

KNOX UNITED CHURCH
FINANCIAL STATEMENTS
DECEMBER 31, 2016

KNOX UNITED CHURCH
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YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Congregation of:
Knox United Church

We have audited the accompanying financial statements of Knox United Church, which comprise the statement of financial position as at December 31, 2016, and the statements of revenue and expenditures, 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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, Knox United Church derives revenue from donations, and contributions the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Knox United Church and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and net assets.

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 Knox United Church as at December 31, 2016, 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.



CHARTERED ACCOUNTANTS

Calgary Alberta
April 13, 2017

KNOX UNITED CHURCH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	2016		2015	
	Knox United Church	Trustees	Total	Total
CURRENT ASSETS				
Cash (Note 5)	\$ 47,626	\$ -	\$ 47,626	\$ 29,154
Term certificates (Note 5)	127,635	-	127,635	157,875
Sales tax receivable	6,631	573	7,204	14,591
Prepaid expense	<u>9,232</u>	<u>-</u>	<u>9,232</u>	<u>4,692</u>
	<u>191,124</u>	<u>573</u>	<u>191,697</u>	<u>206,312</u>
MARKETABLE INVESTMENTS, (Note 2)	<u>-</u>	<u>971,678</u>	<u>971,678</u>	<u>782,541</u>
LAND AND BUILDING (Note 1b)	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ 191,125</u>	<u>\$ 972,251</u>	<u>\$1,163,376</u>	<u>\$ 988,854</u>
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 23,356	\$ -	\$ 23,356	\$ 31,006
Due to Knox United Church Foundation	2,910	-	2,910	1,026
Grant Repayable (Note 4)	40,000	-	40,000	-
Donor designated contributions (Note 3)	<u>9,110</u>	<u>-</u>	<u>9,110</u>	<u>10,842</u>
	<u>75,376</u>	<u>-</u>	<u>75,376</u>	<u>42,874</u>
NET ASSETS				
Restricted (schedule)	107,192	-	107,192	128,650
Operating surplus (Note 6)	<u>8,557</u>	<u>972,251</u>	<u>980,808</u>	<u>817,330</u>
	<u>115,749</u>	<u>972,251</u>	<u>1,088,000</u>	<u>945,980</u>
	<u>\$ 191,125</u>	<u>\$ 972,251</u>	<u>\$1,163,376</u>	<u>\$ 988,854</u>

APPROVED BY THE BOARD:

See Accompanying Notes.

KNOX UNITED CHURCH

**STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016				2015
	Operating Fund	Designated Fund	Trustees	Total	Total
REVENUE					
Donations	\$ 273,209	\$ 32,136	\$ -	\$ 305,345	\$ 313,039
Bequest	-	-	67,700	67,700	-
Grants – Knox Foundation	16,500	-	-	16,500	50,000
- Other	13,177	-	-	13,177	145,971
Spiritual development	4,465	-	-	4,465	8,517
Investment income	760	-	30,136	30,896	29,062
Gain (loss) on sale of investments	-	-	6,980	6,980	33,446
Gain(loss) in fair value (note 1g)	-	-	90,775	90,775	(81,904)
	<u>308,111</u>	<u>32,136</u>	<u>195,591</u>	<u>535,838</u>	<u>498,131</u>
EXPENDITURES					
Ministry	206,670	-	-	206,670	164,545
Administration	106,882	-	-	106,882	105,658
Building operations	202,584	1,575	-	204,159	214,260
Financial services	17,542	-	-	17,542	19,799
Rental	6,322	-	-	6,322	4,726
Church council	20,202	-	-	20,202	18,446
Building and equipment restoration	53,632	12,841	-	66,473	338,019
Music	61,128	271	-	61,399	54,281
Spiritual development	6,851	243	-	7,094	14,670
Worship	2,078	-	-	2,078	2,015
Community care celebration	264	-	-	264	-
Visiting	-	-	-	-	407
Communications	4,649	-	-	4,649	2,386
Justice	1,900	-	-	1,900	-
Investment fees	-	-	6,454	6,454	6,365
	<u>690,704</u>	<u>14,930</u>	<u>6,454</u>	<u>712,088</u>	<u>945,577</u>
Excess (deficiency) of revenue over expenditure before cost recovery	(382,593)	17,206	189,137	(176,250)	(447,446)
Cost Recovery	318,270	-	-	318,270	318,121
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (64,323)</u>	<u>\$ 17,206</u>	<u>\$ 189,137</u>	<u>\$ 141,020</u>	<u>\$ (129,325)</u>

KNOX UNITED CHURCH
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016				2015
	Operating Fund	Designated Fund	Trustees	Total	Total
OPERATING SURPLUS BEGINNING OF YEAR	\$ 34,216	\$ 128,650	\$ 783,114	\$ 945,980	\$ 1,075,305
Excess (deficiency) of revenue over expenditures	(64,323)	17,206	189,137	142,020	(129,325)
Interfund Transfers	38,664	(38,664)	_____	_____	_____
OPERATING SURPLUS END OF YEAR	<u>\$ 8,557</u>	<u>\$ 107,192</u>	<u>\$ 972,251</u>	<u>\$1,088,000</u>	<u>\$ 945,980</u>

See Accompanying Notes.

KNOX UNITED CHURCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Revenue less expenditures	\$ (47,117)	\$ (102,311)
Items not affecting cash		
Deferred grant realized	-	(91,971)
Net change in non-cash working capital items		
Sales tax receivable	7,387	(8,666)
Prepaid expense	(4,540)	(384)
Accounts and other payables	(5,766)	(55,401)
Grant repayable	40,000	-
Donor designated contributions	<u>(1,732)</u>	<u>(3,779)</u>
	<u>(11,768)</u>	<u>(262,512)</u>
INVESTING ACTIVITIES		
Revenue less expenditures	189,137	(27,014)
Items not affecting cash		
(Gain) loss on sale of investments	(6,980)	(33,446)
(Gain) loss in fair value	(90,775)	81,904
Proceeds on sale of investments	153,719	278,116
Purchased investments	<u>(245,101)</u>	<u>(199,397)</u>
	<u>-</u>	<u>100,163</u>
INCREASE (DECREASE) IN CASH	(11,768)	(162,349)
Cash, beginning of year	<u>187,029</u>	<u>349,378</u>
CASH, END OF YEAR	<u>\$ 175,261</u>	<u>\$ 187,029</u>

Represented by:

Cash	\$ 47,626	\$ 29,154
Term certificate	<u>127,635</u>	<u>157,875</u>
	<u>\$ 175,261</u>	<u>\$ 187,029</u>

See Accompanying Notes.

KNOX UNITED CHURCH

**SCHEDULE OF RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2015</u>	<u>Receipts</u>	<u>Transfers</u>	<u>2016</u>
Benevolent	\$ -	\$ 20	\$ -	\$ 20
Knox Inn from the Cold	7,745	4,650	243	12,152
Children & Youth Spiritual Development	696	-	500	196
Piano Restoration	1,518	-	-	1,518
Library	419	-	419	-
Historic Building/Grounds	23,177	15,000	26,664	11,513
Facility Enhancement	2,010	8,425	6,422	4,013
Building General	9,474	800	8,019	2,255
Donor Designated	26,407	-	-	26,407
Music	721	285	-	1,006
Choir	2,508	399	272	2,635
Sanctuary Enhancement	573	-	86	487
Transition funds	15,801	-	6,709	9,092
Healing Touch	2,078	631	1,200	1,509
Labryinth	683	111	-	794
Justice	4,106	1,750	1,900	3,956
Adult Spiritual Development	11,691	-	-	11,691
Spiritual Development (Theatre Collective)	1,212	65	896	381
Youth Ministry (Sanctuary @ Knox)	16,275	-	-	16,275
Affirming	1,556	-	264	1,292
	<u>128,650</u>	<u>32,136</u>	<u>53,594</u>	<u>107,192</u>

See Accompanying Notes.

KNOX UNITED CHURCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

ORGANIZATION AND BASIS OF PRESENTATION

The Church maintains a registration under The Income Tax Act (Canada) as a charitable organization. This status is maintained by complying with regulations concerning disbursements of contributions raised.

Provincial Historic Resource -

In 1979 the Church property was designated as a Provincial Historic Resource under the Alberta Historical Resources Act.

These financial statements include the accounts Knox United Church and those of Knox Church ("Trustees"), the trustees of which, hold title to the church property and related investments.

1. SIGNIFICANT ACCOUNTING POLICIES

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

- a) **Revenue Recognition**
The Church follows the deferral method of accounting for donor designated contributions. Donations and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue as earned.

- b) **Property and Equipment**
Property and equipment consisting of land, building and equipment are recorded at nominal value. Expenditures for equipment are expended in the year purchased.

- c) **Contributed Services and Supplies**
Volunteers contribute their services in carrying out certain Church activities. Because of the difficulty in determining their fair value, contributed services or supplies are not recognized in the financial statements.

- d) **Restricted Net Assets**
Restricted net assets represent contributions received and amounts set aside by the Board for a specific use. The amounts are not available for other purposes without approval of the Board.

- e) **Cash and Cash Equivalents**
Cash and cash equivalents includes short-term deposits with maturities of 90 days or less.

- f) **Use of Estimates**
The preparation of the Church's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KNOX UNITED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) **Financial Instruments Measurement**

The Church's investments include government bonds, shares and corporate bonds of publicly traded companies on Canadian exchanges are initially recognized and measured at fair value without adjustment for transaction costs that would be incurred on disposal. Changes in fair values are recognized in income in the period.

The Church initially measures all other financial assets and financial liabilities at fair value and subsequently measures all other financial assets and financial liabilities at amortized cost.

2. MARKETABLE SECURITIES

Marketable securities comprise:

	2016	2015
Cash	\$ 10,345	\$ 2,473
Provincial government and government backed bonds, bearing interest from 3.5% to 5.6% maturing at dates up to 2045.	56,198	95,205
Corporate bonds bearing interest rates from 2.55 % to 5.76% maturing at dates up to 2106	295,073	203,640
Mutual funds	195,930	160,531
Equities – Canadian	412,547	319,055
	970,093	780,904
Accrued interest receivable	1,585	1,637
	\$ 971,678	\$ 782,541

3. DONOR DESIGNATED CONTRIBUTIONS

Donor designated contributions comprise:

	2015	Receipts	Disbursements	2016
Mission & Service	\$ 2,129	\$ 12,487	\$ 13,087	\$ 1,530
Outreach	8,703	8,795	9,937	7,560
Food Bank	10	-	10	-
Thanksgiving Fund	-	528	508	20
Easter Fund	-	1,134	1,134	-
	10,842	22,944	24,676	9,110

KNOX UNITED CHURCH

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

4. DEFERRED GRANT REVENUE

In June 2016 a \$40,000 grant from The United Church of Canada Foundation was received in support of the Inn from the Cold/Knox kitchen upgrade project. This project has been cancelled and in 2017 the grant was returned to the donor.

5. RESTRICTED CASH

Cash and term deposits held for restricted purposes are as follows:

Donor designated contributions	\$ 9,110
Restricted net assets	<u>107,192</u>
	<u>\$ 116,302</u>

6. OPERATING SURPLUS – KNOX CHURCH

On December 3, 2000, the congregation of Knox United Church passed certain resolutions that would entrust the proceeds from the air rights sale to the Trustees of Knox Church (“Trustees”) on behalf of the congregation. The resolutions passed restrict the use of the surplus of Knox Church to provide collateral to secure loans to support Knox Historic Building development.

Net income on the investments of Knox Church must only be used to service any debt acquired to finance the historic building development and ministry expansion.

The net assets of Knox Church are not available for any other purpose without the approval of the congregation.

7. FINANCIAL INSTRUMENTS

Transacting in financial instruments exposes the Corporation to certain financial risk and uncertainties. These risks include:

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Church’s investments include fixed rate instruments with maturities of ninety years or less that are generally reinvested as they mature. The Church has exposure to interest rate movements that occur beyond the term of maturity of the fixed rate investments.

b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Church’s investments in publicly-traded securities and corporate bonds exposes the Church to price risks as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions of credit markets. The Church does not use derivative financial instruments to alter the effects of this risk and mitigates this risk by ensuring no individual investment is significant to the overall financial position of the Church.