

The National Accounts of The United Church of Canada

December 31, 2020

The National Accounts of The United Church of Canada

December 31, 2020

Table of contents

Independent auditor’s report 1-3

Non-consolidated statement of financial position 4

Non-Consolidated statement of operations 5

Non-Consolidated statement of changes in fund balances..... 6

Non-Consolidated statement of cash flows 7

Notes to the non-consolidated financial statements8-22



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, 2020 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, 2020;
- 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 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 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.

PricewaterhouseCoopers LLP
200 Apple Mill Road, Vaughan, Ontario, Canada L4K 0J8
T: +1 905 326 6800, F: +1 905 326 5339

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



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.

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
June 29, 2021

The National Accounts of The United Church of Canada

Non-consolidated statement of financial position
as at

(amounts in thousands of Canadian dollars)

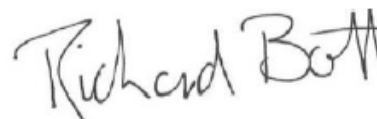
					December 31, 2020	December 31, 2019
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash and cash in transit	16,680	-	-	-	16,680	7,852
Accounts receivable (Note 6 and 7)	1,992	-	21	96	2,109	1,886
Short-term investments (Note 5)	1,200	-	-	-	1,200	1,200
Inventory	299	-	-	-	299	317
Other	722	-	-	-	722	805
	20,893	-	21	96	21,010	12,060
Investments (Note 10)	43,433	8,045	20,440	30,980	102,898	106,528
Investment in and advances to a wholly owned subsidiary (Note 11)	-	-	-	10,465	10,465	3,000
Capital loans (Note 12)	387	-	-	6,207	6,594	5,960
Capital assets (Note 13)	-	22	-	4,285	4,307	3,823
	64,713	8,067	20,461	52,033	145,274	131,371
Liabilities and fund balances						
Current						
Accounts payable and accrued liabilities (Notes 6 and 7)	2,816	-	-	18	2,834	4,057
Payable to annuitants (Note 8)	-	-	5,097	-	5,097	6,422
Deferred Contributions	-	-	-	-	-	14
Mortgage debt (note 14)	-	-	-	507	507	670
Group insurance benefits plan liability (Note 9)	18,325	-	-	-	18,325	16,973
Fund balances	43,572	8,067	15,364	51,508	118,511	103,235
	64,713	8,067	20,461	52,033	145,274	131,371

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

(amounts in thousands of Canadian dollars)

					year ended December 31, 2020	year ended December 31, 2019
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions (Note 6)						
Congregations	18,490	-	-	-	18,490	19,978
Assessment	10,573	-	-	-	10,573	10,851
United Church Women	681	-	-	-	681	1,030
United Church of Canada Foundation	2,902	-	-	-	2,902	1,476
Legacies	1,659	-	-	1,300	2,959	2,936
Donations	2,849	9	-	3	2,861	3,399
Total contributions	37,154	9	-	1,303	38,466	39,670
Recovery of administrative costs (Note 6)	2,184	-	-	-	2,184	2,529
Investment income	315	116	363	960	1,754	1,887
Retail sales	370	2	-	-	372	759
Annuities	-	-	370	-	370	370
Grants (Note 22)	8,642	-	-	-	8,642	660
Other	3,041	519	1	314	3,875	5,265
Total revenue	51,706	646	734	2,577	55,663	51,140
Expenses						
Grants (Note 6)	21,879	686	-	1,796	24,361	23,163
Staff costs	16,010	225	-	-	16,235	15,346
Resources	1,181	6	-	1	1,188	2,013
Travel and meeting	440	20	-	-	460	1,958
Office	1,689	11	-	915	2,615	2,240
Annuities	-	-	1,115	-	1,115	1,301
Professional fees	2,461	13	-	41	2,515	4,051
Property and insurance	422	-	-	347	769	3,710
Investment	426	108	110	419	1,063	1,095
Other	88	-	-	-	88	2,937
Total expenses	44,596	1,069	1,225	3,519	50,409	57,814
Surplus (deficit) before the following	7,110	(423)	(491)	(942)	5,254	(6,674)
Change in fair value of investments	2,577	1,022	1,326	3,785	8,710	10,297
Church restructuring costs	-	-	-	-	-	(1,400)
Change in payable to annuitants (Note 8)	-	-	1,325	-	1,325	(210)
Surplus (deficit)	9,687	599	2,160	2,843	15,289	2,013

The National Accounts of The United Church of Canada

Non-consolidated statement of changes in fund balances
for the
(amounts in thousands of Canadian dollars)

					year ended December 31, 2020	year ended December 31, 2019
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	33,898	8,248	13,205	47,884	103,235	100,627
Transfer to/from UCC related entities (Note 16)	(13)	-	-	-	(13)	(329)
Transfers from the Maritime Conference (Note 16)	-	-	-	-	-	924
Surplus (deficit)	9,687	599	2,160	2,843	15,289	2,013
Justice Fund transfers to the General Fund (Note 17)	902	(902)	-	-	-	-
WPS program transfers	(157)	157	-	-	-	-
WPS admin transfers	56	(56)	-	-	-	-
Net interfund transfers	(801)	21	(1)	781	-	-
Fund balances, end of year	43,572	8,067	15,364	51,508	118,511	103,235

The National Accounts of The United Church of Canada

Non-consolidated statement of cash flows for the

(amounts in thousands of Canadian dollars)

	year ended December 31, 2020	year ended December 31, 2019
	\$	\$
Operating activities		
Surplus (deficit)	15,289	2,013
Non-cash items		
Change in fair value of investments	(8,710)	(10,297)
Provision for capital loans	(78)	2,932
Investment interest earned	(1,428)	(1,594)
Investment expense	803	843
Change in payable to annuitants	(1,325)	210
Investment management fees	(801)	-
In-kind legacy donation	(1,300)	-
Amortization	915	933
	3,365	(4,960)
Increase (decrease) in cash from changes in		
Accounts receivable	(223)	846
Inventory	18	79
Other	83	(259)
Accounts payable and accrued liabilities	(1,223)	2,781
Deferred contributions	(14)	9
Group insurance benefits plan liability	1,352	(1,134)
Total cash provided by (used in) operating activities	3,358	(2,638)
Investing activities		
Cash withdrawal from investments	13,381	4,246
Investment in real estate	(7,143)	(3,000)
Capital loans issued	(1,270)	(1,172)
Capital loans repayments	777	702
Capital asset additions	(99)	(2,116)
Total cash provided by (used in) investing activities	5,646	(1,340)
Financing activities		
Transfer to/from UCC related entities (Note 16)	(13)	(329)
Transfer of funds from the Maritime Conference	-	924
Assumption (repayment) of mortgage	(163)	670
Total cash provided by (used in) financing activities	(176)	1,265
Increase (decrease) in cash and cash in transit	8,828	(2,713)
Cash and cash in transit, beginning of year	7,852	10,565
Cash and cash in transit, end of year	16,680	7,852

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

1. The United Church of Canada

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 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, individual congregations and the United Property Resource Corporation (a wholly owned subsidiary) (see Notes 11).

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 also 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, 2020

(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 and the investment in and advances to the wholly owned subsidiary (note 11).

3. 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) Regional Councils

The United Church oversees the activities of the regional councils in compliance with The United Church of Canada Act and the church's manual. It accounts for its transactions with the regional councils at cost. (see also note 6)

(c) Cash and cash in transit

Cash and cash in transit is stated at cost representing cash in the bank and cash remittances, from congregations for its Mission & Service Fund, which are received in the period January 1 to the end of the first week in February of the following year.

(d) 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.

(e) 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, 2020

(amounts in thousands of Canadian dollars)

3. Summary of significant accounting policies (continued)

(f) 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
Investment in a wholly owned subsidiary	Cost/Amortized
Capital loans	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Payable to annuitants	Fair value
Mortgage debt	Amortized cost
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 Church recognizes earnings from its investment to the extent 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 expected timing or amount of future cash flows from the investment.

(g) Capital assets

Capital assets consist of leasehold improvements, office furniture and equipment, information technology hardware, 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 40 years.

(h) 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 and systems development 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

3. Summary of significant accounting policies (continued)

(i) Contributions

Contributions from congregations, The United Church Women, 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.

(j) Recoveries of administrative costs

Recoveries of administrative costs includes receipts for services or resources provided to entities based on a service agreement and are recorded as revenue as they are earned.

(k) 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.

(l) Grants

Grants from partners and government are recorded as revenue as received in the period.

(m) 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.

(n) 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.

(o) 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, 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)

(p) 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 collection of assessments, the recoverability of capital loans, the carrying value of capital assets, the determination of the payable to external beneficiaries based on actuarial assumptions and formulae and the carrying value of the investment in the wholly-owned subsidiary.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

3. Summary of significant accounting policies (continued)

(q) 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.

4. Financial instruments risk disclosures

The main risks The United Church's non-consolidated 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:

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:

(a) *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 non-consolidated 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.

(b) *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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

4. Financial instruments risk disclosures (continued)

(c) 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 18% (2019 - 25%) 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 or draw on its credit facility with the bank. 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.

5. Short-term investments (see also note 15)

Short-term investments comprise a \$1,200 (2019 - \$1,200) guaranteed investment certificate used as collateral for an overdraft and credit facility and is restricted to this purpose.

6. 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

6. Related entity transactions (continued)

	2020	2019
	\$	\$
Revenue		
Contributions	32,646	33,335
Recovery of administrative costs		
The United Church of Canada Pension Plan	1,282	1,250
Ontario regional councils - archives	226	216
The United Church of Canada Foundation	559	524
Regional councils	239	268
Pastoral charges	-	-
Other	6	37
	2,312	2,295
Expenses - grants		
Operating grants to regional councils	6,416	6,476
Mission support grants to pastoral charges and other mission units (including staff costs)	6,537	6,393
	12,953	12,869

Contributions are received, for the most part, from related parties of the United Church including pastoral charges, individual congregations, all committees, councils and members of the church at large. Related parties provide virtually all contributions on the statement of operations.

As at year-end, total: accounts receivable from the related parties were \$1,914 (2019 - \$1,459); accounts payable and accrued liabilities to related parties were \$56 (2019 - \$307); and capital loans were \$6,594 (2019 - \$5,960).

7. 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 payable totaling \$10 for the current year-end and \$136 receivable for the prior year.

8. 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 10). 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

8. Related entity transactions (continued)

	2020	2019
	\$	\$
Investments	20,440	19,607
Cash	-	-
Accounts receivable	21	20
Fund balances	(15,364)	(13,205)
Present value of payments to all annuitants, end of year	5,097	6,422
Present value of payments to all annuitants, beginning of year	6,422	6,212
Decrease in payable to annuitants	1,325	(210)

The most recent actuarial valuation was undertaken as at September 30, 2020, the results of which have been extrapolated to December 31, 2020 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, 2020, to determine the actuarial liability, which is different from the accounting liability.

	2020	2019
	\$	\$
Present value of annuity payments to all annuitants	5,097	6,422
Present value of gift remainders payable to parties other than the General Council Office	7,943	6,757
Present value of gift remainders payable to the General Council Office	5,799	4,683
Present value of future administrative expenses	605	794
Total actuarially determined liability	19,444	18,656

9. 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

9. Group insurance benefits plan liability (continued)

The change in the liability is described below.

	2020	2019
	\$	\$
Opening balance	16,973	18,107
Premiums received	17,868	16,256
Claims paid	(16,157)	(18,179)
Administration costs	(883)	(1,211)
Investment income	236	300
Investment expenses	(219)	(214)
Change in fair value of investments	1,916	2,284
Systems development costs	(1,409)	(370)
Closing balance	18,325	16,973

10. 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, 2020					
Pooled	42,374	8,045	8,862	30,980	90,261
Segregated	-	-	11,578	-	11,578
Designated	1,059	-	-	-	1,059
	43,433	8,045	20,440	30,980	102,898
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

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

10. Investments (continued)

(a) Pooled investments

The pooled investments are summarized as follows:

	2020		2019	
	\$	%	\$	%
Pooled funds				
Bonds	15,893	17	16,908	18
Equities				
United States of America	16,368	18	23,110	25
Canadian	36,762	40	30,600	32
	69,023	75	70,618	75
Equities				
Canadian	16,972	19	17,733	19
	16,972	19	17,733	19
Short-term securities	4,248	5	5,718	5
Currency contracts	18	1	129	1
	90,261	100	94,198	100

(b) Segregated investments (see also note 15)

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:

	2020		2019	
	\$	%	\$	%
Bonds				
Provincial	6,838	59	6,440	57
Government of Canada	3,583	31	3,591	32
Public utilities and corporations	1,157	10	1,240	11
	11,578	100	11,271	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:

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

10. Investments (continued)

(c) Designated investments (continued)

	2020		2019	
	\$	%	\$	%
Oiko credit (EDCS)	999	94	999	94
Stocks	16	2	16	2
Stripped bonds	44	4	44	4
	1,059	100	1,059	100

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

This subsidiary is accounted for at cost and consists of a \$5,465 (2019 - \$3,000) loan with an interest rate of prime plus 2% and shares of \$5,000. There are no repayment terms associated with the loan.

12. Capital loans (see also note 6)

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.

	2020	2019
	\$	\$
Congregational	8,921	8,750
New church development/redevelopment	1,273	1,258
Other	609	196
Allowance for capital loans	(4,209)	(4,244)
	6,594	5,960

13. Capital assets

Capital assets are comprised of the following:

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	1,710	1,147	563
Office furniture and equipment	799	473	326
Studio equipment	31	12	19
Real property	5,033	1,803	3,230
Mobile homes	97	60	37
Vehicle	42	25	17
Computer	1,043	928	115
	8,755	4,448	4,307

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

13. Capital assets (continued)

			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
	<u>7,466</u>	<u>3,643</u>	<u>3,823</u>

14. Mortgage debt (see also note 16)

As part of the church restructuring in 2019, The United Church assumed a mortgage pertaining to the former Maritime Conference property, which is now being occupied by two regional councils. The mortgage principal as at December 31, 2020 is \$507 (2019 - \$670) with an interest rate of 4.5% and the option to pay down principal up to 10% once a year.

15. Credit facility

The Church negotiated two credit facilities with its bank for indefinite terms. These credit facilities will provide the Church with the ability to support its ministries, assist congregations in these very uncertain times and avoid raising cash by selling investments in difficult market conditions. No draw on either of these facilities was made in 2020 and the balance at year-end is \$nil. The credit facilities are as follows:

- a. \$10,000 secured revolving demand credit facility
 - i. The security provided for this \$10 million credit facility comprises the bonds in the segregated investments (see note 10 (b)) and term deposits totaling \$1,000 (see note 5).
 - ii. The applicable interest rate is 1% above the Royal Bank Prime rate.
 - iii. Draws are in increments of \$10 loans repayable at any time or on demand.
- b. \$200 secured non-revolving demand credit facility
 - i. The security for the \$200 facility is a term deposit totaling \$200 (see note 5).
 - ii. The applicable interest rate is 1.25% per annum.
 - iii. Draws are by way of letters of credit repayable at any time or on demand.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

16. Net Transfers to/from other charities

During the year, The United Church transferred funds \$13 (2019 - \$329) to the Foundation. The Church temporarily suspended its policy of transferring 50% of the one-time Mission & Service and other gifts received in 2019.

In the prior year, the former Maritime Conference transferred to The United Church of Canada a total of \$924 at January 1, 2019, comprising: a fund balance - \$219; and \$705, being the difference between the exchange amount of the property (\$1,560) and the mortgage carrying value (\$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 \$902 (2019 - \$1,005) was made from the KAIROS Justice Fund (included in the Trust and Endowments Funds) to the General Operating Funds to adjust the investment balance to equal 110% of total cumulative contributions to December 31, 2020. An additional transfer of \$56 (2019 - \$90) from the KAIROS Global Partnership Fund (included in the Trust and Endowments Funds) to the General Operating Funds, for administration fees, was made as required under a 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 2020 was 9.00% (2019 - 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 \$1,915 in 2020 (2019 - \$1,784). At the date of the most recent actuarial valuation on December 31, 2019, there was a surplus totaling \$293 million, determined on a going concern basis and a surplus of \$208 million, determined on a hypothetical wind-up basis, as required under pension legislation.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

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 80 Hayden Street, Toronto where the lease was renewed expiring August 31, 2024, 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	80 Hayden St. Toronto	Bronson Centre, Ottawa	Total Basic Rent
	\$	\$	\$	\$	\$
2021	381	154	88	13	636
2022	381	157	88	7	633
2023	222	160	88	-	470
2024	-	160	59	-	219
2025	-	160	-	-	160
	984	791	323	20	2,118

The Church has signed agreements with vendors to implement a pension and group insurance administration system totaling \$6,778 over the next 3 years.

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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2020

(amounts in thousands of Canadian dollars)

20. Guarantees (continued)

- (d) The United Church has provided performance guarantees for debts and liabilities resulting from various capital projects (2020 – 1 project; 2019 – nil projects) involving bank financing and loans from the Canada Mortgage and Housing Corporation totaling \$20,000 (2019 - \$nil) of which \$4,998 (2019 - \$nil) would be payable if The United Church were required to act on the outstanding guarantees as at December 31, 2020. 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 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. Wage subsidy grants

The Church applied for and received wage subsidy grants from the federal government of Canada totaling \$5,902 from the Canada Emergency Wage Subsidy program launched in March, 2020 as part of the government's response to the COVID-19 virus. This revenue is included in the line caption grants in the statement of operations.

23. Impact of the COVID-19 pandemic

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", continues to require governments worldwide to enforce emergency measures to combat the spread of the virus. These measures 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.

As at December 31, 2020, the investments continue to maintain their values without incurring any losses.

24. Comparative figures

Certain comparative figures in the non-consolidated statement of cash flows were reclassified to conform to the current year's presentation.