

**First Unitarian
Congregation of Ottawa
Financial Statements
December 31, 2021**

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Independent Auditor's Report

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To the Members of the
First Unitarian Congregation of Ottawa

Qualified opinion

We have audited the financial statements of the First Unitarian Congregation of Ottawa (hereafter "the Congregation"), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Congregation as at December 31, 2021, 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 qualified opinion

In common with many not-for-profit organizations, the Congregation derives revenue from contributions and fundraising campaigns, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Congregation. Therefore, we were not able to determine whether any adjustments might be necessary to general and other contributions and fundraising revenues, excess (deficiency) of revenues over expenses and cash flows from operating activities for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020 and fund balances as at January 1, 2021 and 2020 and December 31, 2021 and 2020. Our opinion on the financial statements for the year ended December 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.

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 Congregation 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 qualified 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 Congregation'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 Congregation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Congregation'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 Congregation'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 Congregation'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 Congregation 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.

Raymond Chabot Grant Thornton LLP

Chartered Professional Accountants,
Licensed Public Accountants

Ottawa, Canada
March 24, 2022

First Unitarian Congregation of Ottawa

Financial Position

December 31, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
ASSETS		
Current		
Cash	111,251	156,269
Short-term investments		32,535
Amounts receivable (Note 3)	<u>5,089</u>	<u>16,097</u>
	116,340	204,901
Long-term		
Investments (Note 4)	1,923,682	1,162,666
Tangible capital assets (Note 5)	807,511	845,682
Cash surrender value of life insurance policy	<u>23,599</u>	<u>22,645</u>
	<u>2,871,132</u>	<u>2,235,894</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	33,949	29,712
Long-term		
Deferred contributions (Note 7)	280,487	272,226
Lease payment for watermain and sewers (Note 8)	67,167	80,167
Long-term debt (Note 9)	<u>30,000</u>	<u>30,000</u>
	<u>411,603</u>	<u>412,105</u>
FUND BALANCES		
Unrestricted		
General	174,731	20,312
Restricted		
Legacy	1,461,309	917,325
Capital	740,343	765,514
Maintenance Reserve	41,810	39,810
Maintenance Projects	<u>41,336</u>	<u>80,828</u>
	<u>2,459,529</u>	<u>1,823,789</u>
	<u>2,871,132</u>	<u>2,235,894</u>

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

On behalf of the Congregation

Chair

Treasurer

First Unitarian Congregation of Ottawa

Revenues and Expenses

Year ended December 31, 2021

	Unrestricted			Restricted Funds		2021	2020
	General	Legacy	Capital	Maintenance Reserve	Maintenance Projects	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues							
General contributions from individuals	478,144					478,144	384,339
Other contributions	57,401				2,007	59,408	60,143
Bequests		458,000		2,000		460,000	7,385
Rentals	71,768					71,768	55,044
Fundraising	19,701					19,701	3,645
Sales							619
Net investment income (Note 10)		229,057				229,057	64,206
Government assistance	60,299					60,299	136,865
Recognized deferred contribution revenue (Note 7)	452					452	25,515
	687,765	687,057	-	2,000	2,007	1,378,829	737,761
Expenses							
Human resources	449,477					449,477	406,007
Denominational	29,852					29,852	29,691
Financial administration	18,484	12,712				31,196	29,030
Office administration	21,845					21,845	24,387
Property	79,235					79,235	71,160
Programs	29,567					29,567	12,938
Committees	10,790					10,790	9,467
Recognized deferred contribution disbursements (Note 7)	452					452	25,515
Fund expenditures	24,005				41,499	65,504	36,838
	663,707	12,712	-		41,499	717,918	645,033
Excess of revenues over expenses before amortization items	24,058	674,345	-	2,000	(39,492)	660,911	92,728
Amortization of lease payment for watermain and sewers (Note 8)			13,000			13,000	13,000
Amortization of tangible capital assets			(38,171)			(38,171)	(38,171)
Excess (deficiency) of revenues over expenses	24,058	674,345	(25,171)	2,000	(39,492)	635,740	67,557

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

First Unitarian Congregation of Ottawa Changes in Fund Balances

Year ended December 31, 2021

	Unrestricted	Restricted Funds			2021	2020	
	General	Legacy	Capital	Maintenance Reserve	Maintenance Projects	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	20,312	917,325	765,514	39,810	80,828	1,823,789	1,756,232
Excess (deficiency) of revenues over expenses	24,058	674,345	(25,171)	2,000	(39,492)	635,740	67,557
Interfund transfers (Note 6)	130,361	(130,361)					
Balance, end of year	<u>174,731</u>	<u>1,461,309</u>	<u>740,343</u>	<u>41,810</u>	<u>41,336</u>	<u>2,459,529</u>	<u>1,823,789</u>

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

First Unitarian Congregation of Ottawa

Cash Flows

Year ended December 31, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	635,740	67,557
Non-cash items		
Amortization of tangible capital assets	38,171	38,171
Changes in fair value of investments	(194,272)	(38,668)
Amortization of lease payment for watermain and sewers	(13,000)	(13,000)
Changes in working capital items and deferred contributions		
Amounts receivable	11,008	(10,508)
Accounts payable and accrued liabilities	4,237	6,750
Deferred contributions	8,261	(16,768)
Cash flows from operating activities	<u>490,145</u>	<u>33,534</u>
INVESTING ACTIVITIES		
Disposal of investments	539,489	320,079
Acquisition of investments	(1,073,698)	(357,442)
Cash surrender value of life insurance policy	(954)	(920)
Cash flows from investing activities	<u>(535,163)</u>	<u>(38,283)</u>
FINANCING ACTIVITIES		
Long-term loans and cash flows from financing activities		30,000
Net increase (decrease) in cash	(45,018)	25,251
Cash, beginning of year	<u>156,269</u>	<u>131,018</u>
Cash, end of year	<u><u>111,251</u></u>	<u><u>156,269</u></u>

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

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The First Unitarian Congregation of Ottawa (the "Congregation"), located at 30 Cleary Avenue, a member of the Canadian Unitarian Council, serves as a spiritual community, placing religious democratic responsibility on members of differing backgrounds and orientations, to kindle the light within, to inspire courage, to nurture the web of life, and to create a just and compassionate world.

The Congregation was incorporated without share capital under the laws of Ontario in 1972, and is a registered charity, whose tax receipting privileges are governed by provisions of the Income Tax Act (Canada).

Pursuant to general terms and conditions described in long-term operating leases, the Congregation has enabled two complementary organizations access to and usage of certain Congregational land:

- (i) Unitarian House of Ottawa, a registered charity providing residential services to seniors, located at 20 Cleary Avenue, holds a 50 year lease at nominal rates, with term commencing in 1983, and
- (ii) River Parkway Children's Centre (RPCC - Notes 7 and 4), a non-profit daycare located at 40 Cleary Avenue, holds a 20 year lease, with term commencing in 2007.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Congregation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Congregation may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Congregation follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and recognized as revenue of the appropriate fund in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Since government assistance resulting from the Canada Emergency Wage Subsidy and the 10% Temporary Wage Subsidy for Employers may be examined by the tax authorities, retroactive application clarifications were introduced after the programs were announced and some rules may be interpreted differently by the tax authorities, it is possible that the amounts granted will differ from the amounts recorded.

Rental revenue

The Congregation recognizes rental revenues on a straight-line basis over the lease term when collection is reasonably assured. The excess of rent recognized over amounts receivable under the leases is shown as deferred lease revenue on the statement of financial position.

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Investment income includes interest income, dividend income and changes in fair value.

Interest income is recognized on a time apportionment basis. Dividend income is recognized as of the ex-dividend date. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Congregation has elected to exclude from changes in fair value interest income and dividend income.

Investment income not subject to externally imposed restrictions, is recognized in the statement of revenues and expenses while net investment income subject to externally imposed restrictions, being recorded as deferred contributions.

Contributed services

Volunteers contribute a significant amount of time in carrying out the activities of the Congregation. Because of the difficulty in determining fair value, the Congregation does not recognize contributed services in the financial statements.

Fund accounting

The General Fund accounts for the Congregation's program delivery and administrative activities.

The Legacy Fund has an internally restricted portion and an externally restricted portion. The internally restricted portion consists of funds from undirected bequests or undirected donations. The externally restricted portion represents net assets, externally restricted for enduring Congregational purposes. Disbursements from the Legacy Fund are made in accordance with a stated policy of seeking to preserve real value, while contributing to the Congregation's financing requirements. In 2020, both components were re-balanced in accordance with the Legacy policy, which defined how the existing Endowment Fund of 2012 should be divided between the two components. As at December 31, 2021, the balance of the internally restricted portion is \$664,247 (\$630,679 in 2020) and the externally restricted portion is \$797,062 (\$286,645 in 2020).

The Capital Fund represents the amortized value of physical capital assets, net of the unamortized value of the lease payment for watermain and sewers (Notes 4 and 7).

The Maintenance Reserve Fund represents net assets internally restricted for maintenance projects which are significant in terms of cost and which have a life expectancy of more than 10 years. Contributions and disbursements from the fund are determined at the discretion of the Board.

The Maintenance Projects Fund represents net assets internally restricted for future maintenance projects not considered to be routine property maintenance. The contributions and disbursements from the fund are at the discretion of the Board.

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Congregation's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in the statement of revenues and expenses in the year they are incurred.

Subsequent measurement

At each reporting date, the Congregation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for common shares which are measured at fair value and bond investments which the Congregation has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost or using the cost method, the Congregation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Congregation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in earnings. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in earnings in the year the reversal occurs.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Congregation receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the asset, at the following annual rates:

	<u>Periods</u>
Buildings	20 - 40 years
Paving	20 years
Watermain and sewers	Lease term - 20 years
Equipment	10 -30 years

Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of revenues and expenses and cannot be reversed.

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

3 - AMOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
	\$	\$
Trade accounts receivable	882	1,203
Government assistance receivable		437
Consumption tax	<u>4,207</u>	<u>14,457</u>
	<u>5,089</u>	<u>16,097</u>

4 - INVESTMENTS

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
	\$	\$	\$	\$
Provincial bonds (bearing interest at rates varying from 2.35% to 3.2%, maturing between June 2023 and June 2026)	298,174	298,457	184,725	193,408
Corporate bonds (bearing interest at rates varying from 2.28% to 4.09%, maturing between May 2023 and June 2025)	234,303	234,678	111,372	116,233
Common shares (a)	861,328	1,255,142	561,350	774,002
Cash equivalents	<u>135,405</u>	<u>135,405</u>	<u>79,023</u>	<u>79,023</u>
	<u>1,529,210</u>	<u>1,923,682</u>	<u>936,470</u>	<u>1,162,666</u>

(a) Shares in public companies operating in the following sectors:

	<u>2021</u>	<u>2020</u>
	%	%
Financials	26	32
Communications	10	13
Health care	13	13
Transportation	4	5
Manufacturing	5	5
Other	<u>42</u>	<u>32</u>
	<u>100</u>	<u>100</u>

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

5 - TANGIBLE CAPITAL ASSETS

	2021			2020
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Land	422,086		422,086	422,086
Buildings	1,065,029	809,009	256,020	276,077
Paving	41,586	21,833	19,753	21,833
Watermain and sewers	260,000	192,833	67,167	80,167
Equipment	105,481	62,996	42,485	45,519
	<u>1,894,182</u>	<u>1,086,671</u>	<u>807,511</u>	<u>845,682</u>

6 - INTERFUND TRANSFERS

In 2021, the Congregation's Board of Directors transferred \$130,361 from the Legacy Fund to the General Fund (\$23,000 in 2020). Funds which are internally restricted, are not available for other purposes without approval of the Board of Directors.

7 - DEFERRED CONTRIBUTIONS

Deferred contributions represent designated bequest funds and trust funds. The Congregation receives donations from members to be used for non-capitalized property improvements and other charitable activities. These funds are not available for general operating use and are separately accounted for. Deferred contributions are recognized as revenue in a year in which related expenses are incurred.

	Opening balance	Contributions	Disbursements	Income allocation	Ending Balance
	\$	\$	\$	\$	\$
The Robert Hale Choir Music Fund	2,254			31	2,285
The Edith Holtom International Lecture Fund	17,507			239	17,746
The Andrew Winn Social Responsibility Fund	7,968			109	8,077
The Arthur Covington World Religions Fund	9,494		(250)	126	9,370
The Nellie Scott Young Members Fund	12,337		(202)	166	12,301
The Malcolm Stevenson Youth World Peace Action Fund	2,588			35	2,623
Donald Watson Internship Fund	220,078	5,003		3,004	228,085
	<u>272,226</u>	<u>5,003</u>	<u>(452)</u>	<u>3,710</u>	<u>280,487</u>

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

8 - LEASE PAYMENT FOR WATERMAIN AND SEWERS

The Congregation has entered into a long-term 20 year lease with the River Parkway Childrens Centre (RPCC). As part of its lease payment, RPCC paid \$260,000 for the construction of a watermain, sanitary sewer, and storm sewer. This payment is being amortized, at \$13,000 per annum, over the 20 year term of the lease.

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance, beginning of the year	80,167	93,167
Lease revenue recognized in current year	<u>13,000</u>	<u>13,000</u>
Balance, ending of the year	<u>67,167</u>	<u>80,167</u>

9 - LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
	\$	\$
Loan, capital of \$30,000, secured by the Government of Canada, non-interest bearing until December 31, 2022	<u>30,000</u>	<u>30,000</u>

The Company received a \$40,000 loan under the Canada Emergency Business Account program. If the Company repays \$30,000 of the loan by December 31, 2022, no other amount will be payable. Otherwise, the loan balance will bear interest at 5% and may either be repaid in 36 monthly instalments of capital and interest or repaid on maturity on December 31, 2025.

Since \$10,000 of the government assistance is forgivable if the Company repays \$30,000 by December 31, 2022, the amount was recognized in earnings at the time the government assistance was granted.

Subsequent to year-end, the Government of Canada announced that the deadline to repay loans under the Canada Emergency Business Account program would be extended by one year (that is from December 31, 2022 to December 31, 2023). As of January 1, 2024, the loan balance will bear interest at 5% and will be repayable on maturity on December 31, 2025.

10 - NET INVESTMENT INCOME

	<u>2021</u>	<u>2020</u>
	\$	\$
Investments measured at fair value:		
Interest income	11,488	8,280
Dividend income	23,297	17,258
Changes in fair value of investments	<u>194,272</u>	<u>38,668</u>
	<u>229,057</u>	<u>64,206</u>

11 - COMMITMENTS

The Congregation has also entered into a contract agreement expiring on April 15, 2022 which calls for minimum payments of \$7,207 for snow removal services.

First Unitarian Congregation of Ottawa

Notes to Financial Statements

December 31, 2021

12 - FINANCIAL RISKS

Credit risk

The Congregation is exposed to credit risk regarding the financial assets recognized in the statement of financial position, except for investments in common shares. The Congregation has determined that the financial assets with more credit risk exposure are amounts receivable and corporate bonds since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Congregation.

Market risk

The Congregation's financial instruments expose it to market risk, in particular, interest rate risk, currency risk, and other price risk, resulting from its investing activities.

Currency risk

The majority of the Congregation's transactions are in Canadian dollars. Currency risk results from the Congregation's investments denominated in foreign currency which are primarily in U.S. dollars. As at December 31, 2021, the Congregation is exposed to currency risk due to cash and investments denominated in U.S. dollars totalling \$640,544 (\$388,780 as at December 31, 2020).

Interest rate risk

The Congregation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The investments in bonds bear interest at a fixed rate and the Congregation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Other price risk

The Congregation is exposed to other price risk due to investments in common shares since changes in market prices could result in changes in the fair value of these instruments.

Liquidity risk

The Congregation's liquidity risk represents the risk that the Congregation could encounter difficulty in meeting obligations associated with its financial liabilities. The Congregation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.