

CAMPBELL, SAUNDERS & CO.

Financial Statements of

PACIFIC SPIRIT UNITED CHURCH

December 31, 2019

Unaudited

CAMPBELL, SAUNDERS & CO.

Chartered Professional Accountants

PACIFIC SPIRIT UNITED CHURCH

Financial Statements

December 31, 2019

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Council of **PACIFIC SPIRIT UNITED CHURCH**

We have reviewed the accompanying financial statements of Pacific Spirit United Church that comprise the statement of financial position as at December 31, 2019, and the statement of operations and changes in fund balances 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.

Practitioner's Responsibility

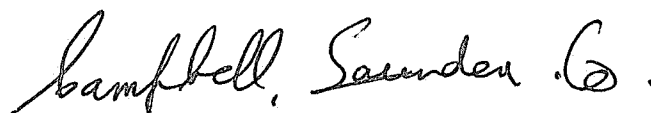
Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of 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 financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Pacific Spirit United Church 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.

A handwritten signature in black ink that reads "Campbell, Saunders & Co." with a stylized flourish at the end.

CHARTERED PROFESSIONAL ACCOUNTANTS

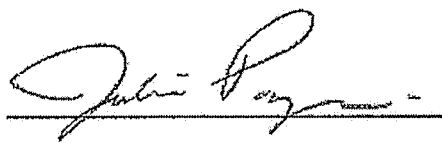
Vancouver, B.C.
September 23, 2020

STATEMENT OF FINANCIAL POSITION
(unaudited)

December 31, 2019

	General Fund		Trustee Funds		Capital	2019	2018
	Operating	Designated	Endowment	Primary	Fund		
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Current assets							
Cash and cash equivalents	105,752	-	-	2,871	-	108,623	259,013
Accounts receivable	6,680	-	-	-	-	6,680	1,200
GST receivable	4,293	-	-	3,855	-	8,148	8,913
Prepaid expenses	3,656	-	-	-	-	3,656	4,621
	120,381	-	-	6,726	-	127,107	273,747
Marketable Securities (Note 3)	-	-	11,848	842,836	-	854,684	1,134,350
Capital assets (Note 4)	-	-	-	-	24,309,500	24,309,500	24,309,500
	120,381	-	11,848	849,562	24,309,500	25,291,291	25,717,597
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	30,041	-	-	-	-	30,041	66,250
Mission and Service	16,724	615	-	-	-	17,339	19,184
Deposits	8,775	-	-	-	-	8,775	9,971
Deferred Pro-Vision Grant	2,752	-	-	-	-	2,752	-
Interfund balances	113,444	(154,004)	3,750	(56,311)	93,121	-	-
	171,736	(153,389)	3,750	(56,311)	93,121	58,907	95,405
Endowment Loan (Note 5)	671,345	-	(671,345)	-	-	-	-
	843,081	(153,389)	(667,595)	(56,311)	93,121	58,907	95,405
FUND BALANCES							
Restricted	-	95,727	634,461	600,468	-	1,330,656	1,410,908
Internally restricted	-	57,662	-	305,405	-	363,067	529,201
Invested in capital assets	-	-	-	-	24,309,500	24,309,500	24,309,500
Unrestricted	(722,700)	-	44,982	-	(93,121)	(770,839)	(627,417)
	(722,700)	153,389	679,443	905,873	24,216,379	25,232,384	25,622,192
	120,381	-	11,848	849,562	24,309,500	25,291,291	25,717,597

APPROVED: 



PACIFIC SPIRIT UNITED CHURCH

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
(unaudited)

December 31, 2019

	General Fund		Trustee Funds		Capital	2019	2018 (Note 8)
	Operating	Designated	Endowment	Primary	Fund		
	\$	\$	\$	\$	\$	\$	\$
Receipts							
Offerings and donations	541,365	18,775	-	2,750	-	562,890	583,183
Property recoveries	252,828	-	-	-	-	252,828	263,083
Community fundraising	19,717	-	-	-	-	19,717	14,353
Investment income (loss)	-	-	5,043	38,484	-	43,527	(50,492)
Other receipts	34,961	19,605	-	-	-	54,566	96,968
	848,871	38,380	5,043	41,234	-	933,528	907,095
Expenditures							
Personnel	637,317	-	-	25,000	-	662,317	870,928
Ministry programs	118,878	48,399	-	38,440	-	205,717	238,976
National Church assessment	48,400	-	-	-	-	48,400	46,065
Mission and Service	52,093	3,618	-	-	-	55,711	54,961
Property	203,659	-	-	60,592	-	264,251	358,434
Rental properties	41,495	17,928	-	-	-	59,423	39,030
Administration	27,517	-	-	-	-	27,517	38,808
Interest on endowment loan	25,494	-	(25,494)	-	-	-	-
Special transition	-	-	-	-	-	-	32,225
	1,154,853	69,945	(25,494)	124,032	-	1,323,336	1,679,427
(Deficiency) excess of receipts over expenditures	(305,982)	(31,565)	30,537	(82,798)	-	(389,808)	(772,332)
Fund balance, beginning of year	(563,741)	184,954	663,906	1,120,694	24,216,379	25,622,192	26,394,524
Interfund transfers	147,023	-	(15,000)	(132,023)	-	-	-
Fund balance, end of year	(722,700)	153,389	679,443	905,873	24,216,379	25,232,384	25,622,192

PACIFIC SPIRIT UNITED CHURCH

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STATEMENT OF CASH FLOWS
(unaudited)

December 31, 2019

	2019	2018
	\$	\$
Cash from (used in) operating activities		
Deficiency of receipts over expenditures	(389,808)	(772,332)
Non-cash items:		
Unrealized loss (gain) in market value	(43,592)	117,933
Change in non-cash working capital	(40,247)	25,331
	(473,647)	(629,068)
Cash used in investing activities		
Change in marketable securities held by Trustees	323,257	734,361
	323,257	734,361
Net change in cash	(150,390)	105,293
Cash and cash equivalents, beginning of year	259,013	153,720
Cash and cash equivalents, end of year	108,623	259,013

PACIFIC SPIRIT UNITED CHURCH

SCHEDULE OF DESIGNATED FUNDS
(unaudited)

December 31, 2019

	Balance Beginning 31-Dec-18	Received Offerings \$	Other Receipts \$	Expenditures \$	Balance Ending 31-Dec-19
<i>Internally restricted</i>					
CYF Spiritual Nurture Fund	2,739	1,000	9	(1,755)	1,993
Enrichment Fund	7,487	-	-	-	7,487
Focus on First	1,552	5,731	210	(7,046)	447
Healing Ministry	7,871	300	3,528	(4,656)	7,043
Maintenance Reserve - Houses	19,482	-	-	(17,928)	1,554
Memorial Gift Fund	11,763	634	-	(3,597)	8,800
Minister's Fund	(34)	5,855	70	(3,870)	2,021
Outreach Coffee Fund	1,467	-	2,895	(2,527)	1,835
Outreach General Fund	3,592	750	2,161	(3,064)	3,439
Piano Fund	4,600	-	-	(111)	4,489
Sanctuary Enhancement	13,869	-	-	-	13,869
Seniors Working Group	2,173	-	-	(131)	2,042
Women's Weekend	2,251	-	1,624	(1,231)	2,644
	78,812	14,270	10,497	(45,916)	57,663
<i>Externally restricted</i>					
Mission and Service (direct donations)	-	3,005	613	(3,618)	-
Refugee Abuelos	3,621	-	-	-	3,621
Refugee Adjeduna	18,681	300	1,650	(20,306)	325
Refugee Westside	83,840	1,200	6,846	(106)	91,780
	106,142	4,505	9,109	(24,030)	95,726
	184,954	18,775	19,606	(69,946)	153,389

PACIFIC SPIRIT UNITED CHURCH

Schedule of Trustee Funds
(unaudited)

December 31, 2019

	Balance Beginning 31-Dec-18	Received Offerings	Income	Ministry Expenditures	Property Expenditures	Fund Transfers	Balance Ending 31-Dec-19
	\$	\$	\$	\$	\$	\$	
PRIMARY FUNDS							
<i>Restricted</i>							
Chris McGregor Memorial Fund	154,139	-	6,152	-	-	-	160,291
Dr Edward Kozier Choral Scholarship Fund	4,187	2,750	125	(4,375)	-	-	2,687
Garden of Remembrance Fund	122,209	-	4,660	(8,395)	-	-	118,474
Kenneth Mahon Pneuma Scholar Fund	7,839	-	237	(3,350)	-	-	4,726
Library Fund	8,971	-	348	(563)	-	-	8,756
Organ Fund	41,416	-	1,653	-	-	-	43,069
Property Development Fund	78,292	-	2,318	-	(39,254)	3,889	45,245
Vera Radcliffe Thompson Youth Fund	253,252	-	8,967	(45,000)	-	-	217,219
	670,305	2,750	24,460	(61,683)	(39,254)	3,889	600,467
<i>Internally restricted</i>							
Behold Property Fund	20,530	-	323	-	-	(20,000)	853
Bequest Fund	387,570	-	12,550	(1,757)	(10,000)	(105,392)	282,971
Special Maintenance Fund	42,289	-	1,151	-	(11,338)	(10,520)	21,582
	450,389	-	14,024	(1,757)	(21,338)	(135,912)	305,406
	1,120,694	2,750	38,484	(63,440)	(60,592)	(132,023)	905,873
ENDOWMENT FUND							
Principal (non-expendable)	634,461	-	-	-	-	-	634,461
Accumulated (unrestricted)	15,594	-	5,043	-	-	(15,000)	5,637
Loan interest receivable (unrestricted)	13,851	-	25,494	-	-	-	39,345
	663,906	-	30,537	-	-	(15,000)	679,443

PACIFIC SPIRIT UNITED CHURCH**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Unaudited)****NOTE 1 - PURPOSE OF THE ORGANIZATION**

Pacific Spirit United Church ("Pacific Spirit") is a newly amalgamated congregation of the United Church of Canada formed as a result of the amalgamation of two dynamic west side churches, Dunbar Heights United Church and Ryerson United Church, both with long traditions of strong worship and music ministries, able and committed lay leadership, and congregations with an eye to the vibrant future of the United Church on the west side of Vancouver.

The Executive of Vancouver South Presbytery approved the amalgamation under the name Dunbar Ryerson United Church effective January 1, 2017. The congregation voted to change its name to Pacific Spirit United Church effective June 1, 2018. The newly formed congregation approved a Commitment Statement that called it beyond where the legacy congregations had been. Additionally, the congregation approved a Strategic Ministry Plan, updated January 1, 2019, and a staffing plan that set practical goals and objectives for ministry.

The congregation carries the hope of development of its valuable land holdings. The West 45th Avenue redevelopment project, for which rezoning was approved by the City of Vancouver in October 2017, includes upgrades to the heritage sanctuary improving its potential as a cultural centre, a new activity centre for church programming, and social housing. In light of changing market conditions affecting project feasibility, the project is being reconsidered to best meet congregational and community needs.

The congregation voted on May 26, 2019 to sell the property at West 24th Avenue, its legacy to be used to provide stability and sustainability for ambitious ministry for generations to come. In the short term, a loan from the Endowment fund and other internal financing has bridged the gap between continued investment in vision through deficit spending and the sale of the West 24th Avenue property (see Subsequent Event Note 10).

Pacific Spirit is a not-for-profit organization and registered charity under *the Income Tax Act*.

PACIFIC SPIRIT UNITED CHURCH

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019 (Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

Fund accounting

Pacific Spirit follows the restricted fund method of accounting.

General Fund

The **Operating Fund** is an unrestricted fund that accounts for Pacific Spirit's current ministry operations, use and maintenance of physical property, and administrative activities as set out in the annual operating budget approved by the congregation.

The **Designated Funds** are special purpose funds that account for contributions received or funds reserved for specific ministry purposes that may extend beyond the current operating period.

Trustee Funds

The **Endowment Fund** was established under a declaration of trust to generate income to defray the annual operating expenses of the congregation. The fund principal is non-expendable. Accumulated income is transferred to the Operating Fund at the discretion of the Trustees.

The **Primary Funds** are long term, restricted funds that include gifts, bequests and other proceeds received or reserved for special purposes. The Trustees administer and invest these funds at their discretion within the terms of specific trust declarations or terms established by the Pacific Spirit Council and congregation. Accumulated income from the Bequest Fund and Property Development Fund is transferred to the Operating Fund at the discretion of the Trustees to contribute to operating costs. Accumulated income from all other funds accrues to the benefit of that fund.

The following is a description of the Primary Funds:

The **Bequest Fund** was established to receive and invest undesignated bequests while the congregation determines the best use of these gifts. 5% of the principal amount of a bequest is transferred to the Operating Fund in each of the five years following receipt of the gift. The balance of the fund may be used from time to time as recommended by Council and approved by the congregation.

The **Garden of Remembrance Fund** was established to receive contributions for the maintenance and development of Pacific Spirit's memorial garden and adjacent grounds. Due to the significant balance in this fund, it has been closed to further contributions.

The **Library Fund** was established to fund resources for the Pacific Spirit library.

PACIFIC SPIRIT UNITED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Unaudited)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The **Organ Fund** was established to receive contributions for the repair, replacement or expansion of the Pacific Spirit pipe organ or any other expenses relating to the organ as the Trustees determine necessary or desirable, with the exception of expenses for insurance and regular maintenance of the organ which will continue to be funded through the Operating Fund.

The **Property Development Fund** was established to hold money for future property development as approved by the congregation.

The **Special Maintenance Fund** was established for extraordinary or unexpected maintenance of church property.

The **Vera Thompson Youth Fund** was established to support youth programs at the sole discretion of the Pacific Spirit Council.

The **Chris McGregor Memorial Fund** was established to improve the interior and exterior appearance of the Sanctuary as the Pacific Spirit Council determines necessary or desirable.

The **Dr. Edward Kozier Choral Scholarship Fund** was established to support the Pacific Spirit Chamber Choir choral scholarship program.

The **Kenneth Mahon Pneuma Scholar Fund** was established to support the Pneuma Voices children and youth choral scholarship program.

The **Behold Property Fund** will be used to support the maintenance of the W. 24th Sanctuary and Christian Education Building as determined in the annual operating budget.

Capital Fund

The **Capital Fund** reports the assets, liabilities, revenues and expenses related to capital assets.

Revenue recognition

Pacific Spirit follows the restricted fund method of accounting. As such, restricted and unrestricted contributions are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for which there is no corresponding fund are recognized in the Operating Fund in the year in which the related expenses are incurred. Property recoveries and rental income are recognized in the period earned.

PACIFIC SPIRIT UNITED CHURCH**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2019****(Unaudited)****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Cash and cash equivalents**

Pacific Spirit's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

Financial instruments

Pacific Spirit initially measures its financial assets and financial liabilities at fair value. Pacific Spirit subsequently measures all its financial assets and liabilities at amortized cost except for marketable securities (fixed income bonds, preferred shares and mutual funds), which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets and liabilities, other than cash and cash equivalents, include accounts receivable, accounts payable, accrued liabilities and endowment loan. The carrying amount of these financial assets and liabilities as at December 31, 2019 and 2018 approximate their fair values.

Capital assets

Pacific Spirit has recorded the value of its land at estimated market value as of January 1, 2011. Buildings and equipment were considered to be fully depreciated at that date. All additions and improvements to the facilities are recorded at cost and expensed in the year incurred.

Capital assets of \$10,000 or more are recorded at cost and amortized over their estimated lives using the straight-line method of depreciation.

Expenses of the Property Development Fund have been expensed in the year incurred. Development costs for the W. 45th property development project will be capitalized once project certainty is established.

Contributed capital assets are not recorded in the financial statements.

Contributed services

Pacific Spirit is dependent upon the significant contribution of time, expertise and materials offered by its members. Because of the difficulty in determining their fair value, contributed services and materials are not recognized in these financial statements.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from the estimates.

PACIFIC SPIRIT UNITED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Unaudited)**

NOTE 3 - MARKETABLE SECURITIES HELD BY TRUSTEES

	2019		2018	
	Cost	Market Value	Cost	Market Value
Fixed income	\$ 378,000	\$ 382,117	\$ 478,697	\$ 481,313
Preferred shares	366,839	276,080	392,594	317,895
Mutual funds	191,095	196,487	362,165	335,142
	<u>\$ 935,934</u>	<u>\$ 854,684</u>	<u>\$1,233,456</u>	<u>\$1,134,350</u>

NOTE 4 - CAPITAL ASSETS

Title to congregational property is held by the Pacific Spirit Trustees under a Deed of Trust for the use and benefit of the congregation. The Trustees may acquire, sell, mortgage, lease, build, demolish or effect major renovations only with the written consent of the Pacific Mountain Region of the United Church of Canada (previously required from Vancouver South Presbytery up to December 31, 2018). Where a congregation ceases to exist, the Pacific Mount Region determines how the property is to be used.

The Pacific Spirit property is valued as of January 1, 2011 based on estimated market value by BC Assessment.

	Estimated January 1, 2011	Assessed July 1, 2019
2205 W.45th (Sanctuary)	\$ 5,217,000	\$7,687,000
2195 W. 45th (Memorial Centre)	5,213,000	7,759,000
2183 W. 45th (Gymnasium)	2,476,500	3,659,000
W. 45th Houses (3)	4,149,500	6,120,000
3525 W. 24th (Sanctuary, CE Building)	5,953,500	9,120,000
3949 Collingwood (Manse)	1,300,000	1,826,000
	<u>\$24,309,500</u>	<u>\$36,171,000</u>

PACIFIC SPIRIT UNITED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Unaudited)**

NOTE 5 - ENDOWMENT LOAN

	2019	2018
Advances	\$632,000	\$532,000
Accumulated Interest	39,345	13,851
	<hr/>	<hr/>
	\$671,345	\$545,581

On January 22, 2017, the congregation approved a loan from the Endowment Fund to the Operating Fund to finance the operating deficit, as needed, through the transition period. Interest on the loan will accrue at the rate of 4% per annum, compounded annually, not in advance. The principal sum and all accrued interest will be repaid on the earliest of August 31, 2022 or the sale of any of the W. 24th Avenue property. No further advances are expected in 2020.

NOTE 6 - RISK MANAGEMENT

Pacific Spirit's financial instruments are exposed to certain risks, which include credit risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. Pacific Spirit's cash and investments are on deposit at major financial institutions. Accounts receivable consist primarily of donations, rental income, and goods and services tax refund due from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that Pacific Spirit will not be able to meet its financial obligations as they fall due. Accounts payable, accrued liabilities and amounts owing to the Mission and Service Fund are due within the current operating period. Pacific Spirit manages liquidity risk through the management of its cash (Note 7).

PACIFIC SPIRIT UNITED CHURCH**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Unaudited)****Investment risk**

Pacific Spirit is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject Pacific Spirit to a fair value risk while the floating rate instruments subject it to a cash flow risk. Pacific Spirit is exposed to this type of risk as a result of investment in bonds. However, the risk associated with investments is reduced to a minimum since these assets are invested in government and financial institution securities.

Other price risk associated with investments in shares is the risk that their fair value will fluctuate because of changes in market prices. This risk is minimized by Pacific Spirit regularly rebalancing its portfolio and investing in the Canadian financial sector.

NOTE 7 - CAPITAL MANAGEMENT

Pacific Spirit defines its capital for capital management purposes as cash and cash equivalents and investments. Pacific Spirit's objectives when managing capital is to maximize its cash flows from donations and facility rentals in order to maintain sufficient liquidity to fund its ongoing operations.

NOTE 8 - COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform with the presentation used in the current year.

NOTE 9 - CONTINGENT LIABILITY

A claim against Pacific Spirit relating to lease obligations for undelivered office equipment in May 2016 remains outstanding. It is the opinion of legal counsel that the claim is without merit and will be defended. Pacific Mountain Regional Council is apprised of the claim. No provision has been made for any potential liability and any resulting expense will be recognized in the year incurred.

NOTE 10 - SUBSEQUENT EVENTS/COMMITMENTS

Pacific Mountain Region Loan - On June 1, 2020 Pacific Spirit borrowed \$450,000 from the Pacific Mountain Regional Council of the United Church of Canada in order to proceed with the sanctuary roof project. Interest on the loan will accrue at 4.5%, payable annually. The loan is repayable upon completion of the sale of West 24th Avenue or June 30, 2022, whichever is earlier, with extension subject to negotiation.

Sale of West 24th Avenue Property - Pacific Spirit is committed under a purchase and sale agreement to the sale of the West 24th Avenue property at a price of \$9,000,000. All conditions of sale have been satisfied and the transaction will close on November 10, 2020. The transaction has been approved by the Pacific Mountain Region of the United Church of Canada.