

Year ended March 31, 2017

**WESLEY URBAN MINISTRIES INC.**

Financial Statements of



KPMG LLP  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wesley Urban Ministries Inc.

We have audited the accompanying financial statements of Wesley Urban Ministries Inc., which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 an 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 our 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, we 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 charitable organizations, Wesley Urban Ministries Inc. derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Wesley Urban Ministries Inc. and we were not able to determine whether, as at or for the year ended March 31, 2017, any adjustments might be necessary to revenues, and excess of revenues over expenses reported in the statement of operations, and current assets and board restricted net assets reported in the statement of financial position.

*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 Wesley Urban Ministries Inc. as at March 31, 2017, 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 28, 2017

**WESLEY URBAN MINISTRIES INC.**  
Statement of Financial Position

March 31, 2017, with comparative information for 2016

2017	2016
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**Assets**

Current assets:		
Cash and cash equivalents	\$ 978,246	
Restricted cash and short-term investments (note 2)	611,565	
Accounts receivable	1,575,464	
Prepaid expenses	99,892	
	3,092,056	
Restricted long-term investments (note 2)	2,262,950	
Endowment investments (note 9)	28,450	
Capital assets (note 3)	651,647	
	624,381	
	<b>\$ 5,337,964</b>	<b>\$ 5,271,531</b>

**Liabilities and Net Assets**

Current liabilities:		
Operating loan (note 4)	\$ 615,000	
Accounts payable and accrued liabilities (note 5)	868,807	
Deferred revenue (note 6)	661,089	
	2,144,896	
Deferred capital contributions (note 7)	393,890	
	314,130	
Net assets:		
Board restricted (note 8):		
Net assets	2,770,728	
Endowments (note 9)	28,450	
	2,799,178	
Commitments (note 15)	2,682,320	
	<b>\$ 5,337,964</b>	<b>\$ 5,271,531</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# WESLEY URBAN MINISTRIES INC.

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
<b>Revenues:</b>		
Church grants:		
The United Church of Canada	91,500	\$ 117,674
Community donations and grants (note 12)	2,419,217	1,292,461
Grants:		
Government of Ontario	3,482,709	2,918,434
Government of Canada	3,621,532	4,007,557
City of Hamilton	3,026,593	2,717,010
Participant fees	455,526	276,081
Interest and investment income	3,832	1,836
Rental	-	3,150
Amortization of deferred capital contributions (note 7)	59,618	96,387
<b>Expenses:</b>		
Salaries and benefits	8,857,160	6,900,781
Program expenses	2,531,673	3,218,135
Property leases	393,145	379,739
Purchase of services	312,574	299,639
Amortization of capital assets	122,569	156,273
Fundraising	119,797	113,983
Maintenance and supplies	100,405	123,648
Communications	107,151	75,178
Building, property and janitorial	83,912	51,890
Insurance	51,251	41,478
Staff development	23,960	16,947
Travel	54,405	33,732
Utilities	1,784	3,242
Professional fees	118,788	33,483
Office and general	27,466	12,041
Interest and other charges	29,340	30,827
Excess of expenses over revenues from operations before the following	12,935,380	11,491,016
Gain on sale of capital assets (note 3)	-	260,000
Syrian refugee program (note 6)	(201,438)	(32,553)
Donations from various estates (note 8)	12,122	110,132
Interest and investment income related to board restricted assets	105,049	62,925
Board restricted Syrian refugee program expenses (note 8)	(20,000)	(12,384)
Scholarships granted (note 8)	(4,022)	(6,000)
<b>Excess of revenues over expenses</b>	<b>\$ 116,858</b>	<b>\$ 321,694</b>

See accompanying notes to financial statements.

**WESLEY URBAN MINISTRIES INC.**  
Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	2017	2016	Board restricted	Unrestricted	Endowments	Total	Total
			(note 8)	(note 9)			
Net assets, beginning of year	\$ 2,653,870	\$ 2,360,626	-	-	\$ 28,450	\$ 2,682,320	\$ 2,360,626
Excess of revenues over expenses	116,858	321,694	-	-	-	116,858	321,694
Transfers to Board restricted	(246,858)	-	246,858	-	-	-	-
Transfers from Board restricted	130,000	-	(130,000)	-	-	-	-
Net assets, end of year	\$ -	\$ 2,682,320	\$ 2,770,728	\$ 28,450	\$ 2,799,178	\$ 2,682,320	\$ 2,682,320

See accompanying notes to financial statements.

# WESLEY URBAN MINISTRIES INC.

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 116,858	\$ 321,694
Items not involving cash:		
Amortization of deferred capital contributions	(59,618)	(96,387)
Amortization of capital assets	122,569	156,273
Loss on disposal of capital assets	-	(260,000)
Change in non-cash operating working capital:		
Increase in accounts receivable	(840,696)	(87,982)
Increase in prepaid expenses	(42,062)	(2,081)
(Decrease) increase in accounts payable and accrued liabilities	(887,876)	1,094,890
Increase in deferred revenue	142,691	333,897
Financing:		
Operating loan	615,000	(235,000)
Deferred capital contributions	139,378	34,776
Investing:		
Proceeds from maturity and sale of investments	284,177	230,000
Additions to restricted cash and investments	(310,836)	(964,573)
Additions to capital assets	(149,835)	(138,575)
Proceeds from sale of capital assets	-	600,000
(Decrease) increase in cash and cash equivalents	(870,250)	986,932
Cash (bank indebtedness) and cash equivalents, beginning of year	978,246	(8,686)
Cash and cash equivalents, end of year	\$ 107,996	\$ 978,246

See accompanying notes to financial statements.

Wesley Urban Ministries Inc. (the "Organization"), an outreach ministry of the United Church of Canada, is a multi-service agency, which offers services to children and youth, and marginalized individuals in the Hamilton urban core and surrounding area. The Organization was incorporated without share capital under the laws of Ontario in 1979. The Organization is a registered charity within the meaning of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

**1. Significant accounting policies:**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. Significant accounting policies adopted by the organization are as follows:

**(a) Basis of presentation:**

The financial statements have been prepared on the accrual basis of accounting. Revenues and expenses related to program delivery and administrative activities are reported in the statement of operations.

Investment income earned on endowments is reported in the statement of operations and is used in accordance with the purposes established by the donors.

Board restricted net assets reports amounts that have been internally restricted by the Board of Directors. These may include bequests, donations, interest earned on restricted funds and any excess of revenues over expenses from operations formally restricted by the Board. The use of these funds requires approval from the Board of Directors.

**(b) Revenue recognition:**

The Organization follows the deferral method of accounting for contributions, which include donations and government grants.

Revenue from unrestricted donations, fundraising, and memberships is recognized as revenue as it is received.

Revenue derived from grants and externally restricted donations is recognized when the related expenditures have been made. Funds received for which the related expenditures have not been made are recorded as deferred revenue.



**WESLEY URBAN MINISTRIES INC.**

Notes to Financial Statements (continued)

Year ended March 31, 2017

**1. Significant accounting policies (continued):**

(b) Revenue recognition (continued):

Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset. Externally restricted capital asset contributions that have not been expended are included in deferred capital contributions on the statement of financial position.

Investment income is recognized as revenue when earned.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(d) 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. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Rate

Building	10 years
Furniture and equipment	5 years
Computer equipment	3 years

Leasehold improvements are amortized on a straight-line basis as follows:

195 Ferguson Avenue North	5 years
155 Queen Street North	5 years
1900 Main Street West	5 years
52 Catharine Street	10 years

When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

# WESLEY URBAN INDUSTRIES INC.

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 1. Significant accounting policies (continued):

### (e) Contributed services:

Volunteers contribute an indeterminate number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Free-standing derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

### (g) Income taxes:

The Organization is a charitable organization registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as an organization registered under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**WESLEY URBAN INDUSTRIES INC.**  
Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):
- (h) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Restricted cash and investments:

Restricted cash and investments include term deposits, guaranteed investment certificates, corporate and government bonds and other fixed term securities, common shares, preferred shares and foreign securities. Restricted cash and investments with remaining maturities of less than one year are classified as restricted cash and short-term investments. These investments earn interest at an average rate of 0.76% and are recorded at fair value as at March 31, 2017 of \$603,748 (2016 - \$1,315,573), with a cost of \$597,385 (2016 - \$1,283,723). Restricted cash and investments also includes accrued interest in the amount of \$7,817 (2016 - \$5,639). Investments with maturities greater than one year are classified as restricted long-term investments.

Long-term investments consist of the following:

	2017		2016	
	Cost	Market	Cost	Market
Fixed income	\$ 1,484,259	\$ 1,504,067	\$ 1,011,661	\$ 1,027,363
Common shares	440,324	482,038	369,773	378,086
Preferred shares	188,828	193,703	-	-
Foreign securities	79,920	83,142	120,960	121,195
	\$ 2,193,331	\$ 2,262,950	\$ 1,502,394	\$ 1,526,644

Long-term fixed income investments have maturity dates that range from August 2018 to June 2025 and bear interest between 1.25% and 4.54%.

# WESLEY URBAN MINISTRIES INC.

Notes to Financial Statements (continued)

Year ended March 31, 2017

### 3. Capital assets:

Capital assets consist of the following:

	2017	2016
Furniture and equipment	\$ 622,175	\$ 448,710
Computer equipment	243,779	216,436
Leasehold improvements - Main	16,500	16,500
Leasehold improvements - Ferguson	263,299	263,299
Leasehold improvements - Queen	309,423	309,423
Leasehold improvements - Catharine	656,240	205,401
	450,839	450,839
	651,647	624,381
	\$ 2,111,416	\$ 1,459,769
		\$ 624,381

In March 2015, the Organization entered into an agreement to sell the land and building at 93 Delena Avenue North for proceeds of \$600,000. The agreement closed on June 29, 2015.

### 4. Operating loan:

The Organization has an operating line of credit of \$900,000 with the Royal Bank of Canada. As collateral, the Organization has provided a general security agreement covering all assets. Interest is charged at the bank's prime rate plus 1.15%. At March 31, 2017 the outstanding loan amount was \$615,000 (2016 - \$nil).

### 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$81,156 (2016 - \$111,124), which included amounts payable for payroll related taxes.

### 6. Syrian refugee programs:

During the year, \$107,991 (2016 - \$238,080) was donated by individuals in the community and private sponsorship groups to support the Syrian refugee programs. The Organization utilized \$201,438 (2016 - \$32,553) for expenses incurred during the year related to the programs. Included in deferred revenue are unspent community donations of \$115,193 (2016 - \$206,210), including accrued interest of \$2,430 (2016 - \$683), to support the Syrian refugee programs.

# WESLEY URBAN MINISTRIES INC.

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 7. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2017	2016
Balance, beginning of year	\$ 314,130	\$ 375,741
Less: amortization of deferred capital contributions	(59,618)	(96,387)
Add: contributions received during the year restricted for capital asset purchases	139,378	34,776
Balance, end of year	\$ 393,890	\$ 314,130

## 8. Board restricted net assets:

The Board passed motions to restrict a portion of interest earned on board restricted net assets and the excess of revenues over expenses from operations. In 2017, donations from various estates of \$12,122 (2016 - \$110,132) were restricted in accordance with Board policy of restricting individual estate donations in excess of \$10,000. Additionally, the Board granted scholarships of \$4,022 (2016 - \$6,000) from interest and investment income related to board restricted net assets.

In September 2015, the Board approved expenditures from Board restricted net assets up to \$60,000 to support the Syrian refugee programs. Of this amount, \$20,000 (2016 - \$12,384) was spent during the year.

During the year ended March 31, 2017, the Board approved an additional \$110,000 of expenditures for specific purposes from Board restricted net assets, all of which was spent during the year.

# WESLEY URBAN MINISTRIES INC.

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 9. Endowments:

Endowment net assets consist of an initial donation in 1994 of \$20,000 from the Herbert and Marion Laidlaw Trust, a donation of \$6,000 received from an estate in 2004, and additional donations of \$500, \$1,100, and \$850 received in 2006, 2008 and 2011, respectively. The investment income generated from these endowments must be used in accordance with the various purposes established by the donors. Management ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were intended.

Investments supporting endowments funds of \$28,450 (2016 - \$28,450) are shown as endowment investments in the statement of financial position.

## 10. Net assets invested in capital assets:

Net assets invested in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 651,647	\$ 624,381
Less amounts financed by deferred contributions	(393,890)	(314,130)
	\$ 257,757	\$ 310,251

## 11. Donations from ArcelorMittal Dofasco Inc.:

Included in community donations and grants is an amount from the Dofasco Employee Donations Fund of \$40,643 (2016 - \$45,000) and an amount of \$nil (2016 - \$10,000) from ArcelorMittal Dofasco Inc.

# WESLEY URBAN MINISTRIES INC.

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 12. Community donations and grants:

	2017	2016
Individuals	\$ 432,352	\$ 264,519
Local churches	41,107	55,953
Hamilton Community Foundation	55,817	14,417
United Way	156,146	148,327
Groups and organizations	1,534,913	594,327
Special events	169,153	194,739
Corporate donations	29,729	20,179
	\$ 2,419,217	\$ 1,292,461

## 13. Donated goods:

The Organization receives donations in the form of goods for use in its programs. Based on management's estimate, the approximate value of goods received during the year was \$403,820 (2016 - \$324,160). No amount has been recorded in the financial statements for these donated goods.

## 14. Endowments with The United Church of Canada:

In fiscal 2015, the Organization established an endowment fund with The United Church of Canada Foundation in the amount of \$50,000 that was contributed from Board restricted net assets. The income earned on the endowment held by The United Church of Canada Foundation will be distributed to the Organization and used for ongoing operations in the year received. The endowment fund is not reflected in these financial statements.

The endowment fund balance is comprised of the following:

	2017	2016
Capital contributions – permanently retained	\$ 50,000	\$ 50,000
Funds available for distribution	1,840	1,583
	51,840	51,583

**WESLEY URBAN MINISTRIES INC.**

Notes to Financial Statements (continued)

Year ended March 31, 2017

**15. Commitments:**

The annual lease commitment for the 195 Ferguson Avenue North, 52 Catharine Street North, 80 Queen Street North, 270 Sherman Avenue North, and 350 Quigley Road premises are as follows:

2018	\$ 286,928
2019	178,626
2020	121,391
2021	20,182
	<hr/>
	\$ 607,127

All other premises leased by the Organization are on a month to month basis at March 31, 2017 and accordingly have not been reflected as a commitment.

**16. Financial instruments:**

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements and maintaining available credit facilities. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Organization to cash flow interest rate risk. The Organization is exposed to this risk through its interest bearing investments and operating loan. The Organization measures investments in bonds at amortized cost. Interest rate risk is managed by the Organization through construction of a portfolio of fixed yield investments with varying maturity and interest rates. Additionally, the Organization's policy is to hold the fixed yield investments until maturity in order to realize the coupon value of the instrument. Further details about interest bearing investments are included in note 2 and variable rate operating loan are included in note 4. There has been no change to the risk exposure from 2016.



# WESLEY URBAN MINISTRIES INC.

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 16. Financial instruments (continued):

(c) Credit risk:

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Organization's most significant exposure to credit risk is its investment in fixed yield investments and accounts receivable. The carrying amounts of these investments as presented in the statement of financial position represent the maximum credit risk exposure at the March 31, 2017. The Organization mitigates credit risk by requiring fixed yield investments to be rated a minimum of A- at the time of purchase and during the period that the investment is held. The Organization also requires that funds invested outside of their investment portfolio must be used to purchase money market investments rated AA or higher, or to purchase funds in savings accounts up to \$100,000 per credit union with a minimum rating of R-1.