

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

Financial Statements
December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Members of The United Church of Canada Foundation

Opinion

We have audited the financial statements of The United Church of Canada Foundation (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other Matter - Comparative Information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 3, 2022.

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.

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

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 25, 2023

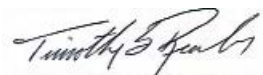
The United Church of Canada Foundation/Fondation de l'Église Unie du Canada

Statement of Financial Position

December 31, 2022, with comparative information for 2021

						2022	2021
	General Operating Funds	Gift Funds	Endowed Capital	Internally Restricted Funds	Externally Restricted Funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets							
Cash	1,664,375	24,369	-	1,756,608	-	3,445,352	5,231,925
Accounts receivable (note 4)	20,289	34,519	-	-	-	54,808	384,775
Prepaid expenses	3,361	-	-	-	-	3,361	3,262
Gift of securities (note 5)	-	685,852	-	-	-	685,852	351,624
Total Current Assets	1,688,025	744,740	-	1,756,608	-	4,189,373	5,971,586
Investments (note 6)	-	-	45,684,846	348,324	45,500,535	91,533,705	88,033,497
Total Assets	1,688,025	744,740	45,684,846	2,104,932	45,500,535	95,723,078	94,005,083
Liabilities and fund balances							
Current liabilities							
Accounts payable and accrued liabilities (note 4)	910,105	-	-	-	-	910,105	811,873
Total Current Liabilities	910,105	-	-	-	-	910,105	811,873
Fund Balances	777,920	744,740	45,684,846	2,104,932	45,500,535	94,812,973	93,193,210
Total Liabilities and Fund Balances	1,688,025	744,740	45,684,846	2,104,932	45,500,535	95,723,078	94,005,083

Approved on Behalf of The United Church of Canada Foundation



Member of the Board of Directors



Member of the Board of Directors

See accompanying notes to financial statements.

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

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

					2022	2021
	General Operating Funds	Gift Funds	Endowed Capital	Externally Restricted Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Donations	114,770	3,999,063	9,800,652	342,990	14,257,475	10,911,370
Investment income	14,611	(2,959)	-	29,633	41,285	88
	129,381	3,996,104	9,800,652	372,623	14,298,760	10,911,458
Expenses						
Grants (note 4)	272,566	3,938,720	-	3,215,306	7,426,592	7,644,104
Salaries and benefits	425,776	-	-	-	425,776	294,310
Marketing and Communications	83,930	-	-	-	83,930	94,229
Office operations	361,358	-	-	-	361,358	200,723
Investment fees	208,824	-	-	-	208,824	179,195
Travel and meeting	21,475	-	-	-	21,475	2,802
Professional fees	96,552	-	-	-	96,552	147,723
Fund development	6,046	-	-	-	6,046	-
Insurance	4,747	-	-	-	4,747	4,064
	1,481,274	3,938,720	-	3,215,306	8,635,300	8,567,150
Surplus (deficit) before the following	(1,351,893)	57,384	9,800,652	(2,842,683)	5,663,460	2,344,308
Change in fair value of investments	(55,548)	-	-	(3,988,149)	(4,043,697)	10,306,773
Surplus (deficit) for the year	(1,407,441)	57,384	9,800,652	(6,830,832)	1,619,763	12,651,081

See accompanying notes to financial statements.

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

Statement of Changes in Fund Balances

Year ended December 31, 2022, with comparative information for 2021

						2022	2021
	General Operating Funds	Gift Funds	Endowed Capital	Internally Restricted Funds	Externally Restricted Funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	875,102	787,332	35,884,194	2,331,986	53,314,596	93,193,210	80,542,129
Surplus (deficit) for the year	(1,407,441)	57,384	9,800,652	-	(6,830,832)	1,619,763	12,651,081
Net interfund transfers (note 7)	1,310,259	(99,976)	-	(227,054)	(983,229)	-	-
Fund balances, end of year	777,920	744,740	45,684,846	2,104,932	45,500,535	94,812,973	93,193,210

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
	\$	\$
Operating		
Surplus for the year	1,619,763	12,651,081
Items not affecting cash		
Change in fair value of investments	4,043,697	(10,306,773)
Surplus without non-cash items	5,663,460	2,344,308
Changes in non-cash working capital items		
Accounts receivable	329,967	(367,011)
Prepaid expenses	(99)	505
Accounts payable	98,232	(326,747)
Gift of securities	(334,228)	(298,338)
	5,757,332	1,352,717
Investing		
Purchase of investments	(7,543,905)	(5,300,101)
Disposal of investments	-	5,739,000
	(7,543,905)	438,899
Increase (Decrease) in cash	(1,786,573)	1,791,616
Cash, beginning of year	5,231,925	3,440,309
Cash, end of year	3,445,352	5,231,925

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2022

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

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).

a) General Operating Funds

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

b) Gift Funds

The Gift Funds record the receipt of gifts of securities designated for congregations and other registered charities. The sale proceeds, less brokerage costs and an administrative fee, are passed on to the charities designated by the donors. 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.

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

Notes to Financial Statements

December 31, 2022

2 Financial statement presentation (continued)

c) 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 of Directors (the board) for a stated purpose. Investment income earned on internally restricted funds is recorded as unrestricted investment income when earned and as transfers to the respective funds within internally restricted fund balance in accordance with the approved policies.; and
- Externally Restricted Funds – a group of funds that have been externally restricted by donors that have gifted or transferred funds for a stated purpose.

3 Summary of significant accounting policies

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

a) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recorded as revenue of the General Operating Funds and subsequently internally restricted by the Board of Directors to fund grants (note 2 c). Restricted contributions and endowments are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income includes interest income, dividends, net realized gains (losses), and change in net unrealized gains (losses) on the sale of gift of securities. Change in fair value of investments includes net realized gains (losses) and change in unrealized gains (losses) on the long-term investments. Restricted and unrestricted investment income is recognized as revenue in the appropriate fund when earned. During the year, investment income earned on resources held for endowment were fully recognized in the respective restricted fund.

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

Notes to Financial Statements

December 31, 2022

3 Summary of significant accounting policies (continued)

b) Donated goods and services

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.

c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. The Foundation has elected to carry all investments at fair value and as a result, they are revalued monthly. All other financial instruments are subsequently recorded at cost or amortized cost. Fair value is determined based on the closing bid price.

d) Use of estimates

The preparation of financial statements 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 party transactions and balances

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 2022, 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 2022 are reflected in these financial statements.

In 2022, the Foundation issued grants to the United Church totaling \$1,825,044 (2021 – \$1,889,407) comprised of grants for Mission & Service, United Church funds and programs, and overseas projects.

Included in accounts payable and accrued liabilities is \$452,066 (2021 – \$292,454) due to the United Church. These amounts are non-interest bearing.

5 Gift of securities

Gifts of securities include marketable securities donated to the Foundation, as well as cash proceeds from the disposition of such securities. Upon receipt, all donated marketable securities are liquidated at the earliest opportunity unless there are extenuating circumstances. The balance in the gift of securities account represents the fair value of investments held in the Foundation's brokerage account at the end of the fiscal year.

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

Notes to Financial Statements

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6 Investments

The Foundation's investments are managed in two investment portfolios that are governed by the Foundation's Investment Policy: the General Investments Portfolio and the Impact Investments Portfolio (collectively the "SIPP").

The General Investments Portfolio includes a selection of pooled investment funds that are consistent with the Foundation's values.

The Impact Investments Portfolio focuses on creating social and environmental returns, as well as a financial returns. The Foundation's impact investments prioritize four areas: rural community support and/or development, care for climate, Indigenous peoples, and racialized peoples, immigrant and newcomers.

The investment balances are summarized as follows:

	2022	2021
	\$	\$
General Investments		
Cash and cash equivalents	38,691,497	7,348,270
Fixed Income	9,660,498	24,393,075
Equities	34,158,172	51,186,809
Alternatives	3,987,141	-
	86,497,308	82,928,154
Impact Investments		
Cash and cash equivalents	500,614	4,108
Fixed Income	1,886,331	2,862,800
Equities	1,564,426	1,597,569
Alternatives	1,085,026	640,866
	5,036,397	5,105,343
Total	91,533,705	88,033,497

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

Notes to Financial Statements

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7 Net interfund transfers

	General Operating Funds	Gift Funds	Internally Restricted Funds	Externally Restricted Funds
	\$	\$	\$	\$
Administrative Fees (I)	1,079,350	(33,614)	-	(1,045,736)
Interfund Transfers	230,909	(66,362)	(227,054)	62,507
Net Interfund Transfers	1,310,259	(99,976)	(227,054)	(983,229)

- I. The Foundation accounts for its fund administrative fees in the net interfund transfer accounts. The administrative fees for Externally Restricted Funds are charged by the General Operating Funds quarterly based on the average fund balance. The administrative fees for Gift Funds are charged when the gift securities are sold.

8 Financial Risks

The Foundation's investments are exposed to a variety of financial risks as a result of its investment activities. These risks include liquidity risk, interest rate risk, credit risk, market risk, and foreign exchange risk. The Investment Committee has established a SIPP to manage these risks. The Foundation's SIPP sets a target asset mix, requires diversification of investments within categories, and establishes limits on exposure to individual investments. There has been no change to risk exposures from 2021.

(a) 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.

(b) 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.

(c) Concentration of credit risk

Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. To mitigate concentration of credit risk, the Foundation's SIPP requires diversification of investment and set limits on exposure to individual securities.

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

Notes to Financial Statements

December 31, 2022

8 Financial Risks (continued)

(d) 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.

(e) Foreign currency risk

Foreign currency risk refers to the fluctuations in the fair value of a financial instrument due to changes in foreign currency exchange rates relative to the Canadian dollar. As at December 31, 2022, the Foundation holds 23% (2021 - 30%) of its investments are invested in non-Canadian securities and, therefore, is subject to foreign currency 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.

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.
- 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.