FREQUENTLY ASKED QUESTIONS

FISCAL YEAR ENDED JUNE 30, 2026

This guide explains key points in IUC's financial statements for the fiscal year ended June 30, 2026. It addresses the audit opinion, fund presentation, operating results, major expenses, investment performance, and other questions likely to arise when reviewing the statements.

1. I AM NOT FAMILIAR WITH FORMAL FINANCIAL STATEMENTS, CAN YOU EXPLAIN HOW THEY ARE PRESENTED?

A balance sheet provides a snapshot of IUC's financial position at a specific date. It shows what IUC owns, what it owes, and the resulting net assets.

The Balance sheet (page 3) states all the assets of the three major types of funds:

- Operating Fund – (Islington + Bloordale + internally restricted funds (new))
- Capital Asset Fund
- Special Purpose Fund – restricted funds only!

As per the above noted change in presentation, the internally restricted fund, the largest being the Memorial fund, is now presented in the Operating Fund.

*A **statement of operations** is a financial report that summarizes IUC's revenues, expenses, and resulting surplus or deficit over a specific accounting period.*

The Statement of Operations (page 4&5) further divides the Operating Fund into General Operating Fund, (Islington + Bloordale) and the Internally Restricted Funds. The Capital Asset Fund and the Special Purpose Fund are also segregated on the one-page Statement on Operations with comparables.

This Statement of Changes in Fund Balances (page 5) shows the flow of opening balances plus results from the Statement of Operations and the Inter-fund transfers.

SCHEDULE 1 – SPECIAL PURPOSE FUND (page 18) tracks the movement in the SPF's (externally restricted) including revenue allocated from investment income and the Inter-fund transfer from Memorial to Sacred Spaces of $425,000 to almost cover the deficit in this fund.

SCHEDULE 2 – INTERNALLY RESTRICTED FUNDS (page 19) tracks the movement in the four internally restricted funds, including investment income and the Inter-fund transfers.

Interfund transfers from Memorial totalled $510,000: $425,000 to the Sacred Spaces Special Purpose Fund and $85,000 to the General Operating Fund from the portion of the McIntrye bequest established to support operations. These transfers were partly offset by a $114,230 transfer from the Operating Contingency Fund to Memorial, as detailed in Note 13.

SCHEDULE 3 – GENERAL OPERATING BY CAMPUS (page 20) breaks down the Operating statement for the General Operating fund between the two campus' Islington and Bloordale.

2. WHAT DOES A "QUALIFIED" AUDIT OPINION MEAN?

A qualified audit opinion is issued when an independent auditor concludes that the financial statements are fairly presented in accordance with generally accepted accounting principles ("GAAP"), except for one or more specific matters described in the auditor's report.

Because donations are a major source of IUC's revenue, auditors cannot independently verify that every donation received has been recorded. This limitation is common among charitable organizations and results in a standard qualification concerning the completeness of donation revenue.

IUC has also followed a practical policy of expensing capital purchases when they are made rather than capitalizing and depreciating them in accordance with GAAP. This cash-focused approach aligns budgeting and accounting with the timing of expenditures. For example, when IUC purchases a new boiler, it records the full cost as a facilities expense in that year instead of recognizing the boiler as an asset and depreciating it over its expected useful life.

In previous fiscal years, there was an additional qualification with respect to the presentation of Internally Restricted Funds (Memorial being the largest fund) being grouped with the Special Purpose Funds (the externally restricted funds). This was again a practical delineation for IUC as ALL Funds are supported by the Trust bank account. We have not changed our internal banking or diligence to ensuring ALL funds maintain delineation from Operations but decided to adopt a change in accounting presentation this year of the funds, thereby removing this qualification.

3. WHY DID WE CHANGE OUR PRESENTATION OF MEMORIAL FUNDS THIS YEAR?

Under GAAP, internally restricted funds are presented with operations because the restrictions are imposed by IUC Council rather than by an external donor or other outside party. By contrast, Special Purpose Funds are externally restricted because the donor designates how the funds must be used.

To comply with GAAP, IUC reclassified the internally restricted Discipleship, Good Neighbour, Memorial, and Operating Contingency funds within the balance sheet. This presentation change removes one qualification from the auditor's report; it does not change the funds' underlying balances or permitted uses.

This change does not mean that our past financial statements were wrong or misleading as they represented IUC's operating principle to maintain a strict delineation of ALL funds separate from Operations. The past presentation was also felt to be more intuitive to the readers and the congregation.

That said, IUC has not changed its internal practices or internal controls over ALL funds, and this change is simply a change in presentation and not in banking, or due diligence over donations or spending.

4. HOW DO OUR FY 2026 RESULTS COMPARE VERSUS THE BUDGET?

OVERALL RESULTS WERE CLOSE TO THE BREAK-EVEN BUDGET. REVENUE EXCEEDED BUDGET BY $76,000 AND EXPENSES WERE $18,000 BELOW BUDGET, PRODUCING A FAVOURABLE OPERATING VARIANCE OF $94,000 BEFORE INTERFUND TRANSFERS.

Revenue was $76K more than budget and expenses were under budget by $18K, which resulted in very strong operating results. These two factors resulted in operating results exceeding budget by $94K.

Operations required an interfund transfer of $85,000, compared with the budgeted $187,000—a reduction of $102,000. After the favourable operating variance and the lower transfer, the net operating deficit was $11,800, compared with the budgeted deficit of $3,500. Although the actual deficit was $8,300 higher than budget, it remained close to IUC's break-even target.

Islington United Church						
Statement of General Operations						
		FY 2026 (AUDITED)				
		Islington	Bloordale	Total General Operating	Budget	Variance
	Donations	933,984		933,984	915,350	18,634
	Rental Income	340,756	298,867	639,623	604,623	35,000
	Fundraising	90,212		90,212	66,000	24,212
	Other income	20,735		20,735	23,000	(2,265)
		1,385,687	298,867	1,684,554	1,608,973	75,581
Expenses						
	Ministry & Personnel	808,640		808,640	871,300	(62,660)
	Facilities	328,793	183,168	511,961	432,064	79,897
	Governance	185,328	23,012	208,340	226,600	(18,260)
	Worship & Music	78,623		78,623	80,410	(1,787)
	Social Justice	48,584		48,584	45,650	2,934
	Faith Formation	41,053		41,053	29,600	11,453
	Hospitality	22,058		22,058	34,000	(11,942)
	Fundraising	21,732		21,732	21,500	232
	Communications & Software	15,803		15,803	28,500	(12,697)
	Pastoral Care	12,310		12,310	12,000	310
	Other Expenses	12,261		12,261	18,000	(5,739)
		1,575,185	206,180	1,781,365	1,799,624	(18,259)
	Excess of Revenue over Expenses (Expenses over Revenue)	(189,498)	92,687	(96,811)	(190,651)	93,840
	Interfund Transfer	85,000	-	85,000	187,140	(102,140)
	Net increase / (decrease in Operating Fund) due to General Operations	(104,498)	92,687	(11,811)	(3,511)	(8,300)

5. WHAT IS INCLUDED IN GENERAL OPERATIONS - FACILITIES?

The costs to run both campuses are summarized as follows:

	Cost	% of Total
Repairs & Maintenance	92,890	18%
Utilities	112,952	22%
Fire & Security	54,651	11%
Cleaning	161,989	32%
Grounds	80,477	16%
Elevator	9,002	2%
	511,962	100%

This fiscal year, facilities were approximately $80K overbudget (as shown in FAQ 4.) and most of it was due to unbudgeted deficiencies in Islington's fire systems, which necessitated additional monitoring and a complete panel replacement.

6. IS IUC DOING A GOOD JOB IN CONTROLLING ADMINISTRATION COSTS?

Yes, the main administration costs in operations are included under the heading Governance and all categories, other than service charges, were under budget for last fiscal year.

	Actual	Budget
Denominational Assessment	80,885	91,600
Professional Services	33,600	35,500
Service Charges & Interest	8,986	4,500
Insurance	42,312	46,000
Office supplies, Printing , IT + telecommunications	42,557	49,000
	208,340	226,600

7. HOW MUCH DOES IUC HAVE IN OUR FUNDS? (INTERNALLY RESTRICTED & EXTERNALLY RESTRICTED)

AT YEAR-END, IUC'S FUNDS HAD A TOTAL CLOSING BALANCE OF APPROXIMATELY $2.7 MILLION: $1,867,202 IN INTERNALLY RESTRICTED FUNDS AND $849,194 IN EXTERNALLY RESTRICTED FUNDS.

THE FUNDS ARE FULLY FUNDED BY ASSETS ON THE BALANCE SHEET, PREDOMINANTLY INVESTMENTS OF $2.6 M, AND WORKING CAPITAL MAKES UP THE BALANCE.

Islington United Church							
Statement of Funds							
		FY 2026 (AUDITED)					
		Revenue	Expenses	Inter-fund transfers	Net	Opening Balance	Closing Balance
Internally Restricted Funds							
	Discipelship	1,994	(1,419)		575	62,297	62,872
	Good Neighbour	4,491	-		4,491	69,672	74,163
	Memorial	89,576	(66,426)	(395,770)	(372,620)	2,102,787	1,730,167
	Operating Contingency	-	-	(114,230)	(114,230)	114,230	-
		96,061	(67,845)	(510,000)	(481,784)	2,348,986	1,867,202
Externally Restricted Funds							
	Benevolent	7,531	(6,032)		1,499	15,631	17,130
	Giving Garden	23,621	(24,951)		(1,330)	3,996	2,666
	Helping Hands	123,941	(123,079)		862	168,346	169,208
	Hospitality	9,448	(52,034)		(42,586)	431,082	388,496
	John Derksen Music Scholarship	2,268	(3,289)		(1,021)	71,708	70,687
	Music Ministry	7,929	(9,536)		(1,607)	36,257	34,650
	Refugee Support	80,258	(68,425)		11,833	93,251	105,084
	Resonance	9,787	(16,618)		(6,831)	41,171	34,340
	Sacred Spaces	137,333	(724,796)	425,000	(162,463)	127,961	(34,502)
	United Church Womens Fund	10,947	(4,024)		6,923	54,512	61,435
		413,063	(1,032,784)	425,000	(194,721)	1,043,915	849,194

8. REMIND US WHY WE CHANGED AUDITORS?

Management prepares and authors the actual financial statements (such as the balance sheet, income statement, and cash flow statement) in accordance with generally accepted accounting principles.

Changing audit firms is not unusual and does not, by itself, indicate a problem. IUC has worked with several audit firms in the past, and organizations periodically seek proposals to evaluate service, expertise, independence, and pricing.

IUC's previous auditors provided valuable support during transitions and leaves of absence in key roles, including some independent accounting services in addition to the audit. Over time, this arrangement gave IUC less direct control over the financial-statement preparation process and created a closer relationship than Council considered appropriate. The new auditor serves solely in an independent audit role and has brought a fresh perspective to the engagement.

9. SHOULD WE EXPECT TO RECEIVE ANNUAL FINANCIAL STATEMENTS REGULARLY IN OCTOBER?

YES! IUC intends to return to its target of completing each month-end close by the 15th of the following month. A timely quarter-end and year-end close would allow the audit to begin in July, conclude by the end of August, and be finalized in September for Council approval and distribution in the October Annual Report.

10. HOW LONG SHOULD WE EXPECT THE $85,000 ANNUAL FUND TRANSFER TO SUPPORT OPERATIONS?

The original source of these funds was the $1.6 million McIntrye bequest to Memorial fund. The portion of this bequest that was designated to support operations had a seven-year term that will be complete in fiscal year ended June 30, 2027. Trustees and Council will explore support for Operations by way of investment returns on the Memorial fund for future years.

The Hospitality fund, created by a bequest, is expected to financially support its mandate for a ten-year term.

11. WHAT IS THE OPERATING CONTINGENCY, AND DO WE HAVE ANY CUSHIONS NOW THAT IT'S GONE?

This fund was established by the Trustees & Council to set aside a rainy-day fund for extraordinary operating expenses were unexpected and unbudgeted.

The Operating Contingency Fund receives 15% of each undesignated gift. Because IUC receives few undesignated gifts, this policy has not replenished the fund consistently. The Trustees are therefore reviewing whether to revise the policy or discontinue the fund and rely on the Memorial Fund for extraordinary operating expenses.

Until the new policy is developed, the Trustees proposed and Council approved to move the balance of $114,230 by way of an interfund transfer to Memorial for fiscal year end June 30, 2026.

12. HOW MUCH LONGER IS THE LEASE TO THE GERMAN INTERNATIONAL SCHOOL?

Effective August 1, 2025, IUC entered into a five-year renewal agreement extending through July 31, 2030. The relationship between GIST and IUC remains strong, with many exciting opportunities for collaboration. As a result of this collaboration, several families are now engaged in the IUC community.

13. WHY DON'T WE CAPITALIZE LARGE CAPITAL EXPENDITURES?

This practice was adopted by Council many years ago as a means of focusing the attention and administration of capital expenditures based on the cash requirements to maintain, repair and improve the existing capital assets, as opposed to focusing on the original capital cost of the assets on the balance sheet, less depreciation.

Capitalizing assets would never be representative of the true value of the capital as for accounting purposes, assets are created based on the original cost less accounting depreciation, which may or may not represent the true value of the capital asset. Repairs and maintenance are expensed.

Therefore, for budgeting and administration, it was deemed more practical to focus on the cost to maintain and improve the campus' as opposed to try and represent the assets on the balance sheet.

For additional context, IUC insures its property and contents based on replacement value. The replacement values for the Islington is $19.6M and Bloordale is $6.7M.

14. WHY WAS THE RETURN ON THE SPECIAL PURPOSE FUNDS SO LOW THIS YEAR?

Investment returns were lower or more volatile this past year due to a combination of rising bond yields, high market concentrations, heavy corporate debt issuance, and ongoing geopolitical or trade pressures.

The external money manager was particularly cautious about the valuations of certain U.S. technology stocks known as the "Magnificent Seven." Because these stocks had a disproportionate effect on U.S. market returns, their absence from our portfolio contributed to underperformance relative to the benchmarks. The manager believes our balanced portfolio carries less risk and is less vulnerable to a sudden market decline.

Additionally, a large component of the investment portfolio is in short term fixed income for externally managed funds, such as the Refugee Support Fund. The market returns on interest bearing debt, such as short dated bonds, has been low over the past few years.

15. HOW MUCH DID THE NEW GYM FLOOR COST THAT WAS COMPLETED IN AUGUST 2026?

The Memorial Fund paid approximately $90,000 for the new gym floor, hallway flooring, and asbestos abatement completed before Music Camp. The improvements benefit Music Camp participants and the German International School Toronto.

The cost was approximately $90,000.

16. WHAT SUPPORT DOES OPERATIONS RECEIVE FROM MEMORIAL?

Many years ago, Islington received a bequest of $1.6 million from the McIntyre estate. At that time, an allocation was made for a time-limited annual interfund transfer of $85,000 to support Operations. We are approaching the end of that period, and the Trustees are discussing alternative funding methods to cover operating deficits; however, the focus for Operations remains on working towards a true break-even budget.

Islington has also received a second large bequest of $500,000, restricted to supporting the Hospitality ministry.

17. ARE THERE ANY OTHER MAJOR FACILITY REPAIRS OR CAPITAL EXPENSES ON THE HORIZON?

Although we have spent approximately $3 million on the two campuses over the past seven years, we know our beautiful but ageing buildings will require further capital spending.

The Trustees have commissioned an engineering report on both campuses to assess the condition of the buildings and physical assets.

As part of the strategic planning process, the Trustees will assess capital priorities and consider how the Memorial fund will support these expenditures over the coming years.

The strategic plan will also inform discussions about how we structure our finances for the future, including whether Islington will spend only as much as we take in, given the significant pressures on giving patterns and operating costs. The strategic plan will also guide our calling to support ministries and identify the operational support required.

The strategic planning process will include a thorough discussion of how to balance resources and priorities between capital and operations to ensure our financial capacity supports the spiritual work GOD calls us to do.

18. HOW MANY MEMBERS DO WE HAVE?

The United Church traditionally tracks members through the historic roll. However, Islington's approach to tracking membership has evolved through database management software Powerchurch and now Servant Keeper.

As our community has grown and changed, attendance patterns have also changed, and with our live-streaming, Islington can reach and connect with members that live outside of the GTA, across Canada and even a few living in other countries. Over the summer, the administrative team confirmed that Islington has 820 engaged members who contribute in various ways.

We are grateful for the work of that team to expand our member and donor information base through the pastoral care calls and forms.

In addition, statistics received by the Office indicate that 1,400 people receive the Wednesday Weekly, providing another indication of engagement among members, donors and future members and donors.

19. WHY ARE THE STATEMENTS NOT SIGNED?

The statements are signed by the audit firm. However, for internet security reasons, we do not post or distribute financial statements with signatures.

20. WHY IS M+P UNDER BUDGET BY $62,000?

The savings resulted from funds received from the United Church in connection with the Lead Minister's restorative care leave in the last fiscal year.

21. WHY ARE FAITH FORMATION EXPENSES OVER BUDGET?

Music Camp has been reallocated from Worship & Music to Faith Formation, so its costs and revenues are now included in Faith Formation.

This change did not affect Music Camp's oversight or leadership. It simply aligns the camp more closely with Faith Formation's activities in nurturing spiritual growth through music education and community building.

22. HOW MANY STAFF MEMBERS DO WE EMPLOY?

Today's order of worship lists staff members, their roles and their hours.

Currently, our staffing totals 8 FTEs (full-time equivalents), calculated as follows:

5	Five full-time staff members (40 hours per week)
2	Four part-time staff members (20 hours per week – one staff member is on contract)
1	Three reduced-hour staff members (a combined 32 hours per week – all on contract)
8	

Since COVID, M+P has worked with Council to maintain an ever-evolving staffing model that ensures all work is completed while supporting staff in pursuing their aspirations in education, new careers and family life.

It is important to note that the focus on efficiency has resulted in 100 fewer working hours this fiscal year compared with the previous three budget years.

In addition, M+P has just completed job descriptions for every position to ensure all work is covered.

23. WHY IS THE DENOMINATIONAL ASSESSMENT LOWER THAN BUDGETED?

There is a lag between the submission of statistics to the United Church and the resulting assessment. The assessment is also complicated by the amalgamation with Bloordale and the different year-ends.

24. HOW MUCH DID WE MAKE IN OUR MAJOR FUNDRAISERS THIS YEAR?

With the deepest of gratitude for the hours of volunteer contributions and efforts, Islington raised just over $100,000 from our three major fundraising events last year:

- Walk the Walk (October 2025) raised $33,435
- Rummage Sale (November 2025) netted $44,578
- Secret Garden Gala (May 2026) netted $22,830