

2025 Annual Report Appendices

Appendix AIndependent Auditor’s Report
Appendix BStatement of Financial Position
Appendix CStatement of Changes in Fund Balances
Appendix DStatement of Operations
Appendix EStatement of Cash Flows
Appendix FNotes to Financial Statements
Appendix G2026 Operating Budget Summary



Fairlawn Avenue United Church

Financial Statements

December 31, 2025



4 Glengrove Avenue West T: 416.489.8100
Toronto, Ontario F: 416.489.9194
M4R 1N4 www.ksk.ca

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, 2025, 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, 2025, 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

April 13, 2026

Fairlawn Avenue United Church

Statement of Financial Position
December 31, 2025

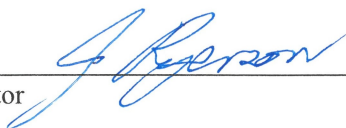
	Church			Total	
	Operating and Restricted Operating	Trustees Ministerial Salaries	Trustees and Legacy Administered	2025	2024
Assets					
Current					
Cash	\$ 112,414	\$ -	\$ -	\$ 112,414	\$ 116,195
Accounts receivable (note 2)	20,510	-	11,915	32,425	31,263
Marketable securities (note 3)	67,265	1,000,000	2,665,976	3,733,241	3,209,533
Trustees' administered funds - marketable securities (note 3)	-	-	438,981	438,981	406,038
	200,189	1,000,000	3,116,872	4,317,061	3,763,029
Capital assets (note 4)	-	-	326,430	326,430	263,884
	\$ 200,189	\$ 1,000,000	\$ 3,443,302	\$ 4,643,491	\$ 4,026,913

Liabilities and Fund Balances

Current					
Accounts payable and accrued liabilities	\$ 11	\$ -	\$ 34,288	\$ 34,299	\$ 39,521
Tenant deposits	32,982	-	-	32,982	16,168
Due to congregant (note 5)	-	-	-	-	68,000
	32,993	-	34,288	67,281	123,689
Fund Balances					
Restricted - Operating and Ministerial Salaries Fund	167,196	1,000,000	-	1,167,196	1,129,522
Discretionary - Legacy Fund	-	-	2,970,033	2,970,033	2,367,664
Trustees' Administered Funds (note 8)	-	-	438,981	438,981	406,038
	167,196	1,000,000	3,409,014	4,576,210	3,903,224
	\$ 200,189	\$ 1,000,000	\$ 3,443,302	\$ 4,643,491	\$ 4,026,913

Approved by the Governing Council

Director



Director



Fairlawn Avenue United Church

Statement of Changes in Fund Balances
For The Year Ended December 31, 2025

	Church Operating	Restricted Operating Funds	Trustees Ministerial Salaries	Trustees Legacy Fund	Trustees Administered Funds	Total	
						2025	2024
Fund balances, beginning of year	\$ -	\$ 129,522	\$ 1,000,000	\$ 2,367,664	\$ 406,038	\$ 3,903,224	\$ 3,553,075
Excess (deficiency) of revenues over expenses	(155,069)	(7,326)	29,926	727,512	77,943	672,986	350,149
Interfund transfer	155,069	45,000	(29,926)	(125,143)	(45,000)	-	-
Fund balances, end of year	\$ -	\$ 167,196	\$ 1,000,000	\$ 2,970,033	\$ 438,981	\$ 4,576,210	\$ 3,903,224



Fairlawn Avenue United Church

Statement of Operations

For The Year Ended December 31, 2025

Appendix D

	Church Operating	Restricted Operating Funds	Trustees Ministerial Salaries	Trustees Legacy Fund	Trustees Administered Funds (note 8)	Total
	2025	2025	2025	2025	2025	2025
Contributions and revenue						
Congregation contributions (note 6)	\$ 304,854	\$ 201,880	\$ -	\$ -	\$ -	\$ 506,734
Mission and service contributions	31,353	-	-	-	-	31,353
Fundraising	25,072	-	-	-	-	25,072
Investment income	-	-	38,394	90,903	16,090	145,387
Legacies, memorials and donations	-	-	-	58,677	-	58,677
Realized gain on sale of marketable securities	-	-	-	40,789	11,213	52,002
Change in fair value of marketable securities	-	-	-	620,538	60,405	680,943
Rental income	218,930	-	-	-	-	218,930
Lucas Sanders contribution	1,735	-	-	-	-	1,735
	581,944	201,880	38,394	810,907	87,708	1,720,833
Expenses						
Salaries and benefits	351,396	-	-	-	-	351,396
Property	207,101	-	-	-	-	207,101
Outreach	-	194,428	-	-	-	194,428
General and administration	84,419	-	-	-	1,735	86,154
Mission and service	31,353	-	-	-	-	31,353
Worship	56,222	14,778	-	-	-	71,000
Investment management fees	-	-	8,468	20,050	2,493	31,011
Amortization	-	-	-	41,990	-	41,990
Audit and legal	-	-	-	18,190	-	18,190
Other councils	6,009	-	-	-	-	6,009
Other	-	-	-	3,165	5,537	8,702
Legal and real estate fees	513	-	-	-	-	513
	737,013	209,206	8,468	83,395	9,765	1,047,847
Excess (deficiency) of revenues over expenses	\$ (155,069)	\$ (7,326)	\$ 29,926	\$ 727,512	\$ 77,943	\$ 672,986
						\$ 350,149



Koster, Spinks & Koster, LLC
Chartered Professional Accountants

Fairlawn Avenue United Church

Statement of Cash Flows
For The Year Ended December 31, 2025

	2025	2024
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses	\$ 672,986	\$ 350,149
Items not affecting cash:		
Amortization	41,990	30,179
Gain on sale of marketable securities	(52,002)	(125,300)
Change in fair value of marketable securities	(680,943)	(282,697)
Net change in non-cash working capital (note 7)	10,430	23,987
	<u>(7,539)</u>	<u>(3,682)</u>
Investing activities		
Acquisition of capital assets	(104,536)	(136,687)
Acquisition of marketable securities	(478,084)	(1,083,888)
Proceeds from sale of marketable securities	654,378	1,208,195
	<u>71,758</u>	<u>(12,380)</u>
Financing activity		
Repayment of amount due to congregant	(68,000)	-
Change in cash during the year	(3,781)	(16,062)
Cash, beginning of year	116,195	132,257
Cash, end of year	<u>\$ 112,414</u>	<u>\$ 116,195</u>

Fairlawn Avenue United Church

Notes to Financial Statements
December 31, 2025

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, 2025, there were 17 such funds under administration with an aggregate balance of \$167,196.

(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, 2025

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, 2025

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, 2025

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 \$14,641 (2024: \$15,397).

3. Marketable securities

The Social Justice Fund, 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:

	2025		2024	
	Market value	Cost	Market value	Cost
Cash held with broker	\$ 78,122	\$ 78,122	\$ 19,825	\$ 19,825
Fixed income securities	112,811	112,811	-	-
Canadian equities	3,044,510	1,708,987	2,842,595	2,074,006
Foreign equities	936,779	526,792	753,151	496,404
	<u>\$ 4,172,222</u>	<u>\$ 2,426,712</u>	<u>\$ 3,615,571</u>	<u>\$ 2,590,235</u>

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

Marketable securities consist of the following:

	2025	2024
Marketable securities	\$ 3,733,241	\$ 3,209,533
Trustees' administered funds - marketable securities	438,981	406,038
	<u>\$ 4,172,222</u>	<u>\$ 3,615,571</u>



Fairlawn Avenue United Church

Notes to Financial Statements
December 31, 2025

4. Capital assets

Capital assets consist of the following:

	2025		2024	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 435,128	\$ 112,229	\$ 322,899	\$ 256,965
Furniture and equipment	5,575	3,787	1,788	2,903
Computer equipment	11,811	10,068	1,743	4,016
	<u>\$ 452,514</u>	<u>\$ 126,084</u>	<u>\$ 326,430</u>	<u>\$ 263,884</u>

5. Due to congregant

The amount due to congregant was non-interest bearing and was repaid during the year.

6. Congregation contributions

Congregation contributions include donated marketable securities in the amount of \$7,017 (2024: \$30,392).

7. Net change in non-cash working capital

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

	2025	2024
(Increase) decrease in:		
Accounts receivable	\$ (1,162)	\$ (1,325)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(5,222)	9,144
Tenant deposits	16,814	16,168
	<u>\$ 10,430</u>	<u>\$ 23,987</u>

Fairlawn Avenue United Church

Notes to Financial Statements
December 31, 2025

8. Trustees' Administered funds

The Trustees' Administered funds consist of the following funds:

	Lucas Sanders	Anne Krug	Kellough Seniors	Social Justice	Total	
					2025	2024
Revenue						
Investment income	\$ 6,338	\$ 1,694	\$ 198	\$ 7,860	\$ 16,090	\$ 18,060
Change in fair value of marketable securities	30,418	8,132	947	20,908	60,405	40,959
Realized gain on sale of marketable securities	2,000	535	62	8,616	11,213	8,916
	38,756	10,361	1,207	37,384	87,708	67,935
Expenses						
Investment management fees	1,398	374	43	678	2,493	2,231
Bursaries	3,470	-	-	-	3,470	5,813
Mission and service	1,735	-	-	-	1,735	2,907
Church operating expenses	1,735	-	-	-	1,735	2,907
Piano tuning	-	332	-	-	332	686
	8,338	706	43	678	9,765	14,544
Excess of revenues over expenses	30,418	9,655	1,164	36,706	77,943	53,391
Transfer to Restricted Operating Funds	-	-	-	(45,000)	(45,000)	-
Fund balances, beginning of year	165,079	44,133	5,140	191,686	406,038	352,647
Fund balances, end of year	\$ 195,497	\$ 53,788	\$ 6,304	\$ 183,392	\$ 438,981	406,038

9. 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.

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.

Fairlawn Avenue United Church

Notes to Financial Statements
December 31, 2025

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, 2025, approximately 22% (2024: 21%) 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.

Fairlawn Avenue United Church
2026 Operating Budget Summary

Operating Revenue	Actual 2025 Budget 2026	
Total Offerings	304,854	289,175
Total Rentals	218,930	222,068
Total other income	25,072	22,500
TOTAL REVENUE	548,856	533,743
Operating Expenses		
Experience Belonging:		
Pastoral Support	952	1,100
Engagement and Events	2,575	12,995
Total Experience Belonging	3,527	14,095
Explore Spirituality:		
Worship Council	8,822	8,800
Music Council	47,400	43,025
Total Explore Spirituality	56,222	51,825
Administration	84,931	86,151
Executive Council	-	1,000
Communications Council	2,184	15,050
Stewardship Council	298	300
Human Resource and Relationships Council	351,396	333,797
Property Council	207,101	209,991
Total Other Expenses	645,910	646,289
TOTAL EXPENSES	705,659	712,209
NET OPERATING DEFICIT	- 156,803	- 178,466