



KEHILLAT BETH ISRAEL CONGREGATION

Financial Statements
For The Year Ended June 30, 2019

KEHILLAT BETH ISRAEL CONGREGATION

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JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of
Kehillat Beth Israel Congregation

Qualified Opinion

We have audited the financial statements of Kehillat Beth Israel Congregation (the Organization), which comprise the statement of financial position as at June 30, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the 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 Kehillat Beth Israel Congregation as at June 30, 2019, 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, Kehillat Beth Israel Congregation 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 adjustments might be necessary with respect to donation revenue, net result, and cash flows from operations for the years ended June 30, 2019 and 2018, current assets as at June 30, 2019 and 2018, and net assets as at July 1 and June 30 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended June 30, 2018 was modified 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



Chartered Professional Accountants, Licensed Public Accountants
Ottawa,
October 10, 2019.


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KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Operating Fund	Capital Fund	Special Purpose Funds	2019 Total	2018 Total
ASSETS					
Current					
Cash	\$ 130,051	\$ 415,479	\$ 40,626	\$ 586,156	\$ 1,247,251
Accounts receivable	61,508	-	-	61,508	80,054
Inventory	9,617	-	1,250	10,867	32,452
Prepaid expenses	545	-	-	545	20,107
Due from Operating Fund (note 5)	-	134,485	148,517	283,002	328,570
Mortgage receivable	-	-	-	-	2,100,000
	<u>201,721</u>	<u>549,964</u>	<u>190,393</u>	<u>942,078</u>	<u>3,808,434</u>
Capital assets (note 4)	-	448,986	-	448,986	466,081
Long-term					
Investments - managed funds	160,177	6,581,543	465,755	7,207,475	-
Marketable securities	-	-	-	-	4,383,030
Note receivable (note 6)	65,333	-	-	65,333	65,333
	<u>225,510</u>	<u>6,581,543</u>	<u>465,755</u>	<u>7,272,808</u>	<u>4,448,363</u>
	<u>\$ 427,231</u>	<u>\$ 7,580,493</u>	<u>\$ 656,148</u>	<u>\$ 8,663,872</u>	<u>\$ 8,722,878</u>

Approved on behalf of the board:

_____ director

_____ director



KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Operating Fund	Capital Fund	Special Purpose Funds	2019 Total	2018 Total
LIABILITIES					
Current					
Accounts payable and accrued liabilities	\$ 55,992	\$ -	\$ -	\$ 55,992	\$ 90,532
Deferred revenue	107,684	-	-	107,684	125,931
Due to Capital Fund (note 5)	134,485	-	-	134,485	214,702
Due to Special Purpose Funds (note 5)	148,517	-	-	148,517	113,868
	446,678	-	-	446,678	545,033
Contingencies (notes 7 and 8)					
NET ASSETS					
Unrestricted	(19,447)	7,093,831	-	7,074,384	7,103,345
Invested in capital assets	-	448,986	-	448,989	466,081
Internally restricted	-	-	524,776	524,776	480,568
Externally restricted	-	37,676	131,372	169,048	127,851
	(19,447)	7,580,493	656,148	8,217,194	8,177,845
	\$ 427,231	\$ 7,580,493	\$ 656,148	\$ 8,663,872	\$ 8,722,878

KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

	Operating Fund	Capital Fund	Special Purpose Funds	2019 Total	2018 Total
Net assets, beginning of year	\$ (59,087)	\$ 7,628,513	\$ 608,419	\$ 8,177,845	\$ 8,133,068
Net result for the year	(178,923)	192,081	26,191	39,349	44,777
Interfund transfers	218,563	(240,101)	21,538	-	-
Net assets, end of year	\$ (19,447)	\$ 7,580,493	\$ 656,148	\$ 8,217,194	\$ 8,177,845

KEHILLAT BETH ISRAEL CONGREGATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2019

	Operating Fund	Capital Fund	Special Purpose Funds	2019 Total	2018 Total
Revenue					
Annual dues	\$ 916,834	\$ -	\$ -	\$ 916,834	\$ 874,786
Donations	100,360	75,000	96,942	272,302	280,684
Investment	4,856	271,027	14,236	290,119	261,134
Gift shop	4,444	-	-	4,444	12,217
Programs and Kiddushim	203,149	-	53,520	256,669	244,474
Rental	63,036	-	-	63,036	32,791
	<u>1,292,679</u>	<u>346,027</u>	<u>164,698</u>	<u>1,803,404</u>	<u>1,706,086</u>
Expenses					
Accounting	48,730	-	-	48,730	51,338
Amortization	-	17,095	-	17,095	17,095
Bank charges and interest	20,252	-	-	20,252	15,301
Insurance	19,125	-	-	19,125	17,258
Investment management fees	747	30,927	2,189	33,863	35,451
Maintenance and repairs	77,649	68,600	-	146,249	147,755
Membership fees and dues - USCJ	35,000	-	-	35,000	32,500
Office	63,399	-	-	63,399	64,164
Professional fees	22,216	37,324	-	59,540	53,103
Programs and Kiddushim	211,976	-	108,392	320,368	321,629
Salaries and benefits	881,134	-	27,926	909,060	803,681
Telephone	2,434	-	-	2,434	7,732
Travel	6,077	-	-	6,077	5,692
Utilities	82,863	-	-	82,863	88,610
	<u>1,471,602</u>	<u>153,946</u>	<u>138,507</u>	<u>1,764,055</u>	<u>1,661,309</u>
Net result for the year	\$ (178,923)	\$ 192,081	\$ 26,191	\$ 39,349	\$ 44,777

KEHILLAT BETH ISRAEL CONGREGATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CASH PROVIDED BY (USED IN)		
Operating activities		
Net result for the year	\$ 39,349	\$ 44,777
Amortization	17,095	17,095
Changes in operating net assets		
Accounts receivable	18,546	11,643
Inventory	21,585	(6,166)
Prepaid expenses	19,562	23,904
Accounts payable and accrued liabilities	(34,540)	22,206
Deferred revenue	(18,247)	116,860
	<u>63,350</u>	<u>230,319</u>
Investing activities		
Net purchases of investments	(2,824,445)	(88,722)
Purchase of capital assets	-	(101,766)
Proceeds from mortgage receivable	2,100,000	-
	<u>(724,445)</u>	<u>(190,488)</u>
(Decrease) increase in cash and cash equivalents	(661,095)	39,831
Cash and cash equivalents, beginning of year	<u>1,247,251</u>	<u>1,207,420</u>
Cash and cash equivalents, end of year	<u>\$ 586,156</u>	<u>\$ 1,247,251</u>
Represented by:		
Restricted cash	\$ -	\$ 43,184
Unrestricted cash	<u>586,156</u>	<u>1,204,067</u>
	<u>\$ 586,156</u>	<u>\$ 1,247,251</u>

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. Significant accounting policies (continued)

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.

Annual dues, programs and kiddushim, and rental revenue are recognized over the terms of the periods as they become due, representative of the time pattern in which the benefits are utilized.

Investment revenue is recognized in accordance with the financial instruments accounting policy.

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

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. Significant accounting policies (continued)

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, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net result.

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.

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.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019.

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 note 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.

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 Congregation's currency risks relate to its foreign investment holdings. As at June 30, 2019, cash of \$7,434 is denominated in US dollars and converted to Canadian dollars. Additionally, the Congregation holds investments in a managed fund that is exposed to currency risk. The investment fund targets a range of 23% to 43% of foreign asset holdings.

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.

KEHILLAT BETH ISRAEL CONGREGATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

4. Capital assets

	Cost	2019 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	800	1,200
Computer software	78,046	31,218	46,828
Security equipment	21,720	2,172	19,548
	<u>\$ 1,675,363</u>	<u>\$ 1,226,377</u>	<u>\$ 448,986</u>

	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>

5. Interfund advances

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

6. 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.

7. 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, 2019

8. Contingent gain

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, 2019 was not in excess of \$250,000.

The amount that the congregation is entitled to recover was \$328,942 as of June 30, 2019, which represents 45% of the total lots sold. Any amount recovered in the future will be recorded as income in the fiscal year it is received.

9. Commitments

The organization has outstanding commitments of approximately \$63,000 in 2020 and \$88,000 in 2021 with respect to roofing repairs on the building.

10. Subsequent event

Subsequent to year-end, the Congregation entered into an agreement to replace an existing air conditioner in the building. The total cost of the repairs were approximately \$53,000.