

The National Accounts of The United Church of Canada

December 31, 2021

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December 31, 2021

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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, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Organization's non-consolidated financial statements comprise:

- the non-consolidated statement of financial position as at December 31, 2021;
- 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 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 financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal

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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 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 financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
June 10, 2022

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, 2021	December 31, 2020
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash and cash in transit	14,835	103	-	-	14,938	16,680
Accounts receivable (note 7)	4,558	-	20	148	4,726	2,109
Short-term investments (note 6)	1,200	-	-	-	1,200	1,200
Inventory	225	-	-	-	225	299
Other	351	-	-	-	351	722
	21,169	103	20	148	21,440	21,010
Investments (note 11)	49,965	8,312	19,713	34,774	112,764	102,898
Investment in and advances to a wholly owned subsidiary (note 12)	-	-	-	8,967	8,967	10,465
Capital loans (notes 7 and 13)	-	-	-	5,771	5,771	6,594
Capital assets (note 14)	-	9	-	3,995	4,004	4,307
	71,134	8,424	19,733	53,655	152,946	145,274
Liabilities and fund balances						
Current						
Accounts payable and accrued liabilities (notes 7 and 8)	2,470	-	58	48	2,576	2,834
Payable to annuitants (note 9)	-	-	4,902	-	4,902	5,097
Deferred Contributions	-	103	-	-	103	-
Mortgage debt (note 15)	-	-	-	344	344	507
Group insurance benefits plan liability (note 10)	19,018	-	-	-	19,018	18,325
Fund balances	49,646	8,321	14,773	53,263	126,003	118,511
	71,134	8,424	19,733	53,655	152,946	145,274

Commitments, guarantees and contingencies (Notes 20, 21 and 22)

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, 2021	year ended December 31, 2020
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions (note 7)						
Congregations	19,698	-	-	-	19,698	18,934
Assessment	10,838	-	-	-	10,838	10,573
United Church Women	509	-	-	-	509	681
Legacies	958	-	-	1	959	2,959
Donations	5,634	499	-	3	6,136	3,448
Total contributions	37,637	499	-	4	38,140	36,595
Recovery of administrative costs (note 7)	2,431	-	-	-	2,431	2,184
Investment income	653	171	415	811	2,050	1,754
Retail sales	418	3	-	-	421	372
Annuities	-	-	300	-	300	370
Grants (note 23)	3,689	754	-	-	4,443	10,513
Other	3,551	-	13	1,546	5,110	3,875
Total revenue	48,379	1,427	728	2,361	52,895	55,663
Expenses						
Grants (note 7)	21,162	794	-	952	22,908	24,361
Staff costs	17,083	296	-	40	17,419	16,235
Resources	1,425	15	-	2	1,442	1,188
Travel and meeting	117	3	-	-	120	460
Office	1,792	16	-	824	2,632	2,615
Annuities	-	-	1,603	-	1,603	1,115
Professional fees	1,580	3	-	372	1,955	2,515
Property and insurance	1,785	-	-	472	2,257	769
Investment	502	111	111	415	1,139	1,063
Other	10	1	-	80	91	88
Total expenses	45,456	1,239	1,714	3,157	51,566	50,409
Surplus (deficit) before the following	2,923	188	(986)	(796)	1,329	5,254
Change in fair value of investments	2,878	885	259	3,330	7,352	8,710
Loss from wholly owned subsidiary	-	-	-	(1,601)	(1,601)	-
Change in payable to annuitants (note 9)	-	-	195	-	195	1,325
Surplus (deficit)	5,801	1,073	(532)	933	7,275	15,289

The accompanying notes are an integral part of these financial statements

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, 2021	year ended December 31, 2020
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	43,573	8,067	15,363	51,508	118,511	103,235
Transfer to/from UCC related entities (note 17)	217	-	-	-	217	(13)
Surplus (deficit)	5,801	1,073	(532)	933	7,275	15,289
Justice Fund transfers to the General Fund (note 18)	846	(846)	-	-	-	-
WPS program transfers (note 18)	(194)	194	-	-	-	-
WPS admin transfers (note 18)	70	(70)	-	-	-	-
Net interfund transfers	(667)	(97)	(58)	822	-	-
Fund balances, end of year	49,646	8,321	14,773	53,263	126,003	118,511

The accompanying notes are an integral part of these financial statements

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, 2021	year ended December 31, 2020
	\$	\$
Operating activities		
Surplus	7,275	15,289
Non-cash items		
Change in fair value of investments	(7,352)	(8,710)
Provision for capital loans	13	(78)
Investment interest earned	(1,776)	(1,428)
Investment expense	799	803
Change in payable to annuitants	(195)	(1,325)
Investment management fees	(786)	(801)
Other expense	(9)	-
In-kind legacy donation	-	(1,300)
Loss from wholly owned subsidiary	1,601	-
Employee entitlement provision	-	-
Amortization	804	915
	374	3,365
Increase (decrease) in cash from changes in		
Accounts receivable	(2,617)	(223)
Short-term investments	-	-
Inventory	74	18
Other	371	83
Accounts payable and accrued liabilities	(258)	(1,223)
Deferred contributions	103	(14)
Total cash provided by (used in) operating activities	(1,953)	2,006
Investing activities		
Cash withdrawal from investments	532	13,381
Investment in real estate	-	(7,143)
Capital loans issued	(950)	(1,270)
Capital loans repayments	1,760	777
Capital asset additions	(492)	(99)
Total cash provided by (used in) investing activities	850	5,646
Financing activities		
Group insurance benefits plan liability (note 10)	(693)	1,352
Repayment of mortgage (note 15)	(163)	(163)
Transfer to/from UCC related entities (note 17)	217	(13)
Total cash provided by (used in) financing activities	(639)	1,176
Increase (decrease) in cash and cash in transit	(1,742)	8,828
Cash and cash in transit, beginning of year	16,680	7,852
Cash and cash in transit, end of year	14,938	16,680

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2021

(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 a wholly owned subsidiary, The United Property Resource Corporation (see notes 5 and 12).

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 17).

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 ("Foundation").

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2021

(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 12).

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 7)

(c) Cash and cash in transit

Cash and cash in transit represent cash in the bank and cash remittances, from congregations for its Mission & Service Fund, which are received in the period starting in the second week of February 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

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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2021

(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
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 equity method as explained further in note 5. Under the equity method of accounting, the United Church recognizes all earnings and losses from its wholly owned subsidiary. 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. Expenditures for real property and mobile homes in excess of five thousand dollars have been capitalized as to their nature; those less than five thousand dollars are treated as repairs in the year in which the repairs were made. Real property and mobile homes are being amortized on a straight-line basis at various rates depending on their nature and expected life 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, 2021

(amounts in thousands of Canadian dollars)

3. Summary of significant accounting policies (continued)

(i) Contributions

Contributions and assessments 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, grants 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 premiums for the national insurance program, fee for services, property rental and sale proceeds, investment management fees and miscellaneous revenue.

(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

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 19)

(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.

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Notes to the non-consolidated financial statements

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(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.

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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 11% (2020 - 18%) 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. Equity accounting for the wholly owned subsidiary (see also note 12)

The United Church has changed its accounting policy regarding the wholly owned subsidiary, United Property Resource Corporation (UPRC), by replacing the cost method of accounting with the equity method as required under ASNPO accounting standards. Consequently, the UPRC losses for 2021 & 2020 totaling \$1,601 are included in the non-consolidated statement of operations and the investment in the wholly owned subsidiary has been reduced accordingly in the non-consolidated statement of financial position.

6. Short-term investments (see also note 16)

Short-term investments comprise a \$1,200 (2020 - \$1,200) guaranteed investment certificate used as collateral for an overdraft and credit facility and is restricted to this purpose.

7. Related entity transactions (see also note 12)

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.

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(amounts in thousands of Canadian dollars)

7. Related entity transactions (continued)

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. 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 (see note 12).

	2021	2020
	\$	\$
Revenue		
Contributions	31,045	30,188
Recovery of administrative costs		
The United Church of Canada Pension Plan	1,284	1,282
Ontario regional councils - archives	231	226
The United Church of Canada Foundation	496	559
Regional councils	253	239
Other	12	6
	2,276	2,312
Expenses - grants		
Operating grants to regional councils	6,550	6,416
Mission support grants to pastoral charges and other mission units (including staff costs)	5,723	6,537
	12,273	12,953

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 receivable from the related parties were \$4,055 (2020 - \$1,914); accounts payable and accrued liabilities to related parties were \$759 (2020 - \$56); and capital loans were \$5,771 (2020 - \$6,594).

8. Government remittances (see also note 23)

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 \$47 (2020 - \$10).

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 (see Note 11b). 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.

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(amounts in thousands of Canadian dollars)

9. Payable to annuitants (continued)

	2021	2020
	\$	\$
Investments	19,713	20,440
Accounts receivable	20	21
Accounts payable	(58)	-
Fund balances	(14,773)	(15,364)
Present value of payments to all annuitants, end of year	4,902	5,097
Present value of payments to all annuitants, beginning of year	5,097	6,422
Decrease in payable to annuitants	195	1,325

The most recent actuarial valuation was undertaken as at September 30, 2020, the results of which have been extrapolated to December 31, 2021 using actuarial practices. No adjustment to revenue or expenses has been made for decrection 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, 2021, to determine the actuarial liability, which is different from the accounting liability.

	2021	2020
	\$	\$
Present value of annuity payments to all annuitants	4,902	5,097
Present value of gift remainders payable to parties other than the General Council Office	7,661	7,943
Present value of gift remainders payable to the General Council Office	5,593	5,799
Present value of future administrative expenses	583	605
Total actuarially determined liability	18,739	19,444

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 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.

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10. Group insurance benefits plan liability (continued)

The change in the liability is described below.

	2021	2020
	\$	\$
Opening balance	18,325	16,973
Premiums received	21,358	17,868
Claims paid	(19,756)	(16,157)
Administration costs	(1,152)	(883)
Investment income	374	236
Investment expenses	(239)	(219)
Change in fair value of investments	1,905	1,916
Systems development costs	(1,797)	(1,409)
Closing balance	19,018	18,325

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, 2021					
Pooled	48,911	8,312	8,525	34,774	100,522
Segregated	-	-	11,188	-	11,188
Designated	1,054	-	-	-	1,054
	49,965	8,312	19,713	34,774	112,764
 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

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11. Investments (continued)

(a) Pooled investments

The pooled investments are summarized as follows:

	2021		2020	
	\$	%	\$	%
Pooled funds				
Bonds	20,518	20	15,893	18
Equities				
United States of America	11,515	11	16,368	18
Canadian	37,120	37	36,762	40
EFT fund	1,651	1	-	-
	70,804	69	69,023	76
Equities - Canadian	23,119	23	16,972	19
Short-term securities	6,599	8	4,248	5
Currency contracts	-	-	18	-
	6,599	8	4,266	5
	100,522	100	90,261	100

(b) Segregated investments (see also note 16)

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:

	2021		2020	
	\$	%	\$	%
Bonds				
Provincial	6,805	61	6,838	59
Government of Canada	3,282	29	3,583	31
Public utilities and corporations	1,101	10	1,157	10
	11,188	100	11,578	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:

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11. Investments (continued)

(c) Designated investments (continued)

	2021		2020	
	\$	%	\$	%
Oiko credit (EDCS)	999	94	999	94
Stocks	16	2	16	2
Stripped bonds	39	4	44	4
	1,054	100	1,059	100

12. Investment in and advances to a wholly-owned subsidiary (see also note 5)

In July, 2019, The United Church of Canada established and invested in a wholly owned real estate development corporation, known as The United Property Resource 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 United Church communities of faith, regional councils and other church related entities. The company 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 \$8,967 (2020 - 10,645) is comprised of:

- a. an equity investment of \$5,000 (2020 - \$5,000) for 5,000,100 no par value common shares; and
- b. a \$5,568 demand loan (2020 - \$5,465) 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 \$568 (2020 - \$465). There are no repayment terms associated with the loan.
- c. Losses of \$1,601 from UPRC in 2021 (\$703) and 2020 (\$898).

The United Church provides payroll, accounting, human resource and administrative services to UPRC in the normal course of operations at exchange amounts. The total services invoiced to UPRC in the current year were \$902 (2020 - \$484).

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 (see note 21).

Summary statements of financial position, operations, changes in equity and cash flow are as follows:

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

United Property Resource Corporation Statement of Financial Position

as at December 31,
(amounts in thousands of Canadian dollars)

	2021	2020
Current assets	25,468	14,379
Development loans, capital assets and properties held for development	6,976	1,188
Total assets	32,444	15,567
Current liabilities	3,551	1,229
Debt	25,554	10,296
Total liabilities	29,105	11,525
Share capital	5,000	5,000
Retained deficit	(1,661)	(958)
Total equity	3,339	4,042
Total liabilities and equity	32,444	15,567

United Property Resource Corporation Statement of Earnings and Comprehensive Income

as at December 31,
(amounts in thousands of Canadian dollars)

	2021	2020
Revenues	859	4
Operating expenses	(1,259)	(655)
Interest expenses	(303)	(247)
Net loss and comprehensive loss	(703)	(898)
Opening retained earnings	(958)	(60)
Closing retained earnings	(1,661)	(958)
Share capital (2021 - 5,000,100; 2020 - 5,000,100)	5,000	5,000
Total equity	3,339	4,042

United Property Resource Corporation Statement of Cash Flows

for the years ended December 31,
(amounts in thousands of Canadian dollars)

	2021	2020
Net loss for the year	(703)	(898)
Changes in non-cash working capital	1,412	1,299
Total cash provided by operating activities	709	401
Investing activities	(5,836)	(1,018)
Financing activities	14,993	11,992
Increase in cash during the year	9,866	11,375
Cash at the beginning of the year	14,375	3,000
Cash at the end of the year	24,241	14,375

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13. Capital loans (see also note 7)

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.

	2021	2020
	\$	\$
Congregational	8,366	8,921
New church development/redevelopment	1,261	1,273
Other	366	609
Allowance for capital loans	(4,222)	(4,209)
	5,771	6,594

14. Capital assets

Capital assets are comprised of the following:

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	1,754	1,413	341
Office furniture and equipment	790	612	178
Studio equipment	98	22	76
Real property	5,299	2,092	3,207
Mobile homes	97	65	32
Vehicle	47	33	14
Computer	1,153	997	156
	9,238	5,234	4,004

	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

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15. Mortgage debt

As part of its 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, 2021 is \$344 (2020 - \$507) with an interest rate of 4.5% and the option to pay down principal up to 10% once a year.

16. Credit facility

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 2021 and the balance at year-end is \$nil (2020 - \$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.

17. Net Transfers to/from other charities

During the year, The United Church transferred funds \$nil (2020 - \$13) to the Foundation. The United Church temporarily suspended its policy of transferring 50% of the one-time Mission & Service and other gifts received in 2020. During the year, a regional council office transferred a fund totaling \$217 to the General Council Office of the United Church.

18. 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 \$846 (2020 - \$902) 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, 2021. As required under a joint project funding agreement with Global Affairs Canada, a transfer of \$194 (2020 - \$157) was made from the General Fund to the Global Partnership Fund (included in the Trust and Endowments Funds) to support KAIROS's share of the Women, Peace and Security program. An additional transfer of \$70 (2020 - \$56) from the KAIROS Global Partnership Fund to the General Operating Funds, for administration fees, was made.

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19. 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 2021 was 9.00% (2020 - 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 \$1,894 in 2021 (2020 - \$1,915). 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.

20. Commitments

The United Church has a 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 in September 1, 2020, expiring August 31, 2024; and at the Bronson Centre, Ottawa. The lease at the Bronson Centre is renewed annually. The General Council Office and Ontario Regional Council Archives occupies space at 40 Oaks Community Hub in Toronto.

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
	\$	\$	\$	\$	\$
2022	381	157	88	20	646
2023	222	160	88	12	482
2024	-	160	59	-	219
2025	-	160	-	-	160
	603	637	235	32	1,507

In 2020, The United Church signed agreements with vendors to implement a pension and group insurance administration system and the remaining commitment is \$5,008 over the next 2 years. Subsequent to the year end The United Church signed a lease extension agreement for the period August 1, 2023 to July 31, 2026 where the basic rent commitment is \$1,419.

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21. 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 (2021 – 23 project; 2020 – 1 project) involving bank financing and loans from the Canada Mortgage and Housing Corporation (CMHC) totaling \$22,032 (2020 - \$20,000) of which \$22,032 (2020 - \$4,998) would be payable if The United Church were required to act on the outstanding guarantees as at December 31, 2021. 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 and CMHC, 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.

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22. 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.

23. Wage subsidy grants

The Church applied for and received wage subsidy grants from the federal government of Canada totaling \$2,290 (2021 - \$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, of which \$353 has been recorded as a receivable at December 31, 2021 (2020 - \$nil). This revenue is included in the line caption grants in the non-consolidated statement of operations.

24. Impact of the COVID-19 pandemic

The outbreak of new virulent strains of coronavirus continues to require governments worldwide to enforce some emergency measures to combat the spread of this new virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of this new strain of the coronavirus 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.

25. Comparative figures

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