

Financial statements of

**The United Church of Canada
Foundation/Fondation de l'Église
Unie du Canada**

December 31, 2007

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

December 31, 2007

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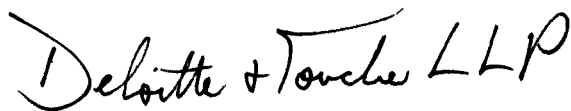
Auditors' Report

To the Board of Directors
The United Church of Canada Foundation/
Fondation de l'Église Unie du Canada

We have audited the statement of financial position of The United Church of Canada Foundation/Fondation de l'Église Unie du Canada as at December 31, 2007, and the statements of operations, changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the management of The United Church of Canada Foundation/Fondation de l'Église Unie du Canada. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The United Church of Canada Foundation/Fondation de l'Église Unie du Canada as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year, except for changes in accounting for financial instruments as explained in Note 3 to the financial statements.



Chartered Accountants
Licensed Public Accountants
April 2, 2008

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Statement of financial position
as at December 31, 2007

					2007	2006
	General operating fund	Gift funds	Endowment funds	Capital fund	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash	-	525,558	-	-	525,558	145,897
Accounts and contributions receivable	40,888	-	-	-	40,888	68,465
Prepaid expenses	18,899	-	-	-	18,899	614
Interfund receivable (payable)	(6,995)	33,350	(26,355)	-	-	-
	52,792	558,908	(26,355)	-	585,345	214,976
Investments	-	-	1,609,917	-	1,609,917	1,085,050
Capital assets (Note 5)	-	-	-	907	907	988
	52,792	558,908	1,583,562	907	2,196,169	1,301,014
Liabilities and fund balances						
Current						
Accounts payable and accrued charges	34,016	559,104	8,936	-	602,056	89,256
Deferred contributions	-	-	-	-	-	65,000
	34,016	559,104	8,936	-	602,056	154,256
Fund balances	18,776	(196)	1,574,626	907	1,594,113	1,146,758
	52,792	558,908	1,583,562	907	2,196,169	1,301,014

Approved on behalf of The United Church of Canada Foundation

_____ Chairperson, Board of Directors

_____ President and CEO

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Statement of operations
year ended December 31, 2007

					2007	2006
	General operating fund	Gift funds	Endowment funds	Capital fund	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Donations						
General	3,352	-	-	-	3,352	-
Designated (Note 8)	1,000	1,876,403	475,652	-	2,353,055	1,257,095
Grants (Note 9)	297,500	-	-	-	297,500	237,000
Investment fees earned (paid)						
Congregationals (Note 7)	128,885	-	-	-	128,885	23,163
Other funds	3,898	(3,848)	(50)	-	-	-
Investment income	6,923	3,499	151,875	-	162,297	77,830
	441,558	1,876,054	627,477	-	2,945,089	1,595,088
Expenses						
Grants (Note 8)	-	1,876,120	21,175	-	1,897,295	647,796
Grants special	40,000	-	-	-	40,000	-
Salaries and benefits	206,714	-	-	-	206,714	146,942
Fund development	52,911	-	-	-	52,911	38,629
Resource	75,877	-	-	-	75,877	31,053
Office	22,437	-	-	412	22,849	21,170
Investment fees						
Congregationals	27,103	-	-	-	27,103	6,299
Foundation	2,803	-	-	-	2,803	652
Travel and meeting	20,818	-	-	-	20,818	11,475
Professional fees	8,516	-	-	-	8,516	10,191
Property and insurance	2,303	-	-	-	2,303	5,422
	459,482	1,876,120	21,175	412	2,357,189	919,629
Excess (deficiency) of revenues over expenses	(17,924)	(66)	606,302	(412)	587,900	675,459

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Statement of fund balances
year ended December 31, 2007

					2007	2006
	General operating fund	Gift funds	Endowment funds	Capital fund	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	25,525	-	1,120,245	988	1,146,758	471,299
Unrealized loss from instruments held as available for sale	-	-	(140,545)	-	(140,545)	-
Excess (deficiency) of revenues over expenses	(17,924)	(66)	606,302	(412)	587,900	675,459
Net inter-fund transfers	11,175	(130)	(11,376)	331	-	
Fund balances, end of year	18,776	(196)	1,574,626	907	1,594,113	1,146,758

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Statement of cash flows
year ended December 31, 2007

	2007	2006
	\$	\$
Operating		
Excess of revenue over expenses	587,900	675,459
Capital asset amortization	412	329
	588,312	675,788
Changes in non-cash working capital items		
Accounts and contributions receivable	27,577	(59,200)
Prepaid expenses	(18,285)	1,485
Accounts payable and accrued charges	512,800	54,481
Deferred revenue	(65,000)	65,000
	1,045,404	737,554
Financing and investing		
Purchase of investments, net of sales	(524,867)	(700,910)
Unrealized investment gains	(140,545)	(45,810)
Capital assets	(331)	(1,317)
	(665,743)	(748,037)
Increase (decrease) in cash	379,661	(10,483)
Cash, beginning of year	145,897	156,380
Cash, end of year	525,558	145,897

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Notes to the financial statements

December 31, 2007

1. The United Church of Canada Foundation

The United Church of Canada Foundation ("the Foundation") was incorporated as a non-share corporation in 2002 under Part II of the *Canada Corporations Act* and began operations in 2003. It is registered as a charitable organization under the *Income Tax Act (Canada)*, and is not subject to income taxes provided certain disbursement requirements are met.

The purpose of the Foundation is to receive and maintain funds, and to apply all or part of the principal and income thereof to support the mission of The United Church of Canada, and other registered charities.

2. Financial statement presentation

General

These financial statements include the assets, liabilities, revenues, expenses, and cash flows under the administration of the Foundation.

Fund accounting

These financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants using the restricted fund method of reporting restricted donations.

Operating Fund

The General Operating Fund records the day-to-day operations of the Foundation.

Endowment Funds

The Endowment Funds have specific restrictions placed by donors on the capital of the funds and the use of investment income accruing to the funds.

Capital Fund

The Capital Fund is related to equipment and furnishings of the office of the Foundation.

Interest rate risk

The investments of the Foundation do not include instruments involving the time value of money that are sensitive to changes in interest rates.

Concentration of credit risk

The Foundation has no specific concentration of credit risk as no significant portion of the investments is invested in securities with similar characteristics or subject to similar economic, political, or other conditions.

3. Changes in accounting policy

On January 1, 2007, the Foundation adopted the Canadian Institute of Chartered Accountants' ("CICA's") revised standards on recognition, measurement and presentation of financial instruments for not-for-profit organizations. The standards are titled S.3855 Financial Instruments Recognition and Measurement, S.3861 - Financial Instruments Disclosure and Presentation, and S.3865- Hedges. In addition, S.4400 - Financial Statement Presentation by Not-for-Profit Organization, was amended.

In accordance with these revised standards, the Foundation has classified each of its financial instruments into the following accounting categories, effective January 1, 2007. The category for an item determines its subsequent accounting under the revised standards.

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Notes to the financial statements

December 31, 2007

3. Changes in accounting policy (continued)

<u>Assets/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Investments	Available for sale	Fair value
Accounts and contributions receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

- Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of operations.
- Available-for-sale items are carried at fair value, with changes in their fair value recognized in the Statement of fund balances.
- Loans and receivable and other liabilities are carried at amortized cost, using the effective interest method.

As required by the implementation of these new standards, the prior period's financial statements have not been restated.

As a result of adopting the revised standards on January 1, 2007, the carrying value of all the Foundation's financial instruments have remained the same as the carrying value recorded as at December 31, 2006.

The Foundation selected January 1, 2003, as its transition date for accounting for embedded derivatives. The Foundation has determined that there were no embedded derivatives at that date that were required to be accounted for separately as derivatives.

Transition costs are expensed.

4. Summary of significant accounting policies

The significant accounting policies followed by the Foundation are as follows:

Revenue recognition

Restricted donations are recorded as restricted funds. Unrestricted contributions, recorded in the General Operating Fund, are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Investments are stated at fair value, with changes in their fair value recognized in the Statement of fund balances.

Capital assets

Capital assets consist of computer equipment. Computer equipment is being amortized on a straight line basis over four years.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Notes to the financial statements
December 31, 2007

4. Summary of significant accounting policies (continued)

Future accounting changes

Financial instruments

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures; and Section 3863; Financial Instruments – Presentation. Both sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Foundation will adopt the new standards for its fiscal year beginning January 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: (a) the significance of financial instruments for the entity's financial position and performance (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation for financial instruments establishes standards for presentation of financial instruments and non-financial derivatives.

5. Investment manager

Fiera YMG Capital is the investment manager for both the Foundation and the participants of the Foundation's congregational investment project.

6. Capital assets

Capital assets consist of the following:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	1,648	741	907	988

7. Congregational investment project

The Foundation administers a congregational investment project and facilitates investment transactions of congregations. The investment assets of this project are not recorded in the Foundation's accounting records since the congregations retain legal title to these investment assets. The congregations are charged administration fees by the Foundation for promotion, communication and other work done on behalf of the investment manager. The project represents a significant portion of the activities of the Foundation. The congregational investment assets in this project amounted to \$15.45 million as at December 31, 2007 and generated fees of \$128,885 (\$9.5 million in 2006, with fees of \$23,163).

8. Gift funds (formerly Flow through fund)

The Foundation receives and issues receipts for gifts of securities intended for congregations and other registered charities. The sale proceeds, less brokerage and administrative costs, are passed on to the charities of the donors' choice. Each participating donor establishes a personal fund into which "flow through gifts" are made. The cheques issued to the charities from the sale of securities are considered "flow through grants".

The United Church of Canada Foundation/ Fondation de l'Église Unie du Canada

Notes to the financial statements

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9. Related parties

Related entities

Membership on the Board of Directors of the Foundation requires prior approval of the General Council of the United Church of Canada. As such, The United Church of Canada exerts significant influence over the Foundation.

Related party transactions and balances

The United Church of Canada provided the Foundation with operating grants of \$232,500 in 2007 (2006 - \$302,000) of which Nil (2006 - \$65,000) was recorded as deferred revenue, and has committed to provide up to \$1,000,000 from 2006 to 2008.

Certain administrative and support services including the use of office space were provided by the United Church of Canada at a fee of \$15,450 in 2007 (\$15,525 in 2006).

The Foundation had net payables to the United Church of Canada totaling \$21,857 as at December 31, 2007 (2006 - \$13,574) recorded as accounts payable and accrued liabilities.

10. Guarantees

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

- (a) Indemnity has been provided to all trustees, directors, officers and volunteers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation 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 Foundation. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as confidentiality agreements as well as engagement letters with advisors and consultants. These indemnification agreements may require the Foundation 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.

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

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11. Investments

The United Church of Canada Foundation has adopted the policy of socially responsible investing developed by The United Church of Canada. Under that policy, the Foundation have chosen to invest in a balanced pooled fund managed by Fiera YMG Capital. The fund the Foundation has chosen adheres to the socially responsible investment requirements of the Church and the Foundation. As of December 31, 2007, the Foundation holds 153,957 (2006 - 95,322) units in the pooled fund

12. Prior year accounts

Certain prior year balances have been reclassified to conform with current year classifications.