	2019	2018
	\$	\$	\$	\$
<i>Cash flows</i>				
Cash from operations	492,110	101,965	594,075	271,876
Cash for financing and investing activities	(525,503)	(101,965)	(627,468)	(340,008)
Net (decrease) in cash	(33,393)	-	(33,393)	(68,132)

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Notes to the financial statements
December 31, 2019
(unaudited)

8. Financial instruments

Risks and concentrations

The Regional Council is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Regional Council's risk exposure at the balance sheet date, December 31, 2019.

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 accounts receivable from pastoral charges. The Regional Council provides credit in the normal course of its operations.

Concentration risk

Concentration risk is the risk that a customer has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the entity in the event of a default by one of these customers. At December 31, 2019, the receivable from one pastoral charge comprised approximately 54% of the total outstanding receivables from pastoral charges. The Regional Council reduces this risk by regularly assessing the credit risk associated with all accounts and closely monitoring any overdue balances. In the opinion of management, the concentration risk exposure to the company that is associated with their customers is low.

9. 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 at the end of 2019 was \$ _____ (2018 - \$6,315,528)

The total 2019 annual grant amount designated by the Regional Council from the Good Samaritan Fund was \$229,961 (2018 - \$222,032).

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCIL

Statement of operations of externally restricted funds and changes in net assets

December 31, 2019

(unaudited)

SCHEDULE 1

	Heritage Fund	Archive Funds	2019	2018
	\$	\$	\$	\$
Receipts				
Montréal and Ottawa Conference	1,385	12,838	14,223	-
Donations	130	-	130	-
	1,515	12,838	14,353	-
Expenditures				
	-	-	-	-
Excess of receipts over expenditures	1,515	12,838	14,353	-
Contributions				
Legacy from the Estate Lillian Madelyn Rider	5,000	-	5,000	-
Trinity United Church – portion of sale proceeds	-	5,000	5,000	-
	5,000	5,000	10,000	-
Net assets, beginning of year	-	-	-	-
Net assets, end of year	6,515	17,838	24,353	-

CONSEIL RÉGIONAL NAKONHA:KA REGIONAL COUNCILCombined Programs and Mission Support
December 31, 2019
(unaudited)**SCHEDULE 2**

	2019	2018
	\$	\$
Mission support		
Pastoral charges and Congregations		
Kanesatake United Church	15,000	14,248
Rennie's United Church	18,000	-
Harrington Harbour	1,875	5,000
	<u>34,875</u>	<u>19,248</u>
Institutional Ministry		
Saint Columba House	155,625	120,800
Montréal City Mission	124,625	83,000
United Theological College	4,000	4,500
	<u>284,250</u>	<u>208,300</u>
Congregational Ministry		
Southwest Mission	17,500	10,000
Mount Royal (COCLA)	29,625	11,000
Union UC Montréal	15,000	3,750
	<u>62,125</u>	<u>24,750</u>
Ecumenical Community Support		
Comité d'aide aux réfugiés	24,000	12,000
McGill Ecumenical Chaplaincy	12,500	5,000
Concordia Chaplaincy	4,000	2,000
Bishop's University Chaplaincy	3,000	2,700
Auberge Madeleine	1,000	750
West Island LGBTQ2+ Centre	21,625	-
Camino de Emaus	64,625	-
Église Unie Saint-Pierre et Pinguet	26,000	-
Ste. Geneviève UC ORA Loss and Living	12,000	-
	<u>168,750</u>	<u>22,450</u>
	<u>550,000</u>	<u>274,748</u>