

Non-consolidated Financial statements of

**The National Accounts of
The United Church of Canada**

December 31, 2019

The National Accounts of The United Church of Canada

December 31, 2019

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Independent auditor's report

To the General Council of The National Accounts of The United Church of Canada

Our opinion

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of The National Accounts of The United Church of Canada (the Organization) as at December 31, 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.

What we have audited

The Organization's non-consolidated financial statements comprise:

- the non-consolidated statement of financial position as at December 31, 2019;
- the non-consolidated statement of operations for the year then ended;
- the non-consolidated statement of changes in fund balances for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include a summary of significant accounting policies.

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 non-consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the non-consolidated 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 non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
July 9, 2020

The National Accounts of The United Church of Canada

Non-consolidated statement of financial position

as at

(amounts in thousands of Canadian dollars)

					December 31, 2019	December 31, 2018
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Restated Note 3 Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash, cash in transit and cash equivalents	7,838	14	-	-	7,852	10,565
Accounts receivable (Note 7 and 8)	1,866	-	20	-	1,886	2,732
Short-term investments (Note 6)	1,200	-	-	-	1,200	1,200
Inventory	317	-	-	-	317	396
Other	805	-	-	-	805	546
	12,026	14	20	-	12,060	15,439
Investments (Note 11)	42,902	8,218	19,607	35,801	106,528	99,492
Investment in and advances to a wholly owned subsidiary (note 12)	-	-	-	3,000	3,000	-
Capital loans (Note 13)	-	-	-	5,960	5,960	8,656
Capital assets (Note 14)	-	30	-	3,793	3,823	2,640
	54,928	8,262	19,627	48,554	131,371	126,227
Liabilities and fund balances						
Current						
Accounts payable and accrued liabilities (Notes 7 and 8)	4,057	-	-	-	4,057	1,276
Payable to annuitants (Note 9)	-	-	6,422	-	6,422	6,212
Deferred Contributions	-	14	-	-	14	5
Mortgage debt (note 15)	-	-	-	670	670	-
Group insurance benefits plan liability (Note 10)	16,973	-	-	-	16,973	18,107
Fund balances	33,898	8,248	13,205	47,884	103,235	100,627
	54,928	8,262	19,627	48,554	131,371	126,227

Commitments, guarantees and contingencies (Notes 19, 20 and 21)

Approved on behalf of the General Council Executive



Member of the Executive



Member of the Executive

The National Accounts of The United Church of Canada

Non-consolidated statement of operations for the 12 months ended

(amounts in thousands of Canadian dollars)

					December 31, 2019	December 31, 2018
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Restated Note 3 Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions (Note 7)						
Congregations	19,978	-	-	-	19,978	21,124
Assessment	10,851	-	-	-	10,851	-
United Church Women	1,030	-	-	-	1,030	1,129
United Church of Canada Foundation	1,476	-	-	-	1,476	1,896
Legacies	2,618	300	-	18	2,936	2,130
Donations	3,264	31	-	104	3,399	3,617
Total contributions	39,217	331	-	122	39,670	29,896
Recovery of administrative costs (Note 7)	2,529	-	-	-	2,529	2,164
Investment income	435	154	395	903	1,887	1,996
Retail sales	751	8	-	-	759	749
Annuities	-	-	370	-	370	279
Other	4,993	721	-	211	5,925	6,571
Total revenue	47,925	1,214	765	1,236	51,140	41,655
Expenses						
Grants (Note 7)	21,828	847	-	488	23,163	13,473
Staff costs	15,094	252	-	-	15,346	15,332
Resources	2,007	6	-	-	2,013	2,216
Travel and meeting	1,888	70	-	-	1,958	2,624
Office	1,840	10	-	390	2,240	2,572
Annuities	-	-	1,301	-	1,301	1,068
Professional fees	3,738	18	-	295	4,051	2,118
Property and insurance	3,027	-	-	683	3,710	1,002
Investment	432	111	105	447	1,095	1,077
Other	3	-	2	2,932	2,937	25
Total expenses	49,857	1,314	1,408	5,235	57,814	41,507
Surplus (deficit) before the following	(1,932)	(100)	(643)	(3,999)	(6,674)	148
Change in fair value of investments	3,124	1,135	1,438	4,600	10,297	(2,092)
Church restructuring costs	(1,400)	-	-	-	(1,400)	(950)
Change in payable to annuitants (Note 9)	-	-	(210)	-	(210)	461
Surplus (deficit)	(208)	1,035	585	601	2,013	(2,433)

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Non-consolidated statement of changes in fund balances
for the 12 months ended

(amounts in thousands of Canadian dollars)

					December 31, 2019	December 31, 2018
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Restated Note 3 Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	35,682	8,058	12,790	44,097	100,627	105,033
Transfer to the Foundation (Note 16)	(329)	-	-	-	(329)	(1,973)
Transfers from the Maritime Conference (Note 16)	-	-	-	924	924	-
Surplus (deficit)	(208)	1,035	585	601	2,013	(2,433)
Justice Fund transfers to the General Fund (Note 17)	1,005	(1,005)	-	-	-	-
WPS program transfers	(181)	181	-	-	-	-
WPS admin transfers	90	(90)	-	-	-	-
Net interfund transfers	(2,161)	69	(170)	2,262	-	-
Fund balances, end of year	33,898	8,248	13,205	47,884	103,235	100,627

The National Accounts of The United Church of Canada

Non-consolidated statement of cash flows for the 12 months ended

(amounts in thousands of Canadian dollars)

	December 31, 2019	December 31, 2018 Restated Note 3
	\$	\$
Operating activities		
Surplus (deficit)	2,013	(2,433)
Non-cash items		
Change in fair value of investments	(10,297)	2,092
Provision for capital loans	2,932	(6)
Deferred contributions	9	5
Investment interest earned	(1,594)	(1,790)
Investment expense	843	803
Change in payable to annuitants	210	(461)
Employee entitlement provision	7	-
Amortization	933	935
	(4,944)	(855)
Increase (decrease) in cash from changes in		
Accounts receivable	846	(629)
Short-term investments	-	(200)
Inventory	79	(48)
Other	(259)	118
Accounts payable and accrued liabilities	2,774	(1,012)
Demand loans (forgiven)	-	-
Group insurance benefits plan liability	(1,134)	(4,613)
Total cash provided by (used in) operating activities	(2,638)	(7,239)
Investing activities		
Cash withdrawal from investments	4,246	11,487
Investment in real estate	(3,000)	-
Short-term investments	-	(200)
Capital loans issued	(1,172)	(1,657)
Capital loans repayments	702	1,516
Capital asset additions	(2,116)	(455)
Total cash provided by (used in) investing activities	(1,340)	10,691
Financing activities – net changes		
Transfer of funds to the Foundation	(329)	(1,973)
Transfer of funds from the Maritime Conference	924	-
Assumption of mortgage	670	-
Landlord financing	-	436
Total cash provided by (used in) financing activities	1,265	(1,537)
Increase (decrease) in cash and cash in transit	(2,713)	1,915
Cash and cash in transit, beginning of year	10,565	8,650
Cash and cash in transit, end of year	7,852	10,565

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2019

(amounts in thousands of Canadian dollars)

1. The United Church of Canada (see also note 19)

The United Church of Canada ("The United Church") was formed in 1925 through the union of three denominations – Congregationalist, Methodist, and part of the Presbyterian Church in Canada. The United Church's legal form is set out in the federal United Church of Canada Act of 1925. The United Church is registered as a charitable organization under the Income Tax Act of Canada ("the Act") and is in compliance with the requirements of the Act to maintain its non-taxable status.

The purpose of The United Church is: (i) to offer the resources of faith to the people of Canada and Bermuda; (ii) to gather people into congregations for the public worship of God, for the proclamation of the Gospel of Jesus Christ, for a witness to justice and service in their communities; and (iii) to promote unity and justice among all people in Canada and throughout the world.

As a not-for-profit entity, The United Church's operations are reliant on revenues generated annually. The United Church has accumulated unrestricted funds over its history, which are included in the General Operating Funds balance in the non-consolidated statement of changes in fund balances. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities), which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of The United Church at the discretion of the General Council.

2. Financial statement presentation

General

These non-consolidated financial statements include the assets, liabilities, revenues, expenses, and cash flows under the administration of Finance, General Council Office, on behalf of the General Council ("National Accounts") of The United Church and exclude the financial statements of certain institutions under the general supervision of various units of The United Church, Regional Councils, former conferences, former presbyteries individual congregations and the United Property Resource Corporation (a wholly owned subsidiary) (see note 7).

Fund accounting

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") established by the Chartered Professional Accountants of Canada ("CPA Canada") using the restricted fund method of reporting restricted donations. The funds are described as follows:

General Operating Funds

These funds record the day-to-day operations of the activities under the control of the General Council Office. They include contributions, donations, bequests, grants and other receipts of The United Church for specific and general purposes, including services. The funds that have a specific purpose in this category have no restrictions on the use of capital. Half of the annual bequests and one-time donations received in the year are transferred to The Foundation of The United Church of Canada ("the Foundation") in the subsequent year (see note 16).

Trust and Endowment Funds

The Trust and Endowment Funds have specific restrictions placed by the donors/settlers on the capital of the fund and the use of investment income accruing to the fund. On January 1, 2013, The United Church transferred all of its Endowment Funds and a large portion of its Trust Funds to the Foundation.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2019

(amounts in thousands of Canadian dollars)

2. Financial statement presentation (continued)

Annuity Funds

The Annuity Funds record The United Church's gift annuity program, under which donors, wishing to give to The United Church, its congregations or programs, purchase a life annuity valued by an actuary. To minimize exposure to fluctuating market rates, the funds are invested in bonds held to maturity. A portion of the funds is invested in securities to better manage liquidity needs. Regular annuity payments are made and a liability for all such future payments is recognized on the non-consolidated statement of financial position under the caption "Payable to annuitants". Any residual amounts remaining on the annuitant's death are paid to The United Church or related beneficiaries, as designated by the donor.

Property and Building Funds

These are funds accumulated from: gifts; bequests; allocations from the General Operating Funds; and contributions from the founding churches at the time of union. These funds are used to provide capital assistance, by grant or loan, to congregations, camps, training centres, and other entities. These funds also include the capital assets of the General Council Office.

3. Prior period adjustment

The prior period included an overstatement of accounts receivable totaling \$1,144 which has been adjusted, resulting in a restatement of the prior period comparative balance in the non-consolidated statement of financial position from \$3,876 to \$2,732. Similar adjustments were made in the non-consolidated statement of operations affecting revenue which was reduced by \$302 and expenses increased by \$842, resulting in a restated final deficit of \$2,433 from the previously reported balance of \$1,289. The non-consolidated statement of changes in fund balances was also restated resulting in a final fund balance of \$100,627. The non-consolidated statement of cash flows was restated whereby the deficit for the year was increased \$1,144 and changes in accounts receivable was reduced to a decrease in the use of cash to \$629 from \$1,773. Other adjustments were made in the non-consolidated statement of cash flows to conform with the current year presentation (note 23).

4. Summary of significant accounting policies

The significant accounting policies followed by The United Church with respect to The National Accounts are as follows:

(a) Basis of accounting

The National Accounts of The United Church are prepared using the accrual basis of accounting.

(b) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Inventory, to be distributed at a nominal or no charge, is stated at the lower of cost and current replacement cost.

(c) Financial instruments

The United Church has classified each of its financial instruments into the following accounting categories, which determines how the carrying value of each instrument is measured and accounted for.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2019

(amounts in thousands of Canadian dollars)

4. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Asset/Liability	Measurement
Cash and cash in transit	Fair value
Accounts receivable	Amortized cost
Pooled investments	Fair value
Segregated investments	Fair value
Designated investments	Cost/amortized
Real estate investment in subsidiary	Cost/amortized
Capital loans	Amortized cost
Accounts, demand loan payable and accrued liabilities	Amortized cost
Payable to annuitants	Fair value
Group insurance benefits plan liability	Fair value

The fair value of pooled and segregated investments is determined using quoted prices in active markets.

Investment in wholly-owned subsidiary is accounted for using the cost method. Under the cost basis of accounting, the The United Church recognizes earnings from its investment to the extent of any dividends are received in the year. The investment is written down when, in the opinion of management, there has been a significant change in the expected timing or amount of future cash flows from the investment.

(d) Capital assets

Capital assets consist of leasehold improvements, office furniture and equipment, studio equipment, real property, mobile homes and vehicles. Capital assets for office operations costing in excess of one thousand dollars have been capitalized; those costing less than one thousand dollars are treated as expenses in the year of acquisition. Leasehold improvements, office furniture, and leased equipment are being amortized on a straight-line basis over the term of the applicable lease. Computer equipment is being amortized on a straight-line basis over four years. Capital assets for real property and mobile homes costing in excess of five thousand dollars have been capitalized; those costing less than five thousand dollars are treated as expenses in the year of acquisition. Real property and mobile homes are being amortized on a straight-line basis at various rates ranging from 10 to 20 years.

(e) Group insurance benefits plan liability

The group insurance benefits plan is accounted for as a liability. As such, all remitted premiums exceeding claims, accepted under the terms of the plan, and all administrative costs are included in this balance. Investment income, expenses and change in fair value arising from the investment of the excess premiums are also included in the group insurance benefits plan liability.

(f) Contributions

Contributions from congregations, The United Church Women and the Foundation, legacies and donations are recorded as revenue of the appropriate fund in the period when received or receivable, based on appropriate evidence as to collectability.

Donations include revenue from KAIROS, a program of The United Church, comprising donations from other denominations, religious communities and individuals.

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Notes to the non-consolidated financial statements

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(amounts in thousands of Canadian dollars)

4. Summary of significant accounting policies (continued)

(g) Investment income, retail sales, annuities and other revenue

Investment income, retail sales and other revenue are recognized when earned. Purchased annuities are recognized in the period in which the proceeds are received. Other revenue includes miscellaneous revenue, grants from government and other entities.

(h) Gifts in kind

Donated capital assets are recorded at fair value when such value can be reasonably determined. The United Church has elected not to record the fair value of donated materials and services.

(i) Translation of foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange on the transaction date. Monetary assets and liabilities and the carrying value of investments are translated at the year-end rates of exchange.

(j) Pension plan disclosure

As The United Church of Canada is the sponsor of a multi-employer defined benefits pension plan whose participants include the Regional Councils, its congregations and various affiliated entities, The United Church has elected to use financial statement disclosure compliant with that required for a defined contribution pension plans. (see note 18)

(k) Use of estimates

The preparation of non-consolidated financial statements in conformity with ASNPO requires The United Church to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from such estimates. Significant estimates include the recoverability of capital loans, the carrying value of capital assets and the determination of the payable to external beneficiaries based on actuarial assumptions and formulae.

(l) Guarantees

The United Church, when acting as a guarantor, discloses the nature of the guarantees, the maximum potential amount of future payments, and the current carrying amount of the liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The disclosure is made even if it is not probable that payment will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements.

5. Financial instruments risk disclosures

The main risks The United Church's financial instruments are exposed to consist of market risk (including interest rate risk, price risk and currency exchange risk), credit risk and liquidity risk. The Investment Committee (Finance) was formed by the Finance Advisory Committee of the General Council Office of The United Church of Canada and has established a Statement of Investment Policies and Procedures ("SIPP"), which it uses to manage the above-noted risks.

The following describes the various risks and how The United Church addresses such risks:

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(amounts in thousands of Canadian dollars)

5. Financial instruments risk disclosures (continued)

Market risk

Market risk is the risk the value of an investment will fluctuate as a result of changes in market prices. To mitigate the impact of market risk, The United Church invests in a diversified portfolio of investments within limits set out in the SIPP approved by the Finance Advisory Committee. Market risk is comprised of the following:

- Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or fair values of financial instruments. The United Church invests in interest bearing financial instruments, the values of which will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on cash and cash in transit invested at short-term interest rates.

The United Church utilizes investment limits set out in the SIPP for fixed income investments that assist in controlling interest rate risk relative to a recognized bond benchmark in Canada.

- Price risk:

Price risk is the risk the value of investments will fluctuate as a result of changes in market prices, other than those arising from interest rate or currency risk, whether those changes are specific to an individual investment or factors affecting a broader range of investments traded in the market. The maximum price risk for an individual investment is that its value could decline to \$nil.

To address price risk, The United Church invests in a prudent manner employing diversification by asset class, country, industry sector and by issuer within sectors relative to accepted benchmark indices. The short-term financial instruments (accounts receivable, accounts payable and accrued liabilities) are not subject to market risk.

- Currency exchange risk:

Currency exchange risk is the risk the fair value of a financial instrument will fluctuate due to changes in foreign currency exchange rates relative to the Canadian dollar. The United Church holds 25% (2018 – 23%) of its investments in US dollars and, therefore, is subject to currency exchange risk. The portfolio construction policies used by the investment manager limits the total exposure to any one currency while ensuring investments are held in a number of different currencies. This diversification policy limits the currency risk exposure. The currency exchange risk is assessed as moderate.

Credit risk

Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The United Church is exposed to credit risk on accounts receivable and capital loans. The United Church has adopted a credit policy that includes the analysis of the financial position of its potential debtors. Management reviews the credit limits of its existing debtors regularly. The credit risk for accounts receivable is assessed as low.

Liquidity risk

Liquidity risk is the risk The United Church could encounter difficulty in meeting obligations associated with operations as they come due. The United Church manages liquidity risk by identifying its expected cash requirements over the next twelve months and selling investments as required. The United Church also holds cash and short-term securities to further ensure it meets its immediate obligations. The United Church believes it has moderate to low liquidity risk.

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(amounts in thousands of Canadian dollars)

6. Short-term investments

Short-term investments comprise a \$1,200 guaranteed investment certificate used as collateral for an overdraft facility and is restricted to this purpose.

7. Related entity transactions (see also note 16)

Within the conciliar structure of The United Church, there are 16 Regional Councils, which exercise certain local responsibilities under The United Church of Canada Act and The United Church's bylaws. The Regional Councils are registered charities under the Income Tax Act. They have no other independent legal status as they are part of the national corporation, The United Church. The United Church's General Council has oversight and significant influence over the Regional Councils and is ultimately responsible for any liabilities of the Regional Councils. The United Church provides grants, various payroll, accounting, human resource and administrative services to these related parties at exchange amount as part of normal operations.

In addition, The United Church has a relationship and governance agreement with the Foundation, a separate not-for-profit Canadian registered charity, which receives specific services from The United Church at exchange amount as part of normal operations. The Foundation receives and maintains funds used to support the mission of The United Church with grants.

	2019	2018
	\$	\$
Revenue		
Contributions	33,335	29,215
Recovery of administrative costs		
The United Church of Canada Pension Plan	1,250	1,464
Ontario Regional Councils - archives	216	209
The United Church of Canada Foundation	524	440
Regional Councils	268	-
Pastoral charges	-	23
Other	37	6
	2,295	2,142
Expenses - grants		
Operating grants to Regional Councils/Conferences	6,476	1,084
Mission support grants to pastoral charges and other mission units (including staff costs)	6,393	3,171
	12,869	4,255

Contributions are received, for the most part, from related parties of the United Church including Regional Councils (and former conferences, presbyteries), pastoral charges, individual congregations, all committees, councils and members of the The United Church at large.

As at year-end, total: accounts receivable from the related parties were \$1,459 (2018 - \$2,615); accounts payable to related parties were \$307 (2018 - \$nil); and capital loans were \$5,960 (2018 - \$8,656). Related parties provide virtually all contributions on the non-consolidated statement of operations.

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(amounts in thousands of Canadian dollars)

8. Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. At year-end, the accounts payable and accrued liabilities balance included a net receivable totaling \$136 for the current year-end and \$197 for the prior year.

9. Payable to annuitants

Donors wishing to give to The United Church, its congregations, courts or other programs have the option of purchasing a life annuity, valued by an actuary. To minimize exposure to fluctuating market rates, the funds are invested in bonds, which are held to maturity. A portion of the funds is invested in the pooled investment portfolio for liquidity purposes (see Note 11). A liability is recognized with respect to future contractual annuity payments to all annuitants and is included in payable to annuitants in the non-consolidated statement of financial position.

	2019	2018
	\$	\$
Investments	19,607	18,831
Cash	-	150
Accounts receivable	20	21
Fund balances	(13,205)	(12,790)
Present value of payments to all annuitants, end of year	6,422	6,212
Present value of payments to all annuitants, beginning of year	6,212	6,673
Decrease in payable to annuitants	(210)	461

The most recent actuarial valuation was undertaken as at September 30, 2018, the results of which have been extrapolated to December 31, 2019 using actuarial practices. No adjustment to revenue or expenses has been made for decretion of existing annuities or for the difference between fair value and the principal balance for new annuities purchased in the current year. The table below summarizes the results of the actuarial valuation report, extrapolated to December 31, 2019, to determine the actuarial liability, which is different from the accounting liability.

	2019	2018
	\$	\$
Present value of annuity payments to all annuitants	6,422	6,212
Present value of gift remainders payable to parties other than the General Council Office	6,757	6,542
Present value of gift remainders payable to the General Council Office	4,683	4,533
Present value of future administrative expenses	794	769
Total actuarially determined liability	18,656	18,056

10. Group insurance benefits plan liability

The United Church is the sponsor for the group insurance benefits plan. All personnel working for The United Church and its affiliates and participating employers are required to support the group insurance benefits plan by remitting premiums that are used to pay claims accepted under the terms of the plan and all administrative costs. The accumulated unused balance has been invested in The United Church's pooled investment portfolio and all investment income, expenses and change in fair value are included in the group insurance benefits plan liability in the non-consolidated statement of financial position.

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10. Group insurance benefits plan liability (continued)

The change in the liability is described below.

	2019	2018
	\$	\$
Opening balance	18,107	22,720
Premiums received	16,256	15,403
Claims paid	(18,179)	(17,749)
Administration costs	(1,211)	(1,428)
Investment income	300	397
Investment expenses	(214)	(239)
Change in fair value of investments	2,284	(576)
Systems development costs	(370)	(421)
Closing balance	16,973	18,107

11. Investments

The United Church maintains three separate investment portfolios, which consist of the following:

	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total
	\$	\$	\$	\$	\$
December 31, 2019					
Pooled	41,843	8,218	8,336	35,801	94,198
Segregated	-	-	11,271	-	11,271
Designated	1,059	-	-	-	1,059
	42,902	8,218	19,607	35,801	106,528
December 31, 2018					
Pooled	38,698	8,062	7,631	32,839	87,230
Segregated	-	-	11,200	-	11,200
Designated	1,062	-	-	-	1,062
	39,760	8,062	18,831	32,839	99,492

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11. Investments (continued)

(a) Pooled investments

The pooled investments are summarized as follows:

	2019		2018	
	\$	%	\$	%
Pooled funds				
Bonds	16,908	18	15,811	18
Equities				
United States of America	23,110	25	19,703	23
Canadian	30,600	32	29,554	34
	70,618	75	65,068	75
Equities				
Canadian	17,733	19	17,841	20
	17,733	19	17,841	20
Short-term securities	5,718	6	4,569	5
Currency contracts	129	-	(248)	-
	94,198	100	87,230	100

(b) Segregated investments

Certain investments are segregated to provide for annuity payments resulting from The United Church's Gift Annuity Program. These investments exclude the pooled investments that are used to manage liquidity risk (see the first table of this note). These segregated investments are carried at fair value and are summarized as follows:

	2019		2018	
	\$	%	\$	%
Bonds				
Provincial	6,440	57	6,152	55
Government of Canada	3,591	32	3,748	33
Public utilities and corporations	1,240	11	1,300	12
	11,271	100	11,200	100

(c) Designated investments

Designated investments are investments to which normal investment criteria cannot be applied. They are therefore accounted for separately. Income earned on these investments, as well as any gains or losses realized on their sale, is applied to the specific funds for which the investments are designated. These investments include specific securities given to The United Church with restrictions on their sale, and investments made for the purposes of The United Church, which have non-market rates of return or degrees of risk. The designated investments are summarized as follows:

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11. Investments (continued)

(c) Designated investments (continued)

	2019		2018	
	\$	%	\$	%
Oiko credit (EDCS)	999	95	1,001	95
Stocks	16	1	16	1
Stripped bonds	44	4	44	4
	1,059	100	1,061	100

12. Investment in and advances to a wholly-owned subsidiary

In 2019, The United Church established a wholly-owned corporate entity to develop real estate. This subsidiary is accounted for at cost. The investment in the subsidiary consists of a \$3,000 loan with an interest rate of prime plus 2% and shares of \$1. There are no repayment terms associated with the loan.

13. Capital loans (see also note 7)

Capital loans for congregational development have been made for the purposes of new churches, improving existing buildings, or for other mission purposes of the congregation.

	2019	2018
	\$	\$
Congregational	8,750	8,547
New church development/redevelopment	1,258	1,294
Other	196	155
Allowance for capital loans	(4,244)	(1,340)
	5,960	8,656

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14. Capital assets (see also note 16)

Capital assets are comprised of the following:

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	1,685	892	793
Office furniture and equipment	768	333	435
Studio equipment	28	9	19
Real property	3,741	1,514	2,227
Mobile homes	97	55	42
Vehicle	42	17	25
Computer	1,105	823	282
	7,466	3,643	3,823

Capital assets (continued)

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	1,649	640	1,009
Office furniture and equipment	768	199	569
Studio equipment	25	6	19
Real property	1,718	1,186	532
Mobile homes	97	46	51
Vehicle	42	8	34
Computer	1,016	590	426
	5,315	2,675	2,640

15. Mortgage debt (see also note 16)

As part of the restructuring, The United Church assumed a mortgage pertaining to the Maritime Conference property which is now being occupied by two regional councils. The mortgage principal assumed, at the beginning of the year, totaled \$855 with an interest rate of 4.5% and the option to pay down principal up to 10% once a year.

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16. Net Transfers to/from other charities

During the year, The United Church transferred \$329 (2018 - \$nil) to the Foundation comprising one fund and \$nil (2018 - \$1,973) in compliance with the policy of transferring 50% of the one-time Mission & Service and other gifts received in 2018 because The United Church suspended this policy in 2019.

The Maritime Conference transferred to The United Church of Canada a total of \$924, comprising: a fund balance - \$219; and \$705, being the difference between the exchange amount of the property (\$1,560) and the mortgage (\$855).

17. Net interfund transfers

The most significant transfers in the non-consolidated statement of changes in fund balances relate to the transfer of: proceeds of matured annuity funds to General Operating Funds; and grants from the General Fund to the Healing Fund in the Trust Funds. Transfers from/to the General Operating Funds are used to support the activities of The United Church including program development and delivery, and grants to church sponsored charities. Other transfers include the distribution of investment income, change in fair value, and investment management fees from the General Fund for all funds participating in the pooled investments.

During the year, a transfer totaling \$1,005 was made from the Justice Fund to the General Operating Funds to adjust the investment balance to equal 110% of total cumulative contributions to December 31, 2019. A transfer of \$90 from the Global Partnership Fund to the General Operating Funds, for administration fees, was made as required under the joint project funding agreement with Global Affairs Canada.

18. The Pension Plan of The United Church of Canada ("the Plan")

The United Church is the sponsor of a multi-employer defined benefit pension plan. Members of the Plan include employees of congregations of The United Church, the employees of the General Council, and employees of various other organizations who are members of the Order of Ministry of The United Church of Canada and whose ministry is recognized by the courts of The United Church.

The cost of funding the Plan is shared by Plan members and participating employers. The rate of employer contributions to the fund in 2019 was 9.00% (2018 - 9.00%) of the pensionable earnings of each Plan member. The employer contributions paid in respect of current services rendered by employees of the General Council Office amounted to \$1,784 in 2019 (2018 - \$1,720). At the date of the most recent actuarial valuation on December 31, 2017, there was a surplus totaling \$308 million, determined on a going concern basis and a surplus of \$200 million, determined on a solvency basis as required under pension legislation.

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19. Commitments

The United Church has extended its lease agreement at 3250 Islington, Toronto to occupy approximately 17,718 square feet expiring on July 31, 2023. Additional office space is occupied by KAIROS at 310 Dupont Street, Toronto where the notice to terminate the lease effective August 31, 2020 was accepted, and the Bronson Centre, Ottawa. The lease at the Bronson Centre is renewed annually.

Lease payments for basic rent are payable as follows:

	3250 Islington, Toronto	40 Oaks Community Hub, Toronto	310 Dupont, Toronto	Bronson Centre, Ottawa	Total Basic Rent
	\$	\$	\$	\$	\$
2020	368	151	72	-	591
2021	381	154	-	-	535
2022	381	157	-	-	538
2023	222	160	-	-	382
2024	-	160	-	-	160
	1,352	782	72	-	2,206

20. Guarantees

In the normal course of business, The United Church enters into agreements that meet the definition of a guarantee. The United Church's primary guarantees are as follows:

- (a) The United Church has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, The United Church agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, lawsuits, and damages arising during, on, or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all trustees, directors, officers, and volunteers of The United Church for various items including, but not limited to, all costs to settle suits or actions due to association with The United Church, subject to certain restrictions. The United Church has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director, officer, or volunteer of The United Church. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, The United Church has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements, and service agreements. These indemnification agreements may require The United Church to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

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20. Guarantees (continued)

- (d) The United Church has provided performance guarantees for debts and liabilities resulting from various capital projects (2019 - nil project; 2018 - 1 projects) involving bank financing totaling \$nil (2018 - \$1,000) of which \$nil (2018 - \$79) would be payable if The United Church were required to act on the outstanding guarantees. No liability has been recorded in these non-consolidated financial statements as a result of these guarantees. The United Church did not receive a fee nor does it hold any collateral assets. In the event the guarantees are called on by all or any of the banks, The United Church is obligated to pay all outstanding debt, related interest and other costs. The United Church is not entitled to any recourse assets under the guarantee agreements.

The nature of these indemnification agreements prevents The United Church from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability that stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, The United Church has not made any significant payments under such or similar indemnification agreements, and therefore, no amount has been accrued in the non-consolidated statement of financial position with respect to these agreements.

21. Contingencies

The United Church is named as a defendant in lawsuits related to its activities. These claims are at various stages and therefore it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to The United Church. Management believes these claims should not have a material adverse effect on the financial position of The United Church and, accordingly, no provision for loss in these non-consolidated financial statements has been recorded.

22. Subsequent events

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On March 23, 2020, the City of Toronto declared a state of emergency. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time. As a result of the uncertainty, The United Church may be negatively impacted by the timing and/or amount of future revenue receipts, the market value of its investments and recovery of capital loans. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of The United Church in future periods.

23. Comparative figures

Certain comparative figures in the prior year's non-consolidated statement of cash flows have been reclassified to conform to the presentation in the current year's non-consolidated financial statements (see also note 3).