

# 2023 Annual Report Appendices

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**Fairlawn Avenue United Church**

Financial Statements

December 31, 2023

## Independent Auditor's Report

To the Members of  
 Fairlawn Avenue United Church

### Opinion

We have audited the accompanying financial statements of Fairlawn Avenue United Church (the "Church"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as at December 31, 2023, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Church in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Church's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Church's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Church's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Church's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Church to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Koster, Spinks & Koster LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
May 21, 2024

## Fairlawn Avenue United Church

Statement of Financial Position  
December 31, 2023

				Total	
	Church Operating and Restricted Operating	Trustees Ministerial Salaries	Trustees and Legacy Administered	2023	2022
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 132,257	\$ -	\$ -	\$ 132,257	\$ 30,553
Accounts receivable (note 2)	12,856	-	17,082	29,938	29,425
Marketable securities (note 3)	57,578	1,000,000	1,921,625	2,979,203	2,936,129
Trustees' administered funds - marketable securities (note 3)	-	-	352,678	352,678	357,926
	202,691	1,000,000	2,291,385	3,494,076	3,354,033
Capital assets (note 4)	-	-	157,376	157,376	144,019
	\$ 202,691	\$ 1,000,000	\$ 2,448,761	\$ 3,651,452	\$ 3,498,052

### Liabilities and Fund Balances

<b>Current</b>					
Accounts payable and accrued liabilities	\$ 1,099	\$ -	\$ 29,278	\$ 30,377	\$ 26,110
Due to congregant (note 5)	68,000	-	-	68,000	68,000
	69,099	-	29,278	98,377	94,110
<b>Fund Balances</b>					
Restricted - Operating and Ministerial Salaries Fund	133,592	1,000,000	-	1,133,592	1,131,866
Discretionary - Legacy Fund	-	-	2,066,836	2,066,836	1,914,150
Trustees' Administered Funds (note 9)	-	-	352,647	352,647	357,926
	133,592	1,000,000	2,419,483	3,553,075	3,403,942
	\$ 202,691	\$ 1,000,000	\$ 2,448,761	\$ 3,651,452	\$ 3,498,052

Approved by the Governing Council

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



**Fairlawn Avenue United Church**

Statement of Changes in Fund Balances  
For The Year Ended December 31, 2023

	Total						
	Church Operating	Restricted Operating Funds	Trustees Ministerial Salaries	Trustees Legacy Fund	Trustees Administered Funds	2023	2022
<b>Fund balances, beginning of year</b>	\$ -	\$ 131,866	\$ 1,000,000	\$ 1,914,150	\$ 357,926	\$ 3,403,942	\$ 3,524,733
Excess (deficiency) of revenues over expenses	(240,406)	1,726	36,799	356,293	(5,279)	149,133	(120,791)
Interfund transfer	240,406	-	(36,799)	(203,607)	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 133,592</u>	<u>\$ 1,000,000</u>	<u>\$ 2,066,836</u>	<u>\$ 352,647</u>	<u>\$ 3,553,075</u>	<u>\$ 3,403,942</u>



## Fairlawn Avenue United Church

### Statement of Operations

For The Year Ended December 31, 2023

	Total						
	Church Operating	Restricted Operating Funds	Trustees Ministerial Salaries	Trustees Legacy Fund	Trustees Administered Funds (note 9)	2023	2022
<b>Contributions and revenue</b>							
Congregation contributions (note 6)	\$ 348,246	\$ 131,158	\$ -	\$ -	\$ -	\$ 479,404	\$ 484,430
Mission and service contributions	37,269	-	-	-	-	37,269	44,851
Fundraising	21,724	-	-	-	-	21,724	13,946
Investment income	1	-	44,782	89,944	16,919	151,646	117,888
Legacies, memorials and donations	-	-	-	365,000	-	365,000	407,248
Realized (loss) gain on sale of marketable securities	-	-	-	13,414	(3,098)	10,316	(38,694)
Change in fair value of marketable securities	-	-	-	(55,913)	(5,167)	(61,080)	(312,711)
Rental income	1,555	-	-	-	-	1,555	-
Lucas Sanders contribution	1,590	-	-	-	-	1,590	806
	410,385	131,158	44,782	412,445	8,654	1,007,424	717,764
<b>Expenses</b>							
Salaries and benefits	324,659	-	-	-	-	324,659	370,448
Property	142,709	-	-	-	-	142,709	101,022
Outreach	-	100,518	-	-	5,000	105,518	93,699
General and administration	86,896	-	-	-	1,590	88,486	79,963
Mission and service	37,269	-	-	-	-	37,269	44,851
Grant expenditures	-	8,160	-	-	-	8,160	42,132
Worship	47,172	20,754	-	-	-	67,926	32,464
Investment management fees	-	-	7,983	15,277	2,271	25,531	24,396
Amortization	-	-	-	21,741	-	21,741	18,259
Audit and legal	1,544	-	-	19,134	-	20,678	17,682
Other councils	10,542	-	-	-	-	10,542	7,699
Repairs and maintenance	-	-	-	-	-	-	3,008
Other	-	-	-	-	5,072	5,072	2,932
	650,791	129,432	7,983	56,152	13,933	858,291	838,555
<b>Excess (deficiency) of revenues over expenses</b>	\$ (240,406)	\$ 1,726	\$ 36,799	\$ 356,293	\$ (5,279)	\$ 149,133	\$ (120,791)



## Fairlawn Avenue United Church

### Statement of Cash Flows For The Year Ended December 31, 2023

	2023	2022
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 149,133	\$ (120,791)
Items not affecting cash:		
Amortization	21,741	18,259
(Gain) loss on sale of marketable securities	(10,316)	38,964
Change in fair value of marketable securities	61,080	312,711
Net change in non-cash working capital (note 7)	3,754	10,710
	225,392	259,853
<b>Investing activities</b>		
Acquisition of capital assets	(35,098)	(15,507)
Acquisition of marketable securities	(578,311)	(869,027)
Proceeds from sale of marketable securities	489,721	614,277
	(123,688)	(270,257)
Change in cash during the year	101,704	(10,404)
Cash, beginning of year	30,553	40,957
<b>Cash, end of year</b>	<b>\$ 132,257</b>	<b>\$ 30,553</b>





## Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

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### Fairlawn Avenue United Church

Fairlawn Avenue United Church (the "Church") was established in 1915. The Church's mandate is to provide religious services, pastoral care, outreach to the community and other typical services provided by a traditional church. The Church was incorporated without share capital and qualifies as a not-for-profit entity under the Income Tax Act and, as such, is exempt from income taxes.

#### 1. Significant accounting policies

These statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, using the restricted fund method of accounting for contributions. The significant accounting policies are as follows:

##### a) Fund accounting

The financial statements of the Church segregate the following funds:

##### **Church operating fund**

The operating fund records the day-to-day operations of the Church. The fund includes contributions, fundraising and other receipts for general purposes. The fund does not include any receipts that are restricted in its use.

##### **Trustees legacy fund**

This fund is used to cover all administrative costs of the Trustees, pay for capital asset additions, provide operating support for the Church and any additional funding requirements such as major repairs as directed by the Governing Council. The Legacy fund includes legacies, memorials and donations received.

##### **Restricted funds**

##### *(i) Restricted Operating Fund*

The Governing Council administers various special purpose funds from time to time. As at December 31, 2023, there were 13 such funds under administration with an aggregate balance of \$133,592.

##### *(ii) Trustees Ministerial Salaries Fund*

This fund was created from the partial proceeds of the sales of three manses and Armour Heights United Church. Income from this fund may be used to assist in covering the ministerial salaries of the Church. The fund does not participate in realized gains or losses on the sale of marketable securities or unrealized gains or losses. The capital in this fund is to be maintained at \$1,000,000 except as expenditures may be approved by the United Church of Canada.

# Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

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## Trustee administered funds

The following funds administered by the trustees.

(i) *Lucas Sanders Fund*

The Lucas Sanders Fund was formed with the legacies from Lillian Lucas and Ann Sanders. These legacies specified that the investment income from this fund should be distributed annually in the following fashion: 25% to Church operating expenses, 25% to the Mission & Service Fund and 50% to bursaries for students who are proceeding beyond secondary school.

(ii) *Anne Krug Fund*

The Anne Krug Fund was established to administer the contributions from the congregation in support of the renovation and maintenance of the grand piano donated by the Krug family.

(iii) *Kellough Seniors Fund*

The Kellough Seniors Fund was created by the legacy from Maude Kellough. The legacy restricts the use of the income from the fund for the benefit of seniors.

(iv) *Social Justice Fund*

The Social Justice Fund is a continuation of the pre-amalgamation St. James-Bond United Church non-designated trust funds. The funds are available to provide funding for the congregation's commitment to the development of a Social Justice Ministry. Spending of the capital in this fund requires approval from the Social Justice Committee and the Governing Council.

b) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the assets.

Furniture and equipment	5 years
Leasehold improvements	10 years
Computer equipment	3 years

In the year of acquisition, one half the normal rate of amortization is claimed.

c) Revenue recognition

The Church uses the restricted fund method of recording contributions and donations. Restricted donations are recognized as revenue of the appropriate restricted funds. All other restricted donations for which no restricted funds have been established are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations and grants are recognized as revenue of the Operating fund when received.

Investment income is recognized on an accrual basis and capital gains or losses are recorded as realized.

# Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

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d) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year end exchange rate. Gains or losses resulting from such translations are reflected in the statement of operations.

Dividends and interest denominated in foreign currencies throughout the year have been translated at the average daily rate.

e) Financial instruments

*Measurement of financial instruments*

The Church initially measures its financial assets and liabilities at fair value. The Church subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments, fixed income instruments, and mutual fund units that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at cost or amortized cost include cash and accounts receivable. Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities and due to congregant.

Financial assets measured at fair value include quoted shares, fixed income securities and mutual funds presented as marketable securities.

*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 the statement of operations. 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 the statement of operations.

*Transaction costs*

The Church recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

f) Government assistance

The Church makes periodic applications for financial assistance under various government programs. Government assistance is recorded using the gross method such that funds are recorded at the gross amount into revenue. Government assistance is recorded when the qualifying expenditure is made.



# Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

g) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results will differ from such estimates.

h) Donated materials and services

Donated materials and services are recorded at fair market value when received. The Church records donated services if the fair market value is determinable.

## 2. Accounts receivable

Accounts receivable includes a public service bodies' rebate receivable in the amount of \$11,186 (2022: \$10,471).

## 3. Marketable securities

The Social Justice Committee, part of the restricted funds held by the Trustees, has its own investment account. All other restricted and discretionary funds share pooled investments. All marketable securities are recorded at fair value and consist of the following securities:

	2023		2022	
	Market value	Cost	Market value	Cost
Cash held with broker	\$ 313,354	\$ 313,354	\$ 408,038	\$ 408,038
Fixed income securities	160,723	164,625	12,958	13,030
Canadian equities	2,365,980	1,718,925	2,328,232	1,678,959
Foreign equities	491,824	352,106	544,827	352,329
	<u>\$ 3,331,881</u>	<u>\$ 2,549,010</u>	<u>\$ 3,294,055</u>	<u>\$ 2,452,356</u>

The quoted market price was used to estimate the fair value of the marketable securities.

Marketable securities consist of the following:

	2023	2022
Marketable securities	\$ 2,979,203	\$ 2,936,129
Trustees' administered funds - marketable securities	<u>352,678</u>	<u>357,926</u>
	<u>\$ 3,331,881</u>	<u>\$ 3,294,055</u>

# Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

## 4. Capital assets

Capital assets consist of the following:

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 196,209	\$ 47,446	\$ 148,763	\$ 138,646
Furniture and equipment	5,575	1,557	4,018	1,750
Computer equipment	9,508	4,913	4,595	3,623
	<u>\$ 211,292</u>	<u>\$ 53,916</u>	<u>\$ 157,376</u>	<u>\$ 144,019</u>

## 5. Due to congregant

The amount due to congregant is non-interest bearing and is expected to be repaid once certain criteria have been met.

## 6. Congregation contributions

Congregation contributions include donated marketable securities in the amount of \$19,817 (2022: \$51,471).

## 7. Net change in non-cash working capital

The net change in non-cash working capital is as follows:

	2023	2022
(Increase) decrease in:		
Accounts receivable	\$ (513)	\$ (1,315)
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,267	12,025
	<u>\$ 3,754</u>	<u>\$ 10,710</u>

## 8. Lease commitments

The Church's minimum annual lease payments for operating leases are as follows:

2024	\$ 3,880
2025	1,940
	<u>\$ 5,820</u>



## Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

### 9. Trustees' administered funds

The trustees' administered funds consist of the following funds:

					Total	
	Lucas Sanders	Anne Krug	Kellough Seniors	Social Justice	2023	2022
<b>Revenue</b>						
Investment income	\$ 6,985	\$ 1,714	\$ 195	\$ 8,025	\$ 16,919	\$ 14,596
Change in fair value of marketable securities	(2,993)	(734)	(84)	(1,356)	(5,167)	(28,886)
Realized (loss) gain on sale of marketable securities	620	152	17	(3,887)	(3,098)	(9,661)
	4,612	1,132	128	2,782	8,654	(23,951)
<b>Expenses</b>						
Investment management fees	1,245	305	35	686	2,271	2,298
Bursaries	3,180	-	-	-	3,180	1,612
Mission and service	1,590	-	-	-	1,590	806
Church operating expenses	1,590	-	-	-	1,590	806
Piano tuning	-	302	-	-	302	436
Social justice	-	-	-	-	-	78
Outreach	-	-	-	5,000	5,000	-
	7,605	607	35	5,686	13,933	6,036
(Deficiency) excess of revenues over expenses	(2,993)	525	93	(2,904)	(5,279)	(29,987)
Fund balances, beginning of year	155,986	38,279	4,357	159,304	357,926	387,913
<b>Fund balances, end of year</b>	\$ 152,993	\$ 38,804	\$ 4,450	\$ 156,400	\$ 352,647	357,926

### 10. Financial instruments

The Church is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

#### a) 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 Church's main credit risks relate to its accounts receivable.

# Fairlawn Avenue United Church

Notes to Financial Statements  
December 31, 2023

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b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Church is exposed to the risk mainly in respect to its accounts payable and accrued liabilities and due to congregant.

c) 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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Church is exposed to interest rate risk, currency risk and other price risk.

d) 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 is exposed to interest rate risk on its fixed interest rate financial instruments.

e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2023, approximately 14% of the Church's marketable securities balances are in a foreign currency at market value. Consequently, some assets, revenues and expenses are exposed to foreign exchange fluctuations.

f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Church is exposed to other price risk through its investments in quoted shares, fixed income and mutual funds.

## 11. Contingent liability

A claim for damages in excess of \$1,000,000 has been made against the Church. The Church has filed a statement of defence. Neither the possible outcome nor the amount of possible settlement can be foreseen. The Governing Council believes the Church's insurance will cover any loss or potential settlement with respect to this claim, other than the deductible under the policy. Therefore, no provision has been recognized in the financial statements.

## 12. Subsequent event

On February 16, 2024, the Church entered into a three year lease agreement to sublease a portion of the building to a third party tenant. The lease has two renewal terms of two years each, for a total term of up to seven years.

**Fairlawn Avenue United Church**  
**2024 Operating Budget Summary**

<b>Operating Revenue</b>	<b>Actual 2023    Budget 2024</b>	
Total Offerings	348,246	333,000
Total Rentals	1,555	176,668
Total other income	23,315	22,000
<b>TOTAL REVENUE</b>	<b>373,116</b>	<b>531,668</b>
<b>Operating Expenses</b>		
Experience Belonging:		
Pastoral Support/LMT	1,106	1,300
Engagement and Events	3,577	3,525
Total Experience Belonging	4,683	4,825
Explore Spirituality:		
Worship Council	15,846	10,300
Music Council	31,327	43,050
Faith Development Council	-	1,000
Total Explore Spirituality	47,173	54,350
Administration	88,439	100,884
Executive Council	1,305	1,000
Communications Council	4,105	3,500
Stewardship Council	449	470
Human Resource and Relationships Council	324,659	369,378
Property Council	142,709	189,321
Total Other Expenses	561,666	664,553
<b>TOTAL EXPENSES</b>	<b>613,522</b>	<b>723,728</b>
<b>NET OPERATING DEFICIT</b>	<b>- 240,406</b>	<b>- 192,060</b>

