



KEHILLAT BETH ISRAEL CONGREGATION

Financial Statements
For The Year Ended June 30, 2018

KEHILLAT BETH ISRAEL CONGREGATION

INDEX TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Page
Independent auditor's report	1 - 2
Statement of financial position	3 - 4
Statement of changes in net assets	5
Statement of operations	6
Statement of cash flows	7
Notes to financial statements	8 - 13



INDEPENDENT AUDITOR'S REPORT

To the members of
Kehillat Beth Israel Congregation

We have audited the accompanying financial statements of Kehillat Beth Israel Congregation, which comprise the statement of financial position as at June 30, 2018, and the statements of changes in net assets, operations 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, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, the verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustment might be necessary to revenues, net result for the year, and cash flows from operations for the years ended June 30, 2018 and 2017, current assets as at June 30, 2018 and 2017, and net assets as at July 1 and June 30 for both the 2018 and 2017 fiscal years. Our audit opinion on the financial statements for the year ended June 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the 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 Kehillat Beth Israel Congregation as at June 30, 2018, 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.



GINSBERG GLUZMAN FAGE & LEVITZ, LLP
Chartered Professional Accountants, Licensed Public Accountants
Ottawa,
October 23, 2018.

KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Operating Fund	Capital Fund	Special Purpose Funds	2018 Total	2017 Total
ASSETS					
Current					
Cash	\$ 179,173	\$ 917,157	\$ 150,921	\$ 1,247,251	\$ 1,207,420
Accounts receivable	80,054	-	-	80,054	91,697
Inventory	17,122	-	15,330	32,452	26,286
Prepaid expenses	20,107	-	-	20,107	44,011
Due from Operating Fund (note 4)	-	214,702	113,868	328,570	356,370
Mortgage receivable (note 5)	-	2,100,000	-	2,100,000	-
	<u>296,456</u>	<u>3,231,859</u>	<u>280,119</u>	<u>3,808,434</u>	<u>1,725,784</u>
Capital assets (note 6)	-	466,081	-	466,081	381,410
Long-term					
Marketable securities	109,157	3,945,573	328,300	4,383,030	4,294,308
Mortgage receivable (note 5)	-	-	-	-	2,100,000
Note receivable (note 7)	65,333	-	-	65,333	65,333
	<u>174,490</u>	<u>3,945,573</u>	<u>328,300</u>	<u>4,448,363</u>	<u>6,459,641</u>
	<u>\$ 470,946</u>	<u>\$ 7,643,513</u>	<u>\$ 608,419</u>	<u>\$ 8,722,878</u>	<u>\$ 8,566,835</u>

Approved on behalf of the board:

_____ director

_____ director



KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Operating Fund	Capital Fund	Special Purpose Funds	2018 Total	2017 Total
LIABILITIES					
Current					
Accounts payable and accrued liabilities	\$ 75,532	\$ 15,000	\$ -	\$ 90,532	\$ 68,326
Deferred revenue	125,931	-	-	125,931	9,071
Due to Capital Fund (note 4)	214,702	-	-	214,702	247,969
Due to Special Purpose Funds (note 4)	113,868	-	-	113,868	108,401
	530,033	15,000	-	545,033	433,767
Contingencies (notes 8 and 9)					
NET ASSETS					
Unrestricted	(59,087)	7,162,432	-	7,103,345	7,184,198
Invested in capital assets	-	466,081	-	466,081	381,410
Internally restricted	-	-	480,568	480,568	442,675
Externally restricted	-	-	127,851	127,851	124,785
	(59,087)	7,628,513	608,419	8,177,845	8,133,068
	\$ 470,946	\$ 7,643,513	\$ 608,419	\$ 8,722,878	\$ 8,566,835

KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Capital Fund	Special Purpose Funds	2018 Total	2017 Total
Net assets, beginning of year	\$ -	\$ 7,565,608	\$ 567,460	\$ 8,133,068	\$ 8,205,861
Net result for the year	(249,178)	252,996	40,959	44,777	(72,793)
Interfund transfers	190,091	(190,091)	-	-	-
Net assets, end of year	\$ (59,087)	\$ 7,628,513	\$ 608,419	\$ 8,177,845	\$ 8,133,068

KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Capital Fund	Special Purpose Funds	2018 Total	2017 Total
Revenue					
Annual dues	\$ 874,786	\$ -	\$ -	\$ 874,786	\$ 931,818
Donations	132,724	80,000	67,960	280,684	181,189
Investment	6,303	235,611	19,220	261,134	392,210
Miscellaneous	12,217	-	-	12,217	13,586
Programs and Kiddushim	202,465	-	42,009	244,474	233,551
Rental	32,791	-	-	32,791	29,745
	<u>1,261,286</u>	<u>315,611</u>	<u>129,189</u>	<u>1,706,086</u>	<u>1,782,099</u>
Expenses					
Accounting	51,338	-	-	51,338	35,720
Amalgamation	-	-	-	-	65,655
Amortization	-	17,095	-	17,095	-
Bad debts and collection costs	-	-	-	-	10,549
Bank charges and interest	15,301	-	-	15,301	22,181
Insurance	17,258	-	-	17,258	21,424
Investment management fees	1,427	30,520	3,504	35,451	35,364
Maintenance and repairs	147,755	-	-	147,755	106,966
Membership fees and dues	32,500	-	-	32,500	30,509
Office expenses	64,164	-	-	64,164	76,253
Professional fees	38,103	15,000	-	53,103	14,609
Programs and Kiddushim	254,699	-	66,930	321,629	304,789
Salaries and benefits	785,885	-	17,796	803,681	1,011,015
Telephone	7,732	-	-	7,732	13,306
Travel	5,692	-	-	5,692	4,559
Utilities	88,610	-	-	88,610	101,993
	<u>1,510,464</u>	<u>62,615</u>	<u>88,230</u>	<u>1,661,309</u>	<u>1,854,892</u>
Net result for the year	\$ (249,178)	\$ 252,996	\$ 40,959	\$ 44,777	\$ (72,793)



KEHILLAT BETH ISRAEL CONGREGATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CASH PROVIDED BY (USED IN)		
Operating activities		
Net result for the year	\$ 44,777	\$ (72,793)
Amortization	17,095	-
Changes in operating net assets		
Accounts receivable	11,643	41,750
Inventory	(6,166)	(15,886)
Prepaid expenses	23,904	(17,670)
Accounts payable and accrued liabilities	22,206	(98,665)
Deferred revenue	116,860	(20,547)
	<u>230,319</u>	<u>(183,811)</u>
Investing activities		
Net purchases of marketable securities	(88,722)	(165,974)
Purchase of capital assets	(101,766)	-
	<u>(190,488)</u>	<u>(165,974)</u>
Increase (decrease) in cash and cash equivalents	39,831	(349,785)
Cash and cash equivalents, beginning of year	<u>1,207,420</u>	<u>1,557,205</u>
Cash and cash equivalents, end of year	<u>\$ 1,247,251</u>	<u>\$ 1,207,420</u>
Represented by:		
Restricted cash	\$ 43,184	\$ 45,355
Unrestricted cash	<u>1,204,067</u>	<u>1,162,065</u>
	<u>\$ 1,247,251</u>	<u>\$ 1,207,420</u>

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. Purpose of the organization

Kehillat Beth Israel Congregation ("the Congregation") was incorporated without share capital under the Canada Not-for-profit Corporations Act and is a registered charity exempt from income taxes under the *Income Tax Act*. The primary purpose of the organization is to provide religious, spiritual, education, social and cultural services to adherents of the Jewish faith.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Purpose of the funds

The Operating fund reports the assets, liabilities, revenues and expenditures related to the general operations of the Congregation.

The Capital fund reports the assets, liabilities, revenue and expenditures related to the investment of the net proceeds arising from a predecessor congregation's sale of capital assets, as well as the organization's capital assets situated at 1400 Coldrey Avenue.

The Special purpose funds report the assets, liabilities, revenue and expenditures of the externally and internally restricted funds of the Congregation.

Cash and cash equivalents

Cash and cash equivalents can include cash on hand, balances with financial institutions (net of temporary overdrafts) and short-term highly liquid investments. Cash and cash equivalents include amounts that are externally restricted as indicated in the statement of cash flows.

Revenue recognition

The Congregation follows the restricted fund method of accounting for contributions. Restricted contributions related to particular funds are recognized as revenue in the relevant restricted fund. Restricted contributions for which there is no related restricted fund are deferred and recognized as revenue of the operating fund when the related restrictions have been met. Unrestricted contributions are recognized as revenues in the operating fund.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2. Significant accounting policies (continued)

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of sale.

Capital assets

Land is recorded at cost. The Congregation holds a collection of holy scrolls, prayer books and library related to the Jewish Faith. These assets are recorded at cost and no amortization has been recorded due to the permanent nature of these items. Amortization of depreciable capital assets are recorded at the following rates:

Computer hardware	5 years straight line
Computer software	5 years straight line
Security equipment	20 years straight line

Financial instruments*Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the writedown is recognized in net income.

Transaction costs

Transaction costs are recognized in net income 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.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2. Significant accounting policies (continued)

Contributed services

Volunteers' contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

Donations in kind are recorded at fair value.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. Financial instruments

Risks and concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at June 30, 2018.

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 organization's main credit risks relate to its accounts receivable, notes receivable and mortgage receivable. The company provides credit to its clients in the normal course of operations.

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 entity is mainly exposed to currency and interest rate risk.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

3. Financial instruments (continued)

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. The organization's main currency risks relate to its foreign investment holdings. As at June 30, 2018, cash and marketable securities of \$3,899 and \$35,275 respectively are denominated in US dollars and converted to Canadian dollars.

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 organization is exposed to interest rate risk on its investment holdings.

4. Interfund advances

Interfund advances are non-interest bearing with no specified terms of repayment.

5. Mortgage receivable

The mortgage receivable is interest bearing at 6% per annum, with interest payable quarterly. The mortgage is due January 14, 2019 and is secured by a first mortgage on the properties at 151 and 153 Chapel Street.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

6. Capital assets

	Cost	2018 Accumulated Amortization	Net Book Value
Building, paving and fence	\$ 1,192,187	\$ 1,192,187	\$ -
Holy scrolls, prayer books, library	71,386	-	71,386
Land	310,024	-	310,024
Computer hardware	2,000	400	1,600
Computer software	78,046	15,609	62,437
Security equipment	21,720	1,086	20,634
	<u>\$ 1,675,363</u>	<u>\$ 1,209,282</u>	<u>\$ 466,081</u>

	Cost	2017 Accumulated Amortization	Net Book Value
Building, paving and fence	\$ 1,192,187	\$ 1,192,187	\$ -
Holy scrolls, prayer books, library	71,386	-	71,386
Land	310,024	-	310,024
	<u>\$ 1,573,597</u>	<u>\$ 1,192,187</u>	<u>\$ 381,410</u>

7. Note receivable

The note receivable is non-interest bearing and due on October 8, 2023. The note is secured by a mortgage on the property at 15 Chartwell Avenue.

8. Contingent liability

Should the Congregation cease to operate as a Jewish religious entity, then the net assets of the Congregation shall be donated in full to the Ottawa Jewish Community Foundation.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

9. Contingent gains

Contingent gain on disposal of properties

In 2013, Congregation Beth Shalom of Ottawa sold the properties located at 151 and 153 Chapel Street for proceeds of \$12,100,000.

There was a provision in the agreement whereby the purchase price could increase by up to \$2,750,000 based on certain conditions. During the year this potential increase was discharged.

Jewish Memorial Gardens

Any monies accumulated in the Jewish Memorial Gardens Capital Reserve Fund in excess of \$250,000 is to be distributed to the member synagogues in proportion to each member's share of the total number of Lots sold since January 1, 2010. The balance of the Capital Reserve Fund at June 30, 2018 was not in excess of \$250,000.

The amount that the congregation is entitled to recover was \$330,599 as of June 30, 2018, which represents 46% of the total lots sold. Any amount recovered in the future will be recorded as income in the fiscal year it is received.

10. Comparative figures

Certain 2017 comparative figures have been reclassified to conform with the presentation adopted in 2018.