

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

Financial Statements
December 31, 2021



Independent auditor's report

To the Members of The United Church of Canada Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The United Church of Canada Foundation (the Foundation) as at December 31, 2021 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 Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 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 Foundation in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
June 3, 2022

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

Statement of Financial Position

As at December 31, 2021

						2021	2020
	General Operating Funds \$	Gift Funds \$	Endowed Capital \$	Internally Restricted Funds \$	Externally Restricted Funds \$	Total \$	Total \$
Assets							
Current assets							
Cash	1,662,791	364,580	-	1,219,587	1,984,967	5,231,925	3,440,309
Accounts receivable (note 4)	20,922	71,128	-	-	292,725	384,775	17,764
Prepaid expenses	3,262	-	-	-	-	3,262	3,767
Gifts of securities	-	351,624	-	-	-	351,624	53,286
	1,686,975	787,332	-	1,219,587	2,277,692	5,971,586	3,515,126
Investments (note 5)	-	-	35,884,194	1,112,399	51,036,904	88,033,497	78,165,623
	1,686,975	787,332	35,884,194	2,331,986	53,314,596	94,005,083	81,680,749
Liabilities							
Current liabilities							
Accounts payable (note 4)	811,873	-	-	-	-	811,873	1,138,620
Fund Balances	875,102	787,332	35,884,194	2,331,986	53,314,596	93,193,210	80,542,129
	1,686,975	787,332	35,884,194	2,331,986	53,314,596	94,005,083	81,680,749

Approved on Behalf of The United Church of Canada Foundation



Member of the Board of Directors

Paul Douglas Walfall
Paul Douglas Walfall (Jun 25, 2022 10:07 MDT)

Member of the Board of Directors

The accompanying notes are an integral part of these financial statements.

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 December 31, 2021

						2021	2020
	General Operating Funds \$	Gift Funds \$	Endowed Capital \$	Internally Restricted Funds \$	Externally Restricted Funds \$	Total \$	Total \$
Revenue							
Donations	-	5,613,629	4,395,707	167,278	734,756	10,911,370	5,763,846
Investment income	6,382	(4,498)	-	(55)	(1,741)	88	11,208
	6,382	5,609,131	4,395,707	167,223	733,015	10,911,458	5,775,054
Expenses							
Grants (note 4)	-	4,782,215	-	135,205	2,726,684	7,644,104	7,414,507
Salaries and benefits	294,310	-	-	-	-	294,310	384,672
Fund development	-	-	-	-	-	-	10,394
Marketing and communications	94,229	-	-	-	-	94,229	64,118
Office	200,723	-	-	-	-	200,723	221,554
Investment fees	179,195	-	-	-	-	179,195	152,952
Travel and meeting	2,802	-	-	-	-	2,802	4,731
Professional fees	147,723	-	-	-	-	147,723	102,756
Insurance	4,064	-	-	-	-	4,064	3,164
	923,046	4,782,215	-	135,205	2,726,684	8,567,150	8,358,848
Surplus (deficit) before the following	(916,664)	826,916	4,395,707	32,018	(1,993,669)	2,344,308	(2,583,794)
Change in fair value of investments	-	-	-	136,837	10,169,936	10,306,773	8,317,308
Surplus for the year	(916,664)	826,916	4,395,707	168,855	8,176,267	12,651,081	5,733,514
Fund balances – Beginning of year	598,805	-	31,488,487	2,175,414	46,279,423	80,542,129	74,808,615
Net inter-fund transfers (note 6)	1,192,961	(39,584)	-	(12,283)	(1,141,094)	-	-
Fund balances – End of year	875,102	787,332	35,884,194	2,331,986	53,314,596	93,193,210	80,542,129

The accompanying notes are an integral part of these financial statements.

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

Statement of Cash Flows

For the year ended December 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	12,651,081	5,733,514
Item not affecting cash		
Change in fair value of investments	(10,306,773)	(8,317,308)
	2,344,308	(2,583,794)
Changes in non-cash working capital items		
Accounts receivable	(367,011)	246,170
Prepaid expenses	505	(850)
Accounts payable	(326,747)	181,659
Other non-cash item		
Gifts securities	(298,338)	3,767
	1,352,717	(2,153,048)
Investing activities		
Purchase of investments (note 5)	(5,300,101)	(276,670)
Disposal of investments (note 5)	5,739,000	3,612,985
	438,899	3,336,315
Increase in cash during the year	1,791,616	1,183,267
Cash – Beginning of year	3,440,309	2,257,042
Cash – End of year	5,231,925	3,440,309

The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statements

December 31, 2021

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 Foundation's purpose is to foster deep spirituality, bold discipleship and daring justice by attracting and deploying financial resources. Through capacity building, convening, granting, and careful stewardship of funds entrusted to the Foundation, it supports congregations, ministries and programs that enrich The United Church of Canada (the United Church), create a more just planet and celebrate God's abundance in the world.

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 2021 to reflect changes in how the two organizations collaborate and for which services the Foundation compensates the Church.

2 Financial statement presentation

General

These financial statements include the assets, liabilities, revenue, expenses and cash flows under the direct administration of the Foundation. Contributed goods and services are not recorded in the financial statements of the Foundation. Volunteers make a contribution of time each year to assist the Foundation by serving on the board and its committees. 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 Funds

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

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Notes to Financial Statements

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- 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 and an administrative fee, are passed on to the charities of the donors' choice. For each participating donor, a personal fund is established, into which gifts are made. Gifts of securities in transit are valued at the closing bid price. The disbursements made to the charities from the sale of securities are recorded as a grant expense.

- Endowed Capital and Restricted 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 and other charities requested by the donor. Within these restricted granting funds are the following:

- Endowed Capital Funds – a group of funds with instructions to invest the capital in perpetuity and use the investment income earned for specific purposes, which is included in Other Restricted Funds;
- Internally Restricted Funds – a group of funds that have been internally restricted by the board (as itemized in note 7) for a stated purpose; and
- Externally Restricted Funds – a group of funds that have been externally restricted by donors or other entities that have gifted or transferred funds for a stated purpose. See note 7 for a listing of the largest restricted funds.

3 Summary of significant accounting policies

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

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recorded as revenue of the General Operating Funds. Restricted contributions are recognized as revenue of the appropriate restricted fund 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 fair value recognized in the statement of operations and changes in fund balances. Fair value is determined based on the closing bid price.

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Notes to Financial Statements

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Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

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

Asset/liability	Measurement
Cash	fair value
Investments	fair value
Accounts receivable	amortized cost
Accounts payable	amortized cost

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 as at the date of the financial statements, and the reported amounts of revenue 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 2021, the Foundation reimbursed The United Church for all direct and indirect costs (including salaries, rent, IT support, etc.). This is consistent with the prior year. All direct and indirect costs incurred in 2021 are reflected in these financial statements.

In 2021, the Foundation issued grants to the General Council of the United Church of Canada totalling \$1,889,407 (2020 – \$2,901,607) comprised of grants for Mission & Service, United Church funds and programs, and overseas projects.

The Foundation had \$nil accounts receivable from the United Church as at December 31, 2021 (2020 – \$nil) and accounts payable totalling \$292,454 (2020 – \$250,969). These amounts are non-interest bearing.

5 Investments

The Foundation invests in the following selection of Fiera's funds: Fiera Short Term Investment Fund, Fiera Active Fixed Income Ethical ESG Fund, Fiera Canadian Equity Ethical ESG Fund, Fiera US Equity Ethical ESG Fund and the Fiera International Equity Ethical ESG Fund. This selection of investments is consistent with the

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

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Foundation's Investment Policy Statement and the Foundation's values as described in its Socially Responsible Investment Policy.

Genus Capital Management manages the Foundation's impact investments. Those investments are focused on creating social and environmental returns as well as a financial return. The Foundation's impact investments center on the following four priorities: rural community support and/or development, care for climate, Indigenous peoples, and racialized peoples, immigrant and newcomers.

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, Internally Restricted Funds and Externally Restricted Funds are charged by the General Operating Funds quarterly based on the average fund balance and are reflected as inter-fund transfers.

The administrative fees of 1.5% per annum charged to Gift Funds, Internally Restricted Funds and Externally Restricted Funds were \$1,191,459 (2020 – \$1,022,709).

7 Restricted funds

	2021			2020	
	Externally restricted \$	Internally restricted \$	Total \$	Total \$	
Compassionate Assistance Fund	4,215,627	-	4,215,627	3,861,438	
GCO Mission & Service Fund	4,433,590	-	4,433,590	3,954,697	
Estate of Reginald Watkins Fund	1,680,182	-	1,680,182	1,660,082	
Good Samaritan Fund for Senior's Ministry Fund	2,792,128	-	2,792,128	2,193,869	
Estate of Dorothy Jenkins Fund	1,448,477	-	1,448,477	1,316,721	
M&S Endowment Fund	1,907,963	-	1,907,963	1,459,507	
UCHSS-Career Improvement-Prof Dev Scholarships	1,186,597	-	1,186,597	1,063,648	
New Ministries Fund (i)	4,649	638,731	643,380	633,280	
New Development Learnings Fund (i)	-	456,692	456,692	456,692	
The Wesley C. Smith Fund (i)	80,497	503,773	584,270	570,262	
Grants Fund (ii)	-	732,790	732,790	651,519	
Other funds (iii)	35,564,886	-	35,564,886	30,633,123	
	<u>53,314,596</u>	<u>2,331,986</u>	<u>55,646,582</u>	<u>48,454,837</u>	

- i) In 2017, the Foundation received an unrestricted gift-in-kind of real estate property from a donor and disposed it for proceeds of \$1,370,074. On December 5, 2017, the board designated two-thirds of the sales proceeds to two funds – one-third to New Ministries Fund and one-third to The Wesley C. Smith Fund, with the remaining one-third to a new fund for New Development Learnings.

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- ii) The Grants Fund consists of undesignated gifts internally restricted for granting purposes. Grants are made at the discretion of the Joint Grants Committee and the board.
- iii) Other externally restricted funds include 508 funds with individual balances of less than \$1,000,000.

8 Risk

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.

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, 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 Foundation's short-term instruments (accounts receivable and accounts payable) are not subject to market risk.

9 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.

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- 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 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.

10 Impact of COVID-19

After the World Health Organization declared COVID-19 a global pandemic on March 11, 2020, governments declared states of emergency and imposed restrictions such as closures and social distancing measures, adversely impacting the Foundation's operations. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The Foundation took several steps to protect the health and safety of employees and to ensure business continuity and continues to monitor the situation. The Foundation is unable to determine the impact, if any, of potential further restrictions related to the pandemic on its operating model.

11 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

UCCF Audited Financial Statements Dec 31, 2021

Final Audit Report

2022-06-25

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By:	Kate Porter (kporter@united-church.ca)
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