THE UKRAINIAN CATHOLIC EPISCOPAL CORPORATION OF EASTERN CANADA

Financial Statements

December 31, 2022

INDEPENDENT AUDITORS' REPORT

To Bishop Bryan Bayda of The Ukrainian Catholic Episcopal Corporation of Eastern Canada:

Qualified Opinion

We have audited the financial statements of The Ukrainian Catholic Episcopal Corporation of Eastern Canada ("the Organization"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in net assets 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 the Organization as at December 31, 2022, and its results of 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 non-profit organizations, the Organization derives revenue from contributions and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these sources of revenue was limited to the amounts recorded in the records of the Organization. We were unable to obtain sufficient appropriate audit evidence over and were consequently unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, current assets and net assets.

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 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 audit 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.

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INDEPENDENT AUDITORS' REPORT *(continued)*

Auditors' 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.

Williams & Partners

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
June 26, 2023

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THE UKRAINIAN CATHOLIC EPISCOPAL CORPORATION OF EASTERN CANADA

Statement of Financial Position

December 31, 2022

	2022 $	2021 $
Assets		
Current		
Cash	221,808	683,003
Short term investments *(note 4)*	1,264,422	2,080,337
Accounts receivable	70,454	72,550
Government remittances receivable	77,948	54,741
Prepaid expenses	54,697	52,184
Current portion of loans receivable *(note 6)*	11,923	-
	1,701,252	2,942,815
Long term investments *(note 5)*	3,108,855	2,645,915
Loans receivable *(note 6)*	38,077	-
Captial assets *(note 7)*	1,902,405	1,930,721
Permanent member shares *(note 8)*	300	450
	6,750,889	7,519,901
Liabilities		
Current		
Accounts payable and accrued liabilities	38,001	20,001
Unearned revenue	124,838	114,150
	162,839	134,151
Commitments (note 10)		
Net Assets		
Unrestricted	6,588,050	7,385,750
	6,750,889	7,519,901

On behalf of the Board

DocuSigned by:

Bishop Bryan Bayda

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THE UKRAINIAN CATHOLIC EPISCOPAL CORPORATION OF EASTERN CANADA

Statement of Operations and Changes in Net Assets

Year Ended December 31, 2022

	2022 $	2021 $
Revenues		
Bingo	62,697	19,939
Donations - Cathedraticum	208,066	210,283
Donations - Other	46,329	49,398
Government wage subsidies *(note 9)*	37,818	19,344
Health benefits and other	162,040	142,712
Insurance	275,817	203,304
Investment	65,871	67,523
Mortgage interest	-	9,645
Rental	39,750	46,450
	898,388	768,598
Expenditures		
Amortization	129,892	130,886
Bingo	25,230	6,856
Condominium	36,532	40,341
Conferences and meetings	47,587	4,066
Donations	49,100	68,486
Health benefits	172,441	155,149
Insurance	288,997	271,222
Occupancy costs	63,150	90,671
Office and general	84,677	93,023
Professional fees	59,652	46,538
Salaries and benefits	645,857	435,295
Seminary assessments	22,900	16,587
Telephone and communications	10,627	9,567
Travel	39,841	30,371
Vehicle	28,087	21,170
	1,704,570	1,420,228
Excess (deficiency) of revenues over expenditures before undernoted items	(806,182)	(651,630)
Other income and expenses		
Gain (loss) on disposal of capital assets	(5,936)	545,483
Recovery of HST paid and other	14,418	8,926
	8,482	554,409
Excess (deficiency) of revenues over expenditures	(797,700)	(97,221)
Net assets, beginning	7,385,750	7,482,971
Net assets, ending	6,588,050	7,385,750

Statement of Cash Flows

Year Ended December 31, 2022

	2022 $	2021 $
Cash flows from operating activities		
Cash received from contributions, donations and rentals	829,858	839,216
Cash paid to suppliers, employees, donees and others	(1,594,772)	(1,507,435)
Investment income received	58,108	63,728
	(706,806)	(604,491)
Cash flows from investing activities		
Proceeds on maturity of investments	407,823	729,355
Repayments of mortgage receivable	-	557,101
Acquisition of investments	(54,848)	(1,345,915)
Acquisition of capital assets	(451,909)	(404,366)
Proceeds on disposition of capital assets	344,395	1,068,606
Permanent member shares	150	-
	245,611	604,781
Increase (decrease) in cash	(461,195)	290
Cash, beginning	683,003	682,713
Cash, ending	221,808	683,003

1. PURPOSE OF THE ORGANIZATION

The Organization is a Ukrainian Catholic Eparchy in the eastern part of Canada which acts as an administrative district for Ukrainian Catholic churches and parishes within the region. The Organization supports ministerial and pastoral work within the eastern part of Canada. The Organization was incorporated in Ontario without share capital on May 31, 1951.

The Organization is a registered Canadian charity and, as such, is exempt from income taxes under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, are in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is probable.

Restricted contributions are deferred and recognized in the period when the related activity occurs.

Rental revenue is recognized as premises are provided for use and collection is probable.

Investment income is recognized on an accrual basis.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and 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 excess of revenues over expenses.

Financial assets measured at amortized cost include cash, short term investments, accounts receivable, long term investments and loan receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of write-down from impairment is recognized as a charge against excess of revenues over expenditures.

Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Automobile	3 years
Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	10 years
Leasehold improvements	15 years

Capital assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from their use and eventual disposition. The impairment loss is measured by the amount by which the carrying amount of the long-lived asset exceeds their fair value.

Foreign currency transactions

Transactions denominated in a foreign currency have been translated at the rate of exchange in effect on the date of the transaction. Monetary items included on the statement of financial position have been translated at the rate of exchange in effect as at the statement of financial position date. Gains and losses on translations of foreign currencies are included in excess of revenues over expenses.

Donated services

These financial statements do not reflect donated services except where the fair value can be reasonably estimated and when they are used in the course of normal operations.

Use of estimates

The preparation of the Organization's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions which 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 expenditures for the year. Estimates are used when accounting for amortization of capital assets and accrued liabilities. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in excess revenues over expenditures in the period in which they become known.

3. FINANCIAL INSTRUMENT RISK EXPOSURES

The organization is exposed to risk through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentration at the statement of financial position date.

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 is exposed to credit risk on its accounts receivable. In order to reduce its credit risk, the Organization has adopted credit policies which include the regular review and analysis of the aging of its receivables.

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3. FINANCIAL INSTRUMENT RISK EXPOSURES *(continued)*

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Organization's inability to liquidate assets in a timely manner and at a reasonable price.

The Organization is exposed to liquidity risk and mitigates this risk by holding assets that can be readily converted to cash.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all securities traded in the market. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not exposed to other price risk.

The Organization is exposed to market risk and mitigates this risk by investing in a diversified portfolio of investments.

(i) 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 is exposed to currency risk as certain assets are denominated in US dollars:

	2022 $	2021 $
Cash	19,231	19,219

(ii) 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 price risk on its short term investments, and long term investments bearing interest at fixed rates as described in notes 4 and 5.

Changes in risk

There has been a decrease in the Organization's interest rate risk exposures due to the decrease in investments compared to the prior year. There have been no other significant changes in the Organization's risk exposures from the prior year.

4. SHORT TERM INVESTMENTS

Included in short term investments are guaranteed investment certificates of $1,072,500 (2021 - $1,876,521) bearing interest at rates between 1.60% and 2.60% per annum, and maturing between February 2023 and November 2023. In addition, short term investments includes mutual fund securities of $191,922 (2021 - $203,816) held at Manulife Securities.

5. LONG TERM INVESTMENTS

Included in long term investments are guaranteed investment certificates of $3,108,855 (2021 - $2,645,915) bearing interest at rates between 1.70% and 3.75% per annum, and maturing between April 2024 and June 2026.

6. LOANS RECEIVABLE

	2022 $	2021 $
Loans receivable are unsecured, bearing interest at an annual rate of 5.95% per annum, with monthly payments ranging from $235 to $844, and maturing between November 2025 and April 2027.	50,000	-
Current portion	(11,923)	-
	38,077	-

7. CAPITAL ASSETS

	Cost $	Accumulated amortization $	2022 Net book value $	2021 Net book value $
Land	39,490	-	39,490	-
Automobile	24,495	24,495	-	-
Buildings	2,074,381	303,468	1,770,913	1,863,025
Computer equipment	18,564	18,564	-	3,313
Furniture and fixtures	56,893	9,581	47,312	9,534
Leasehold improvements	104,954	60,264	44,690	54,849
	2,318,777	416,372	1,902,405	1,930,721

Though the COVID-19 pandemic has had an impact on the Organization, there were no significant changes in use for any of the major assets, and as such, there were no impairment indicators affecting capital assets noted for the year ended December 31, 2022.

8. PERMANENT MEMBER SHARES

Permanent member shares represents a member's ownership of, or a member's equity in a credit union.

	2022 $	2021 $
Bingo	150	150
Insurance	-	150
Investment	150	150
	300	450

Permanent member shares are owned in different accounts at the Ukrainian Credit Union Limited.

During the year, the Organization cancelled the insurance membership and transferred the member shares amount to an active bank account.

9. GOVERNMENT WAGE SUBSIDIES

The Organization received $37,818 (2021 - $19,344) in government assistance related to the Canada Emergency Wage Subsidy program, which has been reported as government wage subsidies.

10. COMMITMENTS

The Organization is committed to leasing its office space and certain vehicles through to January 2026. Future minimum lease payments on these leases are as follows:

	$
2023	76,000
2024	76,000
2025	71,300
2026	4,000
	227,300

11. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The Organization did not shut down at any point during the fiscal year. However, the Organization did experience changes in its operations as a result of the COVID-19 crisis, including in person masses and events being shut down due to COVID-19 restrictions.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary, however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Organization's operations as at the date of these financial statements.