The National Accounts of The United Church of Canada

December 31, 2023

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Table of contents

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INDEPENDENT AUDITOR'S REPORT

To the General Council of The National Accounts of The United Church of Canada

Opinion

We have audited the non-consolidated financial statements of The National Accounts of The United Church of Canada (the Entity), which comprise:

- the non-consolidated statement of financial position as at December 31, 2023
- 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 notes to the non-consolidated 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 non-consolidated financial position of the Entity as at December 31, 2023, and its non-consolidated results of operations and its non-consolidated 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 19, 2024

The National Accounts of
The United Church of Canada

Non-consolidated statement of financial position
as at

(amounts in thousands of Canadian dollars)

	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	December 31, 2023 Total	December 31, 2022 Total
	$	$	$	$	$	$
Assets						
Current						
Cash	**1,595**	**-**	**129**	**-**	**1,724**	3,342
Accounts and contributions receivable (notes 5, 7 and 8)	**7,764**	**-**	**18**	**224**	**8,006**	10,122
Short-term investments (notes 6)	**4,640**	**-**	**7,560**	**-**	**12,200**	1,200
Inventory	**243**	**-**	**-**	**-**	**243**	204
Other	**687**	**-**	**-**	**-**	**687**	271
	14,929	**-**	**7,707**	**224**	**22,860**	15,139
Investments (Note 11)	**51,760**	**8,073**	**11,401**	**24,611**	**95,845**	99,001
Investment in and advances to a wholly owned subsidiary (note 12)	**-**	**-**	**-**	**7,547**	**7,547**	7,967
Investment in and notes receivables from a business trust (note 16)	**-**	**-**	**-**	**14,471**	**14,471**	-
Loans (note 13)	**-**	**-**	**-**	**8,955**	**8,955**	9,191
Deferred costs (note 19)	**163**	**-**	**-**	**-**	**163**	-
Capital assets (note 14)	**-**	**-**	**-**	**2,437**	**2,437**	3,626
	66,852	**8,073**	**19,108**	**58,245**	**152,278**	134,924
Liabilities and fund balances						
Current						
Accounts payable and accrued liabilities (note 7)	**2,956**	**-**	**-**	**10**	**2,966**	2,015
Payable to annuitants (note 9)	**-**	**-**	**2,979**	**-**	**2,979**	4,351
Deferred Contributions	**74**	**-**	**-**	**-**	**74**	5
Group insurance benefits plan liability (note 10)	**15,341**	**-**	**-**	**-**	**15,341**	15,809
Fund balances	**48,481**	**8,073**	**16,129**	**58,235**	**130,918**	112,744
	66,852	**8,073**	**19,108**	**58,245**	**152,278**	134,924

Commitments and subsequent event, guarantees and contingencies (notes 19, 20 and 21)

Approved on behalf of the General Council Executive

M Blair ______________________ Member of the Executive

Carmen Lansdowne ______________________ Member of the Executive

The accompanying notes are an integral part of these non-consolidated financial statements

The National Accounts of
The United Church of Canada

Non-consolidated statement of operations
for the year ended

(amounts in thousands of Canadian dollars)

	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	December 31, 2023 Total	December 31, 2022 Total
Revenue	$	$	$	$	$	$
Contributions (note 7)						
Congregations	18,789	-	-	-	18,789	19,063
Assessment	11,313	-	-	-	11,313	10,556
United Church Women	500	-	-	-	500	475
Legacies	9,447	-	-	-	9,447	1,637
Donations	4,079	74	-	1	4,154	5,146
Total contributions	44,128	74	-	1	44,203	36,877
Recovery of administrative costs (note 7)	3,167	-	-	-	3,167	2,775
Interest	516	5	-	1,074	1,595	608
Retail sales	449	8	-	-	457	429
Annuities	-	-	230	-	230	350
Grants	462	901	-	-	1,363	4,646
Other	868	-	-	389	1,257	4,537
Total revenue	49,590	988	230	1,464	52,272	50,222
Expenses						
Grants (note 7)	18,325	916	-	1,765	21,006	24,283
Staff costs	19,563	387	-	45	19,995	19,125
Resources	611	31	-	29	671	1,729
Travel and meeting	1,614	255	-	-	1,869	1,786
Office	1,867	11	-	560	2,438	2,545
Annuities	-	-	1,123	-	1,123	820
Professional fees	1,935	34	-	438	2,407	2,750
Property and insurance	841	-	-	232	1,073	1,442
Bank charges	308	-	-	-	308	365
Other	33	-	-	1,094	1,127	548
Total expenses	45,097	1,634	1,123	4,163	52,017	55,393
Surplus (deficit) before the following	4,493	(646)	(893)	(2,699)	255	(5,171)
Investment income	1,195	285	640	901	3,021	2,111
Change in fair value of investments	2,645	715	528	2,093	5,981	(8,708)
Investment expenses	(130)	(106)	(25)	(93)	(354)	(696)
Loss from a wholly owned subsidiary (note 12)	-	-	-	(972)	(972)	(1,346)
Loss from a business trust (note 16)	-	-	-	(422)	(422)	-
Change in payable to annuitants (note 9)	-	-	1,372	-	1,372	551
Surplus (deficit)	8,203	248	1,622	(1,192)	8,881	(13,259)

The accompanying notes are an integral part of these non-consolidated financial statements

The National Accounts of
The United Church of Canada

Non-consolidated statement of changes in fund balances
for the year ended

(amounts in thousands of Canadian dollars)

	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	December 31, 2023 Total	December 31, 2022 Total
	$	$	$	$	$	$
Fund balances, beginning of year	**44,599**	**8,103**	**13,141**	**46,901**	**112,744**	126,003
Surplus (deficit)	**8,203**	**248**	**1,622**	**(1,192)**	**8,881**	(13,259)
Gain on capital assets sold to a business trust (note 16)				**13,328**	**13,328**	-
Transfers (note 17)						
Transfer to related entity	**(4,035)**	**-**	**-**	**-**	**(4,035)**	-
Justice Fund transfers to the General Fund	**754**	**(754)**	**-**	**-**	**-**	-
WPS program transfers	**(182)**	**182**	**-**	**-**	**-**	-
WPS admin transfers	**123**	**(123)**	**-**	**-**	**-**	-
Net interfund transfers	**(981)**	**417**	**1,366**	**(802)**	**-**	-
Total Transfers	**(4,321)**	**(278)**	**1,366**	**(802)**	**(4,035)**	-
Fund balances, end of year	**48,481**	**8,073**	**16,129**	**58,235**	**130,918**	112,744

The National Accounts of The United Church of Canada

Non-consolidated statement of cash flows for the year ended

(amounts in thousands of Canadian dollars)

	December 31, 2023	December 31, 2022
	$	$
Operating activities		
Surplus (deficit)	**8,881**	(13,259)
Non-cash items		
Change in fair value of investments	**(7,326)**	10,319
Provision for loans	**1,094**	505
Investment income	**(3,565)**	(2,501)
Change in payable to annuitants	**(1,372)**	(551)
Loss from a trust and wholly owned subsidiary	**1,394**	1,346
Accrued loan interest	**(914)**	(346)
Amortization	**533**	611
	(1,275)	(3,876)
Change, increase and (decrease), in non-cash working capital		
Accounts and contributions receivable	**2,116**	108
Inventory	**(39)**	21
Other	**(416)**	80
Accounts payable and accrued liabilties	**951**	(561)
Total cash provided by (used in) operating activities	**1,337**	(4,228)
Investing activities		
Withdrawal from investments	**14,051**	5,945
Short-term investments	**(11,000)**	-
Loans issued	**(2,594)**	(4,644)
Loans repayments	**1,743**	719
Deferred costs	**(163)**	-
Capital asset additions	**(558)**	(233)
Total cash provided by investing activities	**1,479**	1,787
Financing activities		
Deferred contributions	**69**	(98)
Repayment of mortgage	**-**	(344)
Group insurance benefit plan liability	**(468)**	(3,209)
Transfer to related entity	**(4,035)**	-
Total cash used in financing activities	**(4,434)**	(3,651)
Decrease in cash	**(1,618)**	(6,092)
Cash, beginning of year	**3,342**	9,434
Cash, end of year	**1,724**	3,342

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 communities of faith 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 General Council Office 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 non-consolidated 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. Basis of presentation

General

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").

These non-consolidated financial statements include the assets, liabilities, revenues, expenses, and cash flows under the administration of Finance, General Council Office ("GCO"), 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 and individual congregations. The United Church's wholly owned subsidiary, The United Property Resource Corporation ("UPRC") and its controlled business trust, the UCC Communities Trust ("UCCCT") are accounted for using the equity method (note 12 and 16 respectively).

The United Church oversees the activities of the regional councils and congregations in compliance with The United Church of Canada Act and The United Church's manual, and accounts for its transactions with the regional councils and congregations at exchange amount (note 7).

Fund accounting

The United Church uses 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 GCO, which include governance and, development and delivery of programs to support: global mission and service; local communities and justice ministries; theological education; faith formation; and indigenous ministries. As part of its social justice and services to communities' mission work, The United Church raises and expends funds annually for major emergencies and social justice causes in Canada and in the world where it has established partner relationships. These funds 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 have no restrictions on the use of the initial contributions ("capital").

2. Basis of presentation (continued)

Fund accounting (continued)

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 United Church of Canada Foundation ("The Foundation").

Annuity Funds

The Annuity Funds record The United Church's gift annuity program, under which donors, wishing to give to The United Church, its regional councils, congregations or programs, purchase a life annuity valued by an actuary. To minimize exposure to fluctuating market rates, a portion of the funds are invested in bonds, held to maturity, and the remaining portion 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 transferred to the General Operating Funds of The United Church or paid to the 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 church related entities. These funds also include the capital assets of the GCO, the investment in and advances to UPRC (note 12) and the promissory notes to the UCCCT (note 16).

3. Summary of significant accounting policies and practices

The significant accounting policies followed by The United Church with respect to The National Accounts are as follows:

(a) Cash includes cash in the bank at December 31, 2023 and receipts deposited in the first few days of the new year which were received prior to year-end.

(b) Accounts and contributions receivable

Accounts and contribution receivables include trade receivables.

(c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. For subsequent measurement, 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.

3. Summary of significant accounting policies and practices (continued)

(c) Financial instruments (continued)

Asset/Liability	Measurement
Cash and cash in transit	Fair value
Accounts receivable	Amortized cost
Short term investments	Amortized cost
Pooled investments	Fair value
Segregated investments	Fair value
Designated investments	Cost/Amortized cost
Loans	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Payable to annuitants	Fair value

The fair value of pooled and segregated investments is determined using quoted prices in active markets. Designated investments are social justice investments.

(d) Investment in a wholly owned subsidiary and business trust

Investments in a wholly-owned subsidiary and a business trust are accounted for using the equity method as explained further in notes 12 and 16 respectively. Under the equity method of accounting, The United Church recognizes all earnings and losses from its wholly owned subsidiary and business trust. 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.

(e) Capital assets

Capital assets consist of leasehold improvements, office furniture and equipment, studio equipment, real property, mobile homes, and information technology hardware. Capital assets for office operations providing future benefits have been capitalized; those without future benefits are expensed in the year of acquisition. Leasehold improvements, office furniture and equipment, and studio equipment are amortized on a straight-line basis over their useful economic life, often being the term of the leased premises. Information technology hardware is being amortized on a straight-line basis over four years. Expenditures for real property and mobile homes which are long lived assets have been capitalized as to their nature; those consumed within the year are treated as repairs and expensed. Real property and mobile homes are being amortized on a straight-line basis at various rates depending on their nature and expected useful life ranging from 10 to 40 years. Capital assets are written down to fair value or replacement cost when the assets no longer contribute to the operations of The United Church, or when the future economic benefits or service potential of the assets are less than their net carrying amounts.

(f) Deferred costs

Deferred costs consist of expenditures to plan The United Church’s move to new premises in 2026 and will be capitalized as leasehold improvements at the date of occupancy, as defined in the lease agreement.

3. Summary of significant accounting policies and practices

(g) Group insurance benefits plan liability

The group insurance benefits plan is accounted for as a liability on the non-consolidated statement of financial position. 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.

(h) Revenue recognition

The United Church follows the restricted fund method of accounting for contributions as described in the non-consolidated statement of operations.

Restricted contributions and endowments are recognized as revenue of the appropriate restricted fund. When a restricted contribution is received for which, a restricted fund is not established, the contribution is deferred in the General Operating Funds and recognized as revenue when related expenses are incurred. Unrestricted contributions are recognized as revenue in the General Operating Funds when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Assessments are recognized as revenue when invoiced to the congregation on a monthly, quarterly or annual basis as agreed.

Legacies are recognized as revenue when the amount can be reasonably estimated and collection is reasonably assured.

Donations include revenue from KAIROS, a program of The United Church, comprising donations from other denominations, religious communities and individuals.

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.

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

Interest, retail sales and other revenue are recognized when earned. Other revenue includes fee for services, property rental, property sale proceeds and miscellaneous revenue. Purchased annuities are recognized in the period in which the proceeds are received pursuant to an annuity agreement.

Grants include contributions primarily from partners and government.

Investment income includes interest and dividends. Change in fair value of investments includes net gains on the sale of investments and the change in unrealized net gains. Investment income and the change in fair value are recorded in the period and allocated to funds whose contributions were invested.

(i) 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. The realized and unrealized foreign exchange gains and losses arising from these transactions are included in change in fair value of investments.

3. Summary of significant accounting policies and practices

(j) Pension plan disclosure

The United Church 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 plan (note 18).

(k) Use of estimates

The preparation of non-consolidated financial statements 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. Subsequent actual results could differ materially from such estimates. Significant estimates include the collection of assessments, the recoverability of 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 and business trust.

(l) 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 GCO and has established a Statement of Investment Policies and Procedures ("SIPP"), which it uses to manage the above-noted risks. There have been no significant changes to the above noted risk exposures from 2022.

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 guaranteed investment certificates 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.

4. Financial instruments risk disclosures (continued)

(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.

(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 12% (2022 – 13%) of its pooled 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.

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 and contributions receivable and 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.

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.

5. Accounts and contributions receivable

Accounts and contributions receivable includes $3,896 (2022 - $4,430) of Mission & Service donations that were received within the first 5 weeks of the following fiscal year.

6. Short-term investments

Short-term investments comprise three guaranteed investment certificates totaling $12,200 (2022 - $1,200) used as collateral for an overdraft ($1,000), a credit facility ($200), a letter of credit (USD $8,250 or CAD $10,973).

(amounts in thousands of Canadian dollars)

7. Related party transactions and balances

Within the conciliar structure of The United Church, there are 16 regional councils, which exercise certain local responsibilities under the federal United Church of Canada Act 0f 1925 ("The UCC 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 GCO 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.

The congregations, included in The UCC Act, are required to comply with the United Church Manual, which mandates the collection and remittance of congregant donations to the Mission & Service Fund to the GCO, annually. Denominational assessments are also levied and remitted annually to the GCO for the governance of the church.

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 (2023 - $1,891, 2022 - $1,826). Similarly, UPRC, a wholly owned subsidiary, has a governance agreement and receives services from The United Church at exchange amount as part of normal operations (2023 - $4, 2022 - $23) (note 12).

A summary of related party transactions is as follows:

	2023	2022
	$	$
Revenue		
Contributions	**30,602**	30,094
Recovery of administrative costs		
The United Church of Canada Pension Plan	**1,818**	1,450
Ontario regional councils - archives	**129**	116
The Foundation	**823**	691
Regional councils	**278**	266
Other	**24**	2
	3,072	2,525
Expenses - grants		
Operating grants to regional councils	**6,550**	7,106
Mission support grants to pastoral charges and other mission units (including staff costs)	**5,623**	5,343
	12,173	12,449

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 in the non-consolidated statement of operations.

As at year-end, accounts and contributions receivable from related parties were $6,288 (2022 - $8,844); accounts payable and accrued liabilities to related parties were $344 (2022 - $149).

(amounts in thousands of Canadian dollars)

8. 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 include only sales tax recoveries totaling $54 (2022 - $207) which were reclassified to accounts and contributions receivable for financial reporting purposes.

9. 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 (note 11(b)). 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.

	2023	2022
	$	$
Investments	**11,401**	17,492
Cash	**129**	-
Short term investments and accounts receivable	**7,578**	-
Fund balances	**(16,129)**	(13,141)
Present value of payments to all annuitants, end of year	**2,979**	4,351
Less present value of payments to all annuitants, beginning of year	**4,351**	4,902
Decrease in payable to annuitants	**1,372**	551

The most recent actuarial valuation was undertaken as at September 30, 2023 the results of which have been extrapolated to December 31, 2023 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.

10. 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 and system development costs. The accumulated unused balance has been invested in The United Church's pooled investment portfolio and a portion of all investment income, expenses and change in fair value is included in the group insurance benefits plan liability in the non-consolidated statement of financial position.

(amounts in thousands of Canadian dollars)

10. Group insurance benefits plan liability (continued)

The change in the liability is described below.

	2023	2022
	$	$
Opening balance	**15,809**	19,018
Premiums received	**19,248**	17,404
Claims paid	**(17,575)**	(15,900)
Administration costs	**(1,417)**	(1,354)
Investment income	**544**	390
Investment expenses	**(224)**	(214)
Change in fair value of investments	**1,344**	(1,611)
Systems development costs	**(2,388)**	(1,924)
Closing balance	**15,341**	15,809

11. 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, 2023					
Pooled	**50,706**	**8,073**	**7,233**	**24,611**	**90,623**
Segregated	**-**	**-**	**4,168**	**-**	**4,168**
Designated	**1,054**	**-**	**-**	**-**	**1,054**
	51,760	**8,073**	**11,401**	**24,611**	**95,845**
December 31, 2022					
Pooled	46,706	7,838	7,375	25,911	87,830
Segregated	-	-	10,117	-	10,117
Designated	1,054	-	-	-	1,054
	47,760	7,838	17,492	25,911	99,001

(amounts in thousands of Canadian dollars)

11. Investments (continued)

(a) Pooled investments

The pooled investments are summarized as follows:

	2023		2022	
	$	**%**	$	%
Indirect holdings				
Bonds	**17,638**	**20**	17,146	20
Equities				
International	**11,184**	**12**	11,069	13
Canadian	**27,172**	**30**	25,482	29
EFT fund	**1,770**	**2**	1,609	1
	57,764	**64**	55,306	63
Direct holdings				
Equities - Canadian	**32,859**	**36**	17,374	20
Short-term securities	**-**	**-**	15,150	17
	90,623	**100**	87,830	100

(b) Segregated investments

Certain investments are segregated to provide for annuity payments resulting from The United Church's Gift Annuity Program. These investments exclude the pooled investments which are used to manage liquidity risk. These segregated investments are carried at fair value and are summarized as follows:

	2023		2022	
	$	**%**	$	%
Bonds				
Provincial	**577**	**14**	6,443	64
Government of Canada	**2,533**	**61**	2,657	26
Public utilities and corporations	**1,058**	**25**	1,017	10
	4,168	**100**	10,117	100

(c) Designated investments

Designated investments are social 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:

(amounts in thousands of Canadian dollars)

11. Investments (continued)

(c) Designated investments (continued)

	2023		2022	
	$	**%**	$	%
Oiko credit (EDCS)	**999**	**95**	999	95
Stocks	**16**	**1**	16	1
Stripped bonds	**39**	**4**	39	4
	1,054	**100**	1,054	100

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

In July, 2019, The United Church established and invested in a wholly owned real estate development corporation, UPRC, to redevelop church properties across Canada as part of its social justice ministry. UPRC develops and manages mixed income residential properties of The United Church when missionally appropriate and financially viable at the request of The United Church communities of faith, regional councils and other church related entities. UPRC does not hold property for its own account. The Canadian Mortgage and Housing Corporation ("CMHC") has also invested in UPRC subject to a mandate to build 5,000 affordable homes by December 31, 2034.

The United Church's investment in UPRC totaling $7,547 (2022 – $7,967) is comprised of:

a. an equity investment of $5,000 (2022 - $5,000) for 5,000,100 no par value common shares; and

b. a $6,466 demand loan (2022 - $5,914) with an interest rate of prime plus 2% per annum and a term of 5 years, renewable for additional two terms of 5 years. The loan is fully repayable at the end of the extended terms should they be granted. The loan includes accrued interest totaling $1,467 (2022 - $916). There are no repayment terms associated with the loan.

c. Cumulative losses from UPRC total $3,919 in 2023 (2022 - $2,947).

The United Church provided IT services to UPRC in the normal course of operations at exchange amounts. The total services invoiced to UPRC in the current year were $4 (2022 - $23).

The CMHC loan totaling $20,000 is a revolving demand loan facility with an interest rate of 2% per annum on drawn amounts with a term of 15 years starting July 3, 2020. The United Church has guaranteed this debt facility (note 20 (d)).

Summary consolidated statements of financial position, operations, changes in equity and cash flows is as follows:

12. Investment in and advances to a wholly-owned subsidiary (continued)

United Property Resource Corporation
Consolidated Statement of Financial Position
as at December 31,
(amounts in thousands of Canadian dollars)

	2023	2022
Total assets	**33,776**	31,285
Total liabilities	**32,754**	29,293
Total equity	**1,022**	1,992

Consolidated Statements of Operations and Changes in Equity
for the years ended December 31,
(amounts in thousands of Canadian dollars)

	2023	2022
Revenues	**4,745**	3,083
Operating expenses	**(4,993)**	(3,874)
Other expenses	**(724)**	(556)
Consolidated net loss and comprehensive loss	**(972)**	(1,347)
Consolidated net loss attributable to non-controlling interest	**(113)**	-
Opening retained deficit	**(3,008)**	(1,661)
Closing retained deficit	**(4,093)**	(3,008)
Share capital	**5,000**	5,000
Non-controlling interest	**115**	-
Total equity	**1,022**	1,992

Consolidated Statement of Cash Flows
for the years ended December 31,
(amounts in thousands of Canadian dollars)

	2023	2022
Net loss for the year	**(972)**	(1,347)
Changes in non-cash working capital	**(11,616)**	(3,338)
Total cash (used in) operating activities	**(12,588)**	(4,685)
Investing activities	**(810)**	(9,383)
Financing activities	**4,013**	-
(Decrease) in cash during the year	**(9,385)**	(14,068)
Cash at the beginning of the year	**10,173**	24,241
Cash at the end of the year	**788**	10,173

(amounts in thousands of Canadian dollars)

13. Loans

Loans for congregational development have been made for the purposes of new churches, improving existing buildings, or for other mission purposes of the congregation. The United Church adjusts the repayment terms where needed. The United Church made a $3,000 loan to The Common Good Foundation Limited bearing interest at prime plus 1% with no fixed repayment terms (note 22). This loan is included in the table below under the caption "Other".

	2023	2022
	$	$
Congregational	**9,443**	9,257
New church development/redevelopment	**1,277**	1,265
Other	**4,055**	3,396
Allowance for loans	**(5,820)**	(4,727)
	8,955	9,191

14. Capital assets

Capital assets are comprised of the following:

			2023
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Leasehold improvements	**1,716**	**1,528**	**188**
Office furniture and equipment	**1,021**	**918**	**103**
Studio equipment	**84**	**28**	**56**
Real property	**4,301**	**2,439**	**1,862**
Mobile homes	**97**	**75**	**22**
Information technology hardware	**390**	**184**	**206**
	7,609	**5,172**	**2,437**

(amounts in thousands of Canadian dollars)

14. Capital assets (continued)

			2022
	Cost	Accumulated amortization	Net book value
	$	$	$
Leasehold improvements	1,692	1,432	260
Office furniture and equipment	937	904	33
Studio equipment	84	18	66
Real property	5,323	2,227	3,096
Mobile homes	97	69	28
Vehicle	47	47	-
Information technology hardware	237	94	143
	8,417	4,791	3,626

15. Credit facilities

In 2020, The United Church negotiated two credit facilities with its bank for indefinite terms. These credit facilities will provide The United Church with the ability to support its ministries, assist congregations as required and avoid raising cash by selling investments. No draw on either of these facilities was made in 2023 and the balance at year-end is $nil (2022 - $nil). The credit facilities are as follows:

a. $10,000 secured revolving demand credit facility
   i. The security provided for this $10,000 credit facility comprises the bonds in the segregated investments (note 11 (b)) and term deposits totaling $1,000 (note 6).
   ii. The applicable interest rate is 1% above the Royal Bank of Canada Prime rate.
   iii. Draws are in increments of $10 loans repayable at any time or on demand.

b. $200 secured revolving demand credit facility
   i. The security for the $200 facility is a term deposit totaling $200 (note 6).
   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.

16. Investment in and notes receivables from a business trust

On June 27, 2023 the GCO established a business trust, the UCCCT. The GCO then sold two income producing properties to UCCCT, a related party, on July 12, 2023. The carrying value of the assets in the GCO's books of account was a cost of $1,300 and accumulated amortization of $98. The exchange amount agreed between the parties was $14,530 and was based on independent appraisals. The difference between the exchange amount and carrying value of $1,202 was recorded as a gain in the statement of changes in fund balances.

The GCO took back two promissory notes totaling $14,530, bearing annual interest at 5% and payable in full on demand by the GCO. Annual accrued interest totaling $363 was capitalized to the investment in a business trust on the statement of financial position.

The GCO retains a beneficiary interest in UCCCT and control of UCCCT was deemed to reside with the GCO as a result of the GCO's ownership of UPRC, who in turn owns the trustee of UCCCT. The GCO has elected to equity account for its investment in UCCCT and has recorded a loss of $422 on the statement of operations which was capitalized to its investment on the statement of financial position.

The United Church's investment in UCCT totaling $14,471 is comprised of:

a. Two promissory notes totaling $14,530;
b. Accrued interest of $363; and
c. Current year losses totaling $422.

A summary of the statement of financial position, earnings and comprehensive loss and cash flows is as follows:

UCC Communities Trust
Statement of Financial Position
as at December 31,
(amounts in thousands of Canadian dollars)

	2023
Total assets	**15,034**
Total liabilities	**15,456**
Total deficit	**(422)**
Total liabilities and deficit	**15,034**

16. Investment in and notes receivables from a business trust (continued)

Statement of Earnings and Comprehensive Loss for the year ended December 31, (amounts in thousands of Canadian dollars)	**2023**
Revenues	**221**
Operating expenses	**(195)**
Operating earnings	**26**
Interest expenses	**(342)**
Professional fees	**(103)**
General and administration	**(3)**
Total other expenses	**(448)**
Net loss and comprehensive loss	**(422)**

Statement of Cash Flows for the year ended December 31, (amounts in thousands of Canadian dollars)	**2023**
Net loss for the year	**(422)**
Changes in non-cash working capital	**35**
Total cash (used in) operating activities	**(387)**
Investing activities	**(14,731)**
Financing activities	**15,420**
Increase in cash during the year	**302**
Cash at the beginning of the year	**0**
Cash at the end of the year	**302**

17. Net interfund transfers

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 (within the General Operating Funds) 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, grants to church sponsored charities, and investment management of the underlying funds at 1% of the quarterly valuation of each eligible fund.

At year end, the GCO transferred $4,035 of a bequest to The Foundation as part its program to set aside bequests for the future sustainability of the GCO's mission work. During the year, a transfer totaling $754 was made from the KAIROS Justice Fund (included in the Trust and Endowments Funds) to the General Funds (included in the General Funds) to adjust the investment balance to equal 110% of total cumulative contributions to December 31, 2023. In 2022, $525 was transferred from the KAIROS General Funds to the KAIROS Justice Fund. As required under a joint project funding agreement with Global Affairs Canada, a transfer of $182 (2022 - $185) was made from the KAIROS Special Purpose Fund (within the General Operating Funds) to the Global Partnership Fund (included in the Trust and Endowments Funds) to support KAIROS's share of the Women of Courage, Peace and Security ("WPS") program. An additional transfer of $123 (2022 - $71) was made from the KAIROS Global Partnership Fund to the KAIROS General Operating Funds, for administration fees.

(amounts in thousands of Canadian dollars)

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 Office, 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 2023 was 9.00% (2022 - 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 $2,117 in 2023 (2022 - $2,050). At the date of the most recent actuarial valuation on December 31, 2021, there was a surplus totaling $274,000, determined on a going concern basis and a surplus of $297,000, determined on a hypothetical wind-up basis, as required under pension legislation.

19. Commitments and subsequent event

The United Church has renegotiated its lease agreement at 3250 Bloor Street West, Toronto to occupy approximately 17,718 square feet expiring on Feb 28, 2026. Subsequent to year end, The GCO signed a long-term lease with a congregation to occupy 40,345 square feet of space for up to 15 years at 300 Bloor Street West in Toronto starting June 1, 2026. Two subleases have been executed for 23,696 square feet with two other Protestant denominations which will reduce the rental commitment to 16,649 square feet for The United Church. The resulting net annual base rent will be $316. Expenses incurred to plan and prepare for the move to the new premises totaled $163 in 2023 and have been included in deferred costs on the statement of financial position. Additional office space is occupied by KAIROS: at 80 Hayden Street, Toronto where the lease is expiring August 31, 2024. The GCO and Ontario Regional Council Archives occupy space at 40 Oaks Community Hub in Toronto.

Lease payments for basic net rent are payable as follows:

	3250 Bloor Street West, Toronto	**300 Bloor Street West, Toronto**	**40 Oaks Community Hub, Toronto**	**80 Hayden St. Toronto**	**Total Basic Rent**
	$	**$**	**$**	**$**	**$**
2024	**411**	**-**	**157**	**59**	**627**
2025	**420**	**-**	**79**	**-**	**499**
2026	**71**	**184**	**-**	**-**	**255**
2027	**-**	**316**	**-**	**-**	**316**
2028	**-**	**316**	**-**	**-**	**316**
	902	**816**	**236**	**59**	**2,013**

The United Church signed agreements with vendors to implement and operate a pension and group insurance administration system. The total commitments for this project and system, extending over the next five years, are for: 2024 - $2,472; 2025 - $873; 2026 - $912; 2027 - $939; and 2028 - $967. All costs ($6,163) are recoverable from the Pension Plan and The Group Insurance Benefits program.

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.

(d) The United Church has provided performance guarantees for debts and liabilities resulting from various capital projects (2023 – 32 projects; 2022 – 53 projects) financed by the Canada Mortgage and Housing Corporation (CMHC) totaling $20,000 (2022 - $19,988) of which $19,988 (2022 - $19,988) would be payable if The United Church were required to act on the outstanding guarantees as at December 31, 2023. The United Church has provided a loan guarantee on the bank loan at the Augustine Centre in Winnipeg (2023 - $2,000; 2022 - $2,032). Also, The United Church has provided a USD $8,250 (2022 – USD $6,250) letter of credit (note 22). 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, CMHC and the insurance services provider, 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 and letter of credit prevent 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 or letter of credit.

21. Contingencies

The United 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. Captive insurance program

In 2022, The United Church, its congregations and related church entities began participating in an offshore captive insurance program in collaboration with its insurance service provider to better stabilize insurance expenses. The costs incurred for the structure were funded by the GCO and expensed. The United Church issued a letter of credit totaling USD $8,250, or CAD $10,973, for the benefit of the insurance company expiring on December 18, 2024. No funds were advanced under the letter of credit as at year end.

The United Church also provided a $3,000 non-revolving loan to The Common Good Foundation Limited, the organization holding the investment in the captive insurance company to fund the set-up costs of the program. The loan has no fixed term of repayment and carries an annual interest rate of prime plus one above the Royal Bank of Canada prime interest rate, payable annually (note 13). The United Church currently has one director as representative on the board of directors of the captive insurance company to better inform the company as to the insurance needs of The United Church congregations. The United Church's relationship is one of customer with its insurance service provider. The United Church has no equity interest in any of the entities in the insurance program and has no control or significant influence over the operations, financing and strategic objectives of the structure.

23. Comparative figures

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