

**Wesley Urban Ministries Inc.**  
**Financial Statements**  
**For the year ended March 31, 2018**

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**Financial Statements**  
For the year ended March 31, 2018

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## Independent Auditor's Report

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### To the Board of Directors of Wesley Urban Ministries Inc.

We have audited the accompanying financial statements of Wesley Urban Ministries Inc. (the "Organization") which comprise the statement of financial position as at March 31, 2018, the 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 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 whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 this revenue was limited to the amounts recorded in the records of Wesley Urban Ministries Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses and cash flows from operations for the year ended March 31, 2018, current assets and net assets as at April 1, 2017 and March 31, 2018. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2017 was modified because of the possible effects of a similar limitation in scope.

#### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Wesley Urban Ministries Inc. as at March 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Other Matter

The financial statements of Wesley Urban Ministries Inc. for the year ended March 31, 2017 were audited by another auditor who expressed a qualified opinion on these financial statements on June 28, 2017 for the reasons described in the Basis for Qualified Opinion paragraph.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
June 27, 2018

**Wesley Urban Ministries Inc.**  
**Statement of Financial Position**

**March 31** **2018** **2017**

**Assets**

**Current**

Cash and cash equivalents	\$ 585,048	\$ 107,996
Restricted cash and short-term investments (Note 2)	628,724	611,565
Accounts receivable	376,577	1,575,464
Prepaid expenses	23,835	99,892
	1,614,184	2,394,917

Restricted long-term investments (Note 2)	2,404,430	2,262,950
Endowment investments (Note 9)	28,450	28,450
Capital assets (Note 3)	833,080	651,647
	\$ 4,880,144	\$ 5,337,964

**Liabilities and Net Assets**

**Current**

Operating loan (Note 4)	\$ -	\$ 615,000
Accounts payable and accrued liabilities (Note 5)	822,581	868,807
Deferred revenue (Note 6)	544,864	661,089
	1,367,445	2,144,896

Deferred capital contributions (Note 7)	530,442	393,890
	1,897,887	2,538,786

**Net Assets**

Board restricted net assets (Note 8)	2,953,807	2,770,728
Endowments (Note 9)	28,450	28,450
	2,982,257	2,799,178
	\$ 4,880,144	\$ 5,337,964

On behalf of the Board:

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

## Wesley Urban Ministries Inc. Statement of Operations

<b>For the year ended March 31</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Community donations and grants (Note 10)	\$ 2,372,878	\$ 2,419,217
Grants:		
Government of Ontario	3,629,052	3,482,709
Government of Canada	1,868,481	3,621,532
Municipalities	4,396,650	3,026,593
The United Church of Canada	117,124	91,500
Participant fees	532,451	455,526
Interest and investment income	2,837	3,832
Amortization of deferred capital contributions (Note 7)	85,530	59,618
	<b>13,005,003</b>	<b>13,160,527</b>
<b>Expenses</b>		
Salaries and benefits	8,657,375	8,857,160
Program expenses	1,526,462	2,531,673
Purchase of services	1,277,926	312,574
Rent	440,524	393,145
Amortization of capital assets	142,196	122,569
Building, property and janitorial	166,390	83,912
Fundraising	138,142	119,797
Communications	99,869	107,151
Professional fees	94,788	118,788
Maintenance and supplies	80,017	100,405
Travel	57,646	54,405
Insurance	51,220	51,251
Staff development	34,237	23,960
Office and general	30,413	27,466
Interest and other charges	19,159	29,340
Utilities	1,688	1,784
	<b>12,818,052</b>	<b>12,935,380</b>
<b>Excess of revenue over expenses before other items</b>	<b>186,951</b>	<b>225,147</b>
<b>Other items</b>		
Syrian refugee program (Note 6)	(55,789)	(201,438)
Donations from various estates (Note 8)	24,188	12,122
Interest and investment income related to board restricted assets	35,729	105,049
Board restricted Syrian refugee program expenses (Note 6)	-	(20,000)
Scholarships granted (Note 8)	(8,000)	(4,022)
	<b>(3,872)</b>	<b>(108,289)</b>
<b>Excess of revenue over expenses</b>	<b>\$ 183,079</b>	<b>\$ 116,858</b>

The accompanying notes are an integral part of these financial statements.

**Wesley Urban Ministries Inc.**  
**Statement of Changes in Net Assets**

**For the year ended March 31**

	Unrestricted (Note 8)	Board Restricted	Endowments (Note 9)	2018 Total
<b>Balance, beginning of year</b>	\$ -	\$ 2,770,728	\$ 28,450	\$ 2,799,178
<b>Excess of revenue over expenses</b>	183,079	-	-	183,079
<b>Transfers to Board restricted</b>	(183,079)	183,079	-	-
<b>Balance, end of year</b>	\$ -	\$ 2,953,807	\$ 28,450	\$ 2,982,257

	Unrestricted (Note 8)	Board Restricted	Endowments (Note 9)	2017 Total
<b>Balance, beginning of year</b>	\$ -	\$ 2,653,870	\$ 28,450	\$ 2,682,320
<b>Excess of revenue over expenses</b>	116,858	-	-	116,858
<b>Transfers to Board restricted</b>	(246,858)	246,858	-	-
<b>Transfers from Board restricted</b>	130,000	(130,000)	-	-
<b>Balance, end of year</b>	\$ -	\$ 2,770,728	\$ 28,450	\$ 2,799,178

The accompanying notes are an integral part of these financial statements.

## Wesley Urban Ministries Inc. Statement of Cash Flows

<b>For the year ended March 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 183,079	\$ 116,858
Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities		
Amortization of deferred capital contributions	(85,530)	(59,618)
Amortization of capital assets	142,196	122,569
Changes in non-cash working capital balances		
Accounts receivable	1,198,887	(840,696)
Prepaid expenses	76,057	(42,062)
Accounts payable and accrued liabilities	(46,226)	(887,876)
Deferred revenue	(116,225)	142,691
	<u>1,352,238</u>	<u>(1,448,134)</u>
<b>Cash flows from investing activities</b>		
Proceeds from maturity and sale of investments	158,876	284,177
Purchases of restricted cash and investments	(317,515)	(310,836)
Capital asset additions	(323,629)	(149,835)
	<u>(482,268)</u>	<u>(176,494)</u>
<b>Cash flows from financing activities</b>		
Proceeds from (repayment of) operating loan	(615,000)	615,000
Deferred contributions related to capital assets	222,082	139,378
	<u>(392,918)</u>	<u>754,378</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>477,052</b>	<b>(870,250)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>107,996</b>	<b>978,246</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 585,048</b>	<b>\$ 107,996</b>
<b>Represented by</b>		
Cash (overdraft)	\$ 349,399	\$ (119,293)
Cash equivalents	235,649	227,289
	<u>\$ 585,048</u>	<u>\$ 107,996</u>

The accompanying notes are an integral part of these financial statements.

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## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

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### 1. Significant Accounting Policies

#### **Nature of Business**

The Organization was founded in 1955 and was incorporated, as a corporation without share capital, under letters patent issued under the Ontario Corporation Act on August 22, 1979. The Organization is a registered Canadian charity and is therefore exempt from payment of income tax as provided under the Income Tax Act.

Its purpose is to alleviate and prevent poverty in Hamilton, Halton and Brantford, in every stage and from every walk of life.

#### **Basis of Accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue and expenses related to program delivery and administrative activities are reported in the Unrestricted fund.

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 revenue over expenses from operations formally restricted by the Board. The use of these funds requires approval from the Board of Directors.

#### **Revenue Recognition**

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

Revenue from unrestricted donations, fundraising, and participant fees is recognized when 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.

Externally restricted contributions for amortizable capital assets are deferred and amortized over the life of the related capital asset.

Investment income is recognized when earned.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and cashable guaranteed investment certificates.



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## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

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### 1. Significant Accounting Policies (Continued)

#### Capital Assets

Capital assets are stated at 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:

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.

#### Contributed Materials and Services

Volunteers contribute extensive time each year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Due to the difficulty in determining the fair value of materials contributed to the Organization they are not recognized in the financial statements.

#### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments that are quoted in an active market are reported at fair value, with any unrealized gains and losses reported in revenue. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issues of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

#### Use of Estimates

The preparation of financial statements 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 revenue 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.

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## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

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### 2. Restricted Cash and Investments

Board 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 in the amount of \$628,724 (2017 - \$611,565) are classified as restricted cash and short-term investments. Short-term fixed income investments bear interest between 1.95% and 2.77%. Investments with maturities greater than one year are classified as restricted long-term investments.

Restricted long-term investments consist of the following:

	2018		2017	
	Cost	Market	Cost	Market
Fixed income	\$ 1,294,287	\$ 1,285,128	\$ 1,484,259	\$ 1,504,067
Common shares	708,924	739,396	440,324	482,038
Preferred shares	188,828	196,884	188,828	193,703
Foreign securities	167,883	183,022	79,920	83,142
	<b>\$ 2,359,922</b>	<b>\$ 2,404,430</b>	<b>\$ 2,193,331</b>	<b>\$ 2,262,950</b>

Restricted long-term fixed income investments have maturity dates that range from June 2019 to June 2025 and bear interest between 1.25% and 4.54%.

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**Wesley Urban Ministries Inc.  
Notes to Financial Statements**

**March 31, 2018**

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**3. Capital Assets**

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 704,745	\$ 496,733	\$ 622,175	\$ 448,710
Computer equipment	249,399	228,886	243,779	216,436
Leasehold improvements				
- Main	209,126	26,131	16,500	16,500
Leasehold improvements				
- Ferguson	263,299	263,299	263,299	263,299
Leasehold improvements				
- Queen	348,245	311,364	309,423	309,423
Leasehold improvements				
- Catharine	660,231	275,552	656,240	205,401
	<b>\$ 2,435,045</b>	<b>\$ 1,601,965</b>	<b>\$ 2,111,416</b>	<b>\$ 1,459,769</b>
Net book value		<b>\$ 833,080</b>		<b>\$ 651,647</b>

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**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%. As at March 31, 2018, the outstanding loan amount was \$Nil (2017 - \$615,000).

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**5. Accounts Payable and Accrued Liabilities**

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2017 - \$81,156), which include amounts payable for payroll related taxes.

## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

### 6. Deferred Revenue

Included within deferred revenue are the following:

	2018	2017
City of Hamilton	\$ 137,295	\$ 60,268
Foundations	136,821	82,235
Glenco Grant	12,000	-
Government of Canada	32,390	37,640
Government of Ontario	51,884	170,078
Other	50,180	34,292
Region of Halton	30,000	-
Syrian Refugee Program Donations	79,294	256,576
The United Church of Canada	15,000	20,000
	\$ 544,864	\$ 661,089

Included in the above deferred revenue are funds specific to the Syrian Refugee Program. During the year, \$13,770 (2017 - \$107,991) was donated by individuals in the community and private sponsorship groups to support the Syrian refugee programs. The Organization utilized \$55,789 (2017 - \$201,438) for expenses incurred during the year related to the programs. Included in deferred revenue is unspent community donations of \$79,294 (2017 - \$115,193), including accrued interest of \$280 (2017 - \$2,430), to support the Syrian refugee programs.

### 7. Deferred Capital Contributions

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

	2018	2017
Balance, beginning of year	\$ 393,890	\$ 314,130
Contributions received during the year	222,082	139,378
Amount amortized during the year	(85,530)	(59,618)
	\$ 530,442	\$ 393,890

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## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

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### 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 revenue over expenses from operations. In 2018, donations from various estates of \$24,188 (2017 - \$12,122) were also restricted in accordance with Board policy of restricting individual donations in excess of \$10,000. During the year, the Board granted scholarships of \$8,000 (2017 - \$4,022) from interest and investment income related to board restricted net assets.

During the year ended March 31, 2018, the Board approved an additional \$286,000 of expenditures for specific purposes from board restricted net assets, \$156,000 of which was spent during the year.

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### 9. Endowments

Investment income generated from 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.

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### 10. Community Donations and Grants

	<u>2018</u>	<u>2017</u>
Individuals	\$ 335,858	\$ 432,352
Local churches	180,550	41,107
Hamilton Community Foundation	71,003	55,817
United Way	130,292	156,146
Groups and organizations	1,441,048	1,534,913
Special events	208,306	169,153
Corporate donations	5,821	29,729
	<u>\$ 2,372,878</u>	<u>\$ 2,419,217</u>

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### 11. 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 \$430,202 (2017 - \$403,820). No amount has been recorded in the financial statements for these donated goods.

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## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

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### 12. 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 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:

	<u>2018</u>		<u>2017</u>
Capital contributions - permanently retained	\$ 50,000	\$	50,000
Funds available for distribution	<u>1,892</u>		<u>1,840</u>
	<u>\$ 51,892</u>	\$	<u>51,840</u>

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### 13. Commitments

The Organization has operating leases for its various locations with aggregate minimum annual payments for the next three years as follows:

2019	\$	299,946
2020		198,161
2021		<u>45,607</u>
	\$	<u>543,714</u>

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## Wesley Urban Ministries Inc. Notes to Financial Statements

**March 31, 2018**

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### **14. Employee Retirement Program**

The Organization has established a RRSP benefit program available to full-time employees upon completion of one year of service. The Organization will contribute 2% of the individual employee's salary into a group RRSP plan. During the year, \$73,202 (2017 - \$73,161) was expensed within salaries and benefits on the Statement of Operations in connection with this program. Employees may also contribute to the group RRSP plan through payroll, directly deducted off of their biweekly pay.

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### **15. Financial Instruments**

#### **Liquidity Risk**

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they come due. 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. This risk has not changed from the prior year.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Organization is exposed to this risk through its interest bearing investments. 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. This risk has not changed from the prior year.

#### **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 Organization's most significant exposure to credit risk is its accounts receivable. To manage this risk, the Organization 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. This risk has not changed from the prior year.

#### **Market Risk**

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the Organization. The Organization is subject to market risk on its restricted investments. The values of these restricted investments will fluctuate as a result of changes in market prices or other factors affecting the values of the investments. This risk has not changed from the prior year.