

Financial statements of

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

December 31, 2015

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

December 31, 2015

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May 16, 2016

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of The United Church of Canada Foundation/Fondation de l'Église Unie du Canada, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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.

#### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

**Opinion**

In our opinion, the 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, 2015 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

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

Statement of financial position

as at

31-Dec  
2015

31-Dec  
2014

	General			Endowed Capital and Restricted			Total	Total
	Operating Funds	Unrestricted	sub-total	Gift Funds	Granting Funds	Total		
		Funds						
<b>Assets</b>								
Current								
Cash	318,180	124,697	442,877	672,675	-	1,115,552		670,362
Accounts receivable (Note 4)	8,145	-	8,145	-	399	8,544		97,221
Prepaid expenses	738	-	738	-	-	738		2,846
sub-total	327,063	124,697	451,760	672,675	399	1,124,834		770,429
Investments (Notes 5)	180,272	-	180,272	92,701	54,091,963	54,364,936		53,372,043
Total Assets	507,335	124,697	632,032	765,376	54,092,362	55,489,770		54,142,472
<b>Liabilities and fund balances</b>								
Current								
Accounts payable (Notes 4 and 5)	143,521	-	143,521	734,522	20,924	898,967		445,832
Deferred revenue (Note 5)	-	-	-	30,854	-	30,854		130,604
sub-total	143,521	-	143,521	765,376	20,924	929,821		576,436
Fund balances	363,814	124,697	488,511	-	54,071,438	54,559,949		53,566,036
Total Liabilities and fund balances	507,335	124,697	632,032	765,376	54,092,362	55,489,770		54,142,472

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

Statement of operations and changes in fund balances

For the year ended

	31-Dec 2015			31-Dec 2014		
	General		Endowed Capital			
	Operating	Unrestricted	Gift	and Restricted		
	Funds	Granting Funds	Funds	Granting Funds	Total	Total
	sub-total					
	\$		\$		\$	
<b>Revenues</b>						
Donations						
General	-	66,138	-	-	66,138	90,780
Designated	-	-	2,396,480	785,256	3,181,736	4,094,377
Grants	-	-	-	-	-	-
Recovery of investment fees	-	-	-	-	-	-
Investment income	4,869	100	565	1,312,081	1,317,615	1,287,621
	4,869	66,238	71,107	2,397,045	4,565,489	5,472,778
<b>Expenses</b>						
Grants (Note 4)	55,209	13,768	2,373,131	2,375,632	4,817,740	4,638,681
Salaries and benefits	220,278			-	220,278	239,768
Fund development	-	-	-	-	-	-
Resource	44,853	-	44,853	-	44,853	47,324
Office	177,970	-	177,970	-	177,970	7,820
Investment fees	112,923	-	112,923	-	112,923	95,776
Travel and meeting	12,404	-	12,404	-	12,404	27,811
Professional fees	25,050	-	25,050	-	25,050	42,350
Property and insurance	3,718	-	3,718	-	3,718	3,775
	652,405	13,768	2,373,131	2,375,632	5,414,936	5,103,305
Surplus (deficit) before the following	(647,536)	52,470	(595,066)	(278,295)	(849,447)	369,473
Change in fair value of investments	-	-	(23,914)	1,402,192	1,378,278	4,041,617
<b>Surplus (deficit)</b>	(647,536)	52,470	(595,066)	1,123,897	528,831	4,411,090
<b>Fund balances, beginning of year</b>	363,814	72,227	436,041	-	53,129,995	49,154,946
Transfer (to)/from The United Church	-	-	-	-	465,082	-
Net inter-fund transfers (Note 6)	647,536	-	647,536	-	(647,536)	-
<b>Fund balances, end of year</b>	363,814	124,697	488,511	-	54,559,949	53,566,036

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

## Statement of cash flows

For the year ended

	31-Dec 2015	31-Dec 2014
	\$	\$
<b>Operating</b>		
Surplus	528,831	4,411,090
Item not affecting cash		
Change in fair value of investments	(1,378,278)	(4,041,617)
Surplus (deficit) without non-cash items	(849,447)	369,473
Changes in non-cash working capital items		
Accounts receivable	88,677	258,712
Prepaid expenses	2,108	670
Accounts payable	453,135	(1,382,966)
Deferred revenue	(99,750)	-
	(405,277)	(754,111)
<b>Investing</b>		
Transfer from The United Church	465,082	-
Change in investments	385,385	341,453
	850,467	341,453
Increase (decrease) in cash	445,190	(412,658)
Cash, beginning of year	670,362	1,083,020
<b>Cash, end of year</b>	<b>1,115,552</b>	<b>670,362</b>

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

## **Notes to the financial statements**

### **December 31, 2015**

#### **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 received its certificate of continuance under the *Canada Not-for-Profit Corporations Act* in 2014. 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 (The United Church), and other registered charities.

As a not-for-profit entity, the Foundation's operations are reliant on revenues generated annually. In addition, it relies on The United Church to provide support services as described in a relationship and governance agreement (described below). The Foundation has accumulated unrestricted funds over its history, which are included in the general operating fund balance in the statement of operations and changes in fund balances. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities). The remaining unrestricted funds are available for the use of the Foundation at the Board's discretion. The Foundation has complied with the external restrictions on the Gift Funds and the Endowment and Trust Funds.

On July 1, 2009, the Foundation entered into a relationship and governance agreement with The United Church. The agreement specifies how the two entities will work together in the areas of: fundraising, fund management, fund disbursement and grants oversight, staffing and budget, and governance. This agreement is reviewed periodically and was updated in 2015 to reflect the fact that the Foundation pays for all of its operating costs.

#### **2. Financial statement presentation**

##### *General*

These financial statements include the assets, liabilities, revenues, expenses, and cash flows under the direct administration of the Foundation, and exclude those under the administration of the congregations, presbyteries, conferences and partner organizations of The United Church. Contributed goods and services are not recorded in the financial statements of the Foundation. Volunteers make a substantial contribution of time each year to assist the Foundation in carrying out its activities. Due to the difficulty in determining the fair value of such contributed services, they are not recognized in these financial statements.

##### *Fund accounting*

These financial statements have been prepared in accordance with 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.

##### *General - Operating Fund*

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

##### *General - Unrestricted Granting Fund*

The Unrestricted Granting Fund includes unrestricted donations that are to be used for grants at the discretion of the Joint Grants Committee and the Board.

##### *Gift Funds*

The Foundation receives and issues tax receipts for gifts, including gifts of securities intended for congregations and other registered charities. These receipts are recorded as designated donations. The sale proceeds, less brokerage costs, are passed on to the charities



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of the donors' choice. For each participating donor a personal fund is established, into which gifts are made. The disbursements made to the charities from the sale of securities are recorded as a grant expense. Undisbursed proceeds are recorded in deferred revenue and accounts payable until such time, not to exceed twenty-four months, the donor designates a congregation or charity to which the proceeds are to be disbursed.

*Endowed Capital and Restricted Granting Funds*

The Foundation holds a number of restricted long-term funds that provide grants in support of the work of all courts of the church. Within these restricted granting funds are:

**Endowed Capital Funds:** Endowment funds have specific restrictions placed by donors with respect to the perpetual maintenance of the original capital of the funds and the use of only the investment income accruing to the funds which is included in the Other Restricted Funds.

**Other Restricted Funds:** Restricted funds have specific restrictions placed by donors with respect to the maintenance of the capital of the funds, the use of investment income accruing to the funds and the length of time the funds are to be held.

**3. 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 are recorded in the General Operating Fund and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Net proceeds from the sale of gifted securities to the Gift Funds are recorded as revenue and expense in the period in which the proceeds are received. Undisbursed proceeds are recorded in deferred revenue and accounts payable until such time, not to exceed twenty-four months, the donor designates a congregation or charity to which the proceeds are to be disbursed.

*Investments*

Investments are stated at fair value, with changes in fair value recognized in the statement of operations and changes in fund balances. Fair value is determined based on the closing bid price.

*Financial instruments*

The Foundation has classified each of its financial instruments into the following accounting categories. The category for an item determines its accounting.

<u>Asset/Liability</u>	<u>Measurement</u>
Cash	Fair value
Investments	Fair value
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

*Liquidity risk*

Liquidity risk is the risk the Foundation could encounter difficulty in meeting its obligations as they come due. The Foundation uses its working capital to mitigate such risk.

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**Summary of significant accounting policies (continued)**

*Interest rate risk*

The Foundation does not have any direct investment in instruments that are sensitive to changes in interest rates. The pooled investments of the Foundation, however, include instruments that are sensitive to changes in interest rates. Fluctuations in price are inverse to fluctuation in future yields and so these instruments can stabilize investment income available for distribution.

*Concentration of credit risk*

The Foundation has no direct or specific concentration of credit risk because the investments comprise units of a pooled balance fund.

*Market risk*

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Foundation. The investments of the Foundation are exposed to fair value fluctuations. The Church's short-term instruments (accounts receivable and accounts payable) are not subject to market risk.

*Use of estimates*

The preparation of financial statements in conformity with ASNPO requires the Foundation 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Related parties**

The United Church and the Foundation are subject to a relationship and governance agreement. All transactions between the two entities are conducted at the exchange amount, which is the amount agreed to by the parties.

In 2015, the Foundation reimbursed The United Church for all direct and indirect costs (including salaries, rent, IT support, etc.). This is a change from the prior year when the Foundation did not pay for its indirect costs. All direct and indirect costs incurred in 2015 are reflected in these financial statements.

In 2015, the Foundation issued grants to the Mission & Service totaling \$1,093,548 (2014 - \$1,187,996), to The United Church funds and programs totaling \$479,851 (2014 - \$619,272) and to The United Church for its projects and overseas projects totaling \$12,934 (2014 - \$56,220). The Foundation had \$399 amounts receivable as at December 31, 2015 (2014 - \$90,367) and amounts payable totaling \$119,792 (2014 - \$0). These amounts are non-interest bearing.

The Board approved a one-time grant representing a fiscal 2014 operating surplus of \$55,209 to The United Church.

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**5. Investments**

The Foundation has adopted the policy of socially responsible investing developed by The United Church. Under that policy, the Foundation has chosen to invest in the Fiera Balanced Fund, which is managed by Fiera Capital Inc. (Fiera) and adheres as closely as possible to a compliance level of 99% to the socially responsible investment requirements of the Foundation in 2015. As at December 31, 2015, the Foundation holds 4,482,911 (2014 - 4,345,238) units in the pooled fund with a unit value of \$12.0993 (2014 - \$12.25). As at December 31, 2015, the Foundation held one bond totaling \$30,854 (2014 - \$130,604), which is included in investments in the Gift Funds. The receipt of this bond was recorded as deferred revenue in the statement of financial position.

**6. Net inter-fund transfers**

The Foundation accounts for its fund administrative fees in the net inter-fund transfer accounts. The administrative fees for Endowment Capital and Restricted Granting Funds are charged by the General Operating Fund quarterly based on the average fund balance and are reflected as inter-fund transfers. Funds transferred from the United Church in 2013 that support the program work of the church are charged at 0.25% per quarter. All other funds are charged at 0.375% per quarter.

The administrative fees charged to Endowment Capital and Restricted Granting Funds total \$755,819 (2014 - \$511,075). The Board approved the transfer of excess amounts not required for operations back to the restricted funds in the amount of \$108,283. This resulted in a net transfer of \$647,536 (2014 - \$511,075) for the year and reduced the effective rate for the administrative fees from 1.50% to 1.33%.

Further, there is a transfer of \$465,082 from The United Church representing 30% of non-recurring gifts from planned gifts (e.g. bequests) and property sales The United Church received for Mission & Service.

**7. 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.

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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 that 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; therefore, no amount has been accrued in the statement of financial position with respect to these agreements.