

**FIRST UNITARIAN UNIVERSALIST CHURCH
OF WINNIPEG INC.**

FINANCIAL STATEMENTS

JUNE 30, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

DATE

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of the First Unitarian Universalist Church of Winnipeg Inc.:

We have reviewed the accompanying financial statements of First Unitarian Universalist Church of Winnipeg Inc. that comprise the statement of financial position as at June 30, 2020 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 First Unitarian Universalist Church of Winnipeg Inc. as at June 30, 2020, 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.

DRAFT

Chartered Professional Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

FIRST UNITARIAN UNIVERSALIST CHURCH OF WINNIPEG INC.

STATEMENT OF FINANCIAL POSITION

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash (Note 2)	\$ 59,480	\$ 86,120
GST receivable	1,120	7,500
Prepaid expenses	<u>7,379</u>	<u>6,564</u>
	67,979	100,184
Credit Union equity	4,118	4,977
Funds held for specific purposes:		
Endowment Fund - investments and cash (Note 3)	134,862	117,916
K. Simons - cash	30	21,263
Book Publishing Fund - cash	6,158	6,045
Elevator Fund - cash	27,978	27,463
Capital campaign - cash	67,857	46,308
Discretionary Fund - cash	1,222	1,199
Memorial Garden Fund - cash	912	410
Refugee Fund - cash	57,731	46,970
Building Fund - cash	-	6,499
Fundraising Fund - cash	848	222
Board Contingency Fund - cash	193	5,183
Board Capital Expenses Fund - cash	<u>193</u>	<u>5,183</u>
	297,984	284,661
Capital assets (Note 4)	<u>1,344,275</u>	<u>1,342,597</u>
	<u>\$ 1,714,356</u>	<u>\$ 1,732,419</u>
LIABILITIES		
Current liabilities:		
Government remittances payable	\$ 1,418	\$ 4,480
Accounts payable	-	107,352
Deferred contributions (Note 5)	10,514	22,093
Building financing (Note 6)	<u>393,067</u>	<u>383,911</u>
	404,999	517,836
Deferred contributions related to capital assets (Note 7)	<u>317,733</u>	<u>328,233</u>
	722,732	846,069
NET ASSETS		
Net assets restricted for endowment purposes	134,862	117,916
Net assets invested in capital assets	633,475	630,453
Internally restricted net assets (Note 8)	163,122	166,745
Unrestricted net assets	<u>60,165</u>	<u>(28,764)</u>
	991,624	886,350
	<u>\$ 1,714,356</u>	<u>\$ 1,732,419</u>

APPROVED BY THE BOARD:

_____ Director

_____ Director

FIRST UNITARIAN UNIVERSALIST CHURCH OF WINNIPEG INC.

STATEMENT OF OPERATIONS

	Year ended June 30	
	2020	2019
Revenue:		
Donations	\$ 304,335	\$ 306,843
Fundraising	78,121	84,103
Other	74,369	104,244
Endowment fund income (Note 3)	1,703	4,546
Amortization of deferred contributions related to capital assets	10,500	10,500
Interest income	2,852	5,314
	471,880	515,550
 Expenses:		
Administration	52,402	48,365
Depreciation	19,700	17,200
Interest	15,955	15,613
Programs	58,411	114,227
Property costs	46,594	47,789
Salaries	190,490	193,848
	383,552	437,042
 Difference between revenue and expenses	\$ 88,328	\$ 78,508

FIRST UNITARIAN UNIVERSALIST CHURCH OF WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

	<u>Endowment</u>	<u>Capital Assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Year ended June 30</u>	
					<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 117,916	\$ 630,453	\$ 166,745	\$ (28,764)	\$ 886,350	\$ 806,192
Payment on building financing	-	364,594	-	(364,594)	-	-
Advance on building financing	-	(373,750)	-	373,750	-	-
Capital assets purchased	-	21,378	-	(21,378)	-	-
Endowment contributions	16,946	-	-	-	16,946	1,650
Internally restricted (Note 8)	-	-	(3,623)	3,623	-	-
Difference between revenue and expenses	-	(9,200)	-	97,528	88,328	78,508
Balance, end of year	<u>\$ 134,862</u>	<u>\$ 633,475</u>	<u>\$ 163,122</u>	<u>\$ 60,165</u>	<u>\$ 991,624</u>	<u>\$ 886,350</u>

FIRST UNITARIAN UNIVERSALIST CHURCH OF WINNIPEG INC.

STATEMENT OF CASH FLOWS

	Year ended June 30	
	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Cash from donors and others	\$ 446,105	\$ 504,990
Cash paid to suppliers and employees	(361,349)	(424,805)
Interest income	4,555	5,314
	<u>89,311</u>	<u>85,499</u>
Cash flow from investing and financing activities:		
Funds held for specific purposes	3,623	(32,870)
Transfer to endowment	-	(232)
Capital assets purchased	(128,730)	(71,340)
Advance on building financing	373,750	33,029
Payment on building financing	(364,594)	(15,352)
	<u>(115,951)</u>	<u>(86,765)</u>
Change in cash	(26,640)	(1,266)
Cash, beginning of year	<u>86,120</u>	<u>87,386</u>
Cash, end of year	<u>\$ 59,480</u>	<u>\$ 86,120</u>

FIRST UNITARIAN UNIVERSALIST CHURCH OF WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. Organization and Significant accounting policies:

Organization-

The First Unitarian Universalist Church of Winnipeg Inc. is a not-for-profit organization and is a registered charity under the Income Tax Act. The Church holds weekly worship services, religious exploration classes for adults and children, works for social justice, provides ministries for adults and children weekly, provides pastoral care to members and friends and operates a food bank depot.

Significant accounting policies-

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Accounting estimates-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known. Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments. Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Revenue recognition-

The Church follows the deferral method of accounting for contributions. Restricted contributions 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. Endowment contributions are recognized as direct increases in net assets. Interest is recognized on a time proportion basis.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. Organization and Significant accounting policies (continued):

c) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

The church building is being depreciated on a straight-line basis over 40 years. Equipment is being depreciated on a straight-line basis over 10 years.

d) Contributed services-

Because of the difficulty of determining the fair value of contributed services, these are not recognized in the financial statements.

e) Financial instruments-

Except for certain related party transactions financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

In subsequent periods investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Church may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative effect of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Church measures cash, Credit Union equity, accounts payable and building financing at amortized cost and investments at fair value.

The Church assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2. Cash:

The Church has an operating line of credit in the amount of \$5,000 (2019 - \$5,000) of which \$nil (2019 - \$nil) had been drawn down, with interest at prime plus 1% (2019 - prime plus 1%), and is unsecured and renewable on an annual basis.

3. Endowment Fund - investments and cash:

The Endowment Fund investments and cash are made up of cash and deposits of \$69,224 (2019 - \$54,643) with interest rates ranging from 1.90% to 3.00% (2019 - 2.25% to 3.00%), with maturities ranging to 2024 (2019 - to 2024) and equities of \$65,638 (2019 - \$63,273). Endowment fund income is made up of interest and investment income of \$2,881 (2019 - \$3,277) and a market value decrease of \$1,178 (2019 - increase of \$1,269).

4. Capital assets:

	June 30			
	2020		2019	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 240,000	\$ -	\$ 240,000	\$ -
Church building	1,408,121	306,650	1,386,908	287,450
Equipment	25,334	22,530	25,169	22,030
	<u>\$ 1,673,455</u>	<u>\$ 329,180</u>	<u>\$ 1,652,077</u>	<u>\$ 309,480</u>
Net book value	<u>\$ 1,344,275</u>		<u>\$ 1,342,597</u>	

5. Deferred contributions:

Deferred contributions represent contributions received in the current period that relate to the subsequent period.

6. Building financing:

	June 30	
	2020	2019
Bridge financing provided by members, no fixed terms	\$ 28,000	\$ 44,271
Credit Union, 3.967% (2019 - 4.45%), payable in monthly amounts of \$2,260 (2019 - \$2,198) including principal and interest, demand loan secured by land and building	<u>365,067</u>	<u>339,640</u>
	<u>\$ 393,067</u>	<u>\$ 383,911</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. Deferred contributions related to capital assets:

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 328,233	\$ 338,733
Less: portion amortized	<u>(10,500)</u>	<u>(10,500)</u>
Ending balance	<u>\$ 317,733</u>	<u>\$ 328,233</u>

8. Internally restricted net assets:

The Board of Directors has internally restricted \$163,122 (2019 - \$166,745) of net assets for specific purposes. These internally restricted amounts are not available for other purposes unless approved by the Board of Directors.

9. Temporary Wage Subsidy:

The Church has applied for the Temporary Wage Subsidy relating to salaries paid during the year ended June 30, 2020. Other revenue for the year ended June 30, 2020 includes \$4,628 related to the Temporary Wage Subsidy.

10. Commitment:

The Church has committed to capital asset expenditures of \$235,506 related to parking lot improvements. The capital asset addition was completed subsequent to year end and was financed by an \$181,000 demand loan at 2.95% with monthly payments of \$1,200.

11. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Church's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its Church, the Church is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Church has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Church, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity risk-

Liquidity risk is the risk that the Church cannot meet its financial obligations associated with financial liabilities in full. The Church's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Church's financial obligations associated with financial liabilities.

NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED JUNE 30, 2020****11. Risk management and fair values (continued):**

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Church has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Church also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded.

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk. Obtaining building financing with fixed interest rates minimizes cash flow risk.

12. Subsequent event:

The outbreak of the novel strain of coronavirus ("COVID-19"), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to June 30, 2020, governments have continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Church in future periods.