

Financial statements of

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

December 31, 2013

**The United Church of Canada Foundation/  
Fondation de l'Église Unie du Canada**  
December 31, 2013

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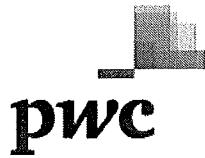
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May 29, 2014

## **Independent Auditor's Report**

### **To the Board of Directors of The United Church of Canada Foundation**

We have audited the accompanying financial statements of The United Church of Canada Foundation/Fondation de l'Église Unie du Canada, which comprise the statement of financial position as at December 31, 2013 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The United Church of Canada Foundation/Fondation de l'Église Unie du Canada as at December 31, 2013 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

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

Statement of financial position

as at

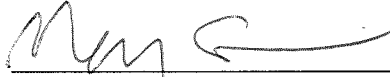
31-Dec  
2013

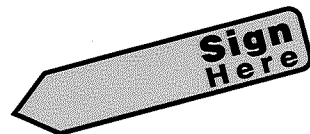
31-Dec  
2012

	General		Gift Funds	Endowment Funds	Total	Total
	Operating Funds	Undesignated Funds				
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current						
Cash	149,287	-	933,733	-	1,083,020	1,136,622
Accounts receivable (Note 4)	355,934	-	-	-	355,934	94,738
Prepaid expenses	3,516	-	-	-	3,516	2,846
sub-total	508,737	-	933,733	-	1,442,470	1,234,206
Investments (Notes 5 and 6)	294,809	-	188,248	49,188,822	49,671,879	13,604,473
<b>Total Assets</b>	<b>803,546</b>	<b>-</b>	<b>1,121,981</b>	<b>49,188,822</b>	<b>51,114,349</b>	<b>14,838,679</b>
<b>Liabilities and fund balances</b>						
Current						
Accounts payable (Note 4)	151,050	-	983,267	694,481	1,828,798	922,009
Deferred revenue (Notes 5 and 6)	-	-	130,604	-	130,604	130,604
sub-total	151,050	-	1,113,871	694,481	1,959,402	1,052,613
Fund balances	652,496	-	8,110	48,494,341	49,154,947	13,786,066
<b>Total Liabilities and fund balances</b>	<b>803,546</b>	<b>-</b>	<b>1,121,981</b>	<b>49,188,822</b>	<b>51,114,349</b>	<b>14,838,679</b>

Approved on behalf of The United Church of Canada Foundation

 Chairperson, Board of Directors

 Member of the Board of Directors



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

Statement of operations and changes in fund balances

For the year ended

					31-Dec	31-Dec
					2013	2012
	General		Gift	Endowment	Total	Total
	Operating	Undesignated	Funds	Funds		
	Funds	Funds	Funds	Funds		
	\$	\$	\$	\$	\$	\$
<b>Revenues</b>						
Donations						
General (Note 7)	-	-	-	-	-	65,538
Designated	-	-	1,673,161	1,687,279	3,360,440	10,173,983
Recovery of investment fees	202,682	-	-	-	202,682	54,248
Revenue from co-investment program (Note 8)	153,770	-	-	-	153,770	144,457
Investment income	4,104	-	616	1,130,885	1,135,605	297,237
	<b>360,556</b>	-	<b>1,673,777</b>	<b>2,818,164</b>	<b>4,852,497</b>	10,735,463
<b>Expenses</b>						
Grants (Notes 4 and 6)	25,500	-	1,667,789	1,698,081	3,391,370	1,845,533
Fund development	3,049	-	-	-	3,049	4,248
Resource	23,674	-	-	-	23,674	535
Office	2,125	-	-	-	2,125	4,707
Investment fees						
Foundation	322,719	-	-	-	322,719	59,885
Co-investment program (Note 8)	4,416	-	-	-	4,416	9,369
Travel and meeting	19,872	-	-	-	19,872	16,187
Professional fees	78,588	-	-	-	78,588	16,706
Property and insurance	3,166	-	-	-	3,166	3,899
	<b>483,109</b>	-	<b>1,667,789</b>	<b>1,698,081</b>	<b>3,848,979</b>	1,961,069
Surplus (deficit) before the following	(122,553)	-	5,988	1,120,083	1,003,518	8,774,394
Change in fair value of investments	-	-	(5,988)	5,166,122	5,160,134	277,225
<b>Surplus (deficit)</b>	<b>(122,553)</b>	-	-	<b>6,286,205</b>	<b>6,163,652</b>	9,051,619
<b>Fund balances, beginning of year</b>	<b>325,984</b>	-	<b>8,110</b>	<b>13,451,972</b>	<b>13,786,066</b>	4,734,447
Transfer (to)/from the United Church	-	-	-	29,205,229	29,205,229	-
Net inter-fund transfers (Note 7)	449,065	-	-	(449,065)	-	-
<b>Fund balances, end of year</b>	<b>652,496</b>	-	<b>8,110</b>	<b>48,494,341</b>	<b>49,154,947</b>	13,786,066

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

Statement of cash flows

For the year ended

	31-Dec 2013	31-Dec 2012
	\$	\$
<b>Operating</b>		
Surplus	6,163,652	9,051,619
Items not affecting cash		
Change in fair value of investments	(5,160,134)	(277,225)
Surplus without non-cash items	1,003,518	8,774,394
Changes in non-cash working capital items		
Accounts receivable	(261,196)	(149)
Prepaid expenses	(670)	(2,202)
Accounts payable	906,789	436,039
Deferred revenue	-	(2,319)
	1,648,441	9,205,763
<b>Investing</b>		
Purchase of investments, net of sales	(1,702,043)	(8,774,610)
	(1,702,043)	(8,774,610)
(Decrease) increase in cash during the year	(53,602)	431,153
Cash, beginning of year	1,136,622	705,469
<b>Cash, end of year</b>	<b>1,083,020</b>	<b>1,136,622</b>

**The United Church of Canada Foundation/  
Fondation de l'Église Unie du Canada**  
**Notes to the financial statements**  
**December 31, 2013**

**1. The United Church of Canada Foundation**

The United Church of Canada Foundation (the Foundation) was incorporated as a non-share corporation in 2002 under Part II of the *Canada Corporations Act* and began operations in 2003. It is registered as a charitable organization under the *Income Tax Act (Canada)*, and is not subject to income taxes provided certain disbursement requirements are met.

The purpose of the Foundation is to receive and maintain funds, and to apply all or part of the principal and income thereof to support the mission of The United Church of Canada (The United Church), and other registered charities.

As a not-for-profit entity, the Foundation's operations are reliant on revenues generated annually. In addition, it relies on The United Church to provide support services as described in a relationship and governance agreement (described below). The Foundation has accumulated unrestricted funds over its history, which is included in the general operating fund balance in the statement of operations and changes in fund balances. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities). The remaining unrestricted funds are available for the use of the Foundation at the Board's discretion. The Foundation has complied with the external restrictions on the Gift Funds and Endowment Funds.

As of July 1, 2009, the Foundation entered into a relationship and governance agreement with The United Church. The agreement specifies how the two entities will work together in the areas of: fundraising, fund management, fund disbursement and grants oversight, staffing and budget, and governance. This agreement is reviewed periodically.

**2. Financial statement presentation**

*General*

These financial statements include the assets, liabilities, revenues, expenses, and cash flows under the direct administration of the Foundation, and exclude those under the administration of the congregations, presbyteries, conferences and partner organizations of The United Church (Note 9). Contributed goods and services are not recorded in the financial statements of the Foundation. Volunteers make a substantial contribution of time each year to assist the Foundation in carrying out its activities. Due to the difficulty in determining the fair value of such contributed services, they are not recognized in these financial statements.

*Fund accounting*

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations (ASNPO) established by The Canadian Institute of Chartered Accountants (CICA) using the restricted fund method of reporting restricted donations.

*General Operating Fund*

The General Operating Fund records the day-to-day operations of the Foundation. The Foundation also facilitates through Fiera Sceptre Funds Inc. a congregational investment project that makes an investment manager available for congregations.

*Gift Funds*

The Gift Funds record donor receipts and disburse the funds based on specific instructions within a twenty-four month period.

*Endowment Funds*

The Endowment Funds have specific restrictions placed by donors with respect to the maintenance of the capital of the funds and the use of investment income accruing to the funds.



**The United Church of Canada Foundation/  
 Fondation de l'Église Unie du Canada  
 Notes to the financial statements  
 December 31, 2013**

**3. Summary of significant accounting policies**

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

*Revenue recognition*

Restricted donations are recorded as restricted funds. Unrestricted contributions are recorded in the General Operating Fund and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Net proceeds from the sale of gifted securities to the Gift Funds are recorded as revenue and expense in the period in which the proceeds are received. Undisbursed proceeds are recorded in deferred revenue and accounts payable until such time, not to exceed twenty-four months, the donor designates a congregation or charity to which the proceeds are to be disbursed.

*Investments*

Investments are stated at fair value, with changes in fair value recognized in the statement of operations and changes in fund balances. Fair value is determined based on the closing bid price.

*Financial instruments*

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

<u>Asset/Liability</u>	<u>Measurement</u>
Cash	Fair value
Investments	Fair value
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

*Liquidity risk*

Liquidity risk is the risk the Foundation could encounter difficulty in meeting its obligations as they come due. The Foundation uses its working capital to mitigate such risk.

*Interest rate risk*

The Foundation does not have any direct investment in instruments that are sensitive to changes in interest rates. The pooled investments of the Foundation, however, included instruments that are sensitive to changes in interest rates. Fluctuations in price are inverse to fluctuation in future yields and so these instruments can stabilize investment income available for distribution.

*Concentration of credit risk*

The Foundation has no direct or specific concentration of credit risk because the investments comprise units of a pooled balance fund.

*Market risk*

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Foundation. The investments of the Foundation are exposed to fair value fluctuations. The United Church's short-term instruments (accounts receivable and accounts payable) are not subject to market risk.

**The United Church of Canada Foundation/  
Fondation de l'Église Unie du Canada  
Notes to the financial statements  
December 31, 2013**

**Summary of significant accounting policies (continued)**

*Use of estimates*

The preparation of financial statements in conformity with ASNPO requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Related parties**

Membership on the Board of Directors of the Foundation requires prior approval of the General Council of The United Church. As such, The United Church exerts significant influence over the Foundation and all transactions between the two entities are conducted at the exchange amount, which is the amount agreed to by the parties. The United Church and the Foundation are subject to a relationship and governance agreement, which requires The United Church to pay for all Foundation expenses related to salary and benefits, fundraising and governance activities. These expenses are not included in these financial statements.

In 2013, the Foundation issued grants to the Mission and Service (M&S) totaling \$651,828, to other funds of The United Church totaling \$194,414, and to The United Church for its programs overseas and across Canada totaling \$177,828 (2012 M&S \$164,641, other funds \$18,774, programs overseas and across Canada \$296,430).

The Foundation had \$nil amounts receivable as at December 31, 2013 (2012 - \$nil) and amounts payable totaling \$699,611 (2012 - \$747) from/to The United Church, which are included in accounts receivable and in accounts payable, respectively. These amounts are non-interest bearing.

**5. Investments**

The Foundation has adopted the policy of socially responsible investing developed by The United Church. Under that policy, the Foundation has chosen to invest in the Fiera Balanced Fund, which is managed by Fiera Capital Inc. (Fiera) and adheres as closely as possible to the socially responsible investment requirements of The United Church of Canada Foundation. In recent years the Fiera Balanced Fund has always been greater than 96% compliant with the Foundation's socially responsible investment policy. As of December 31, 2013, the Foundation holds 4,126,937 (2012 - 1,217,937) units in the pooled fund with a unit value of \$11.99 as at December 31, 2013 (2012 - \$10.99). At December 31, 2013, the Foundation held two bonds totaling \$130,604 (2012 - \$130,604), which are included in investments in the Gift Funds. The receipt of these bonds was recorded as deferred revenue in the statement of financial position.

**6. Gift Funds**

The Foundation receives and issues tax receipts for gifts of securities intended for congregations and other registered charities. These receipts are recorded as designated donations. The sale proceeds, less brokerage costs, are passed on to the charities of the donors' choice. For each participating donor, a personal fund is established, into which gifts are made. The disbursements made to the charities from the sale of securities are recorded as a grant expense. Undisbursed proceeds are recorded in deferred revenue and accounts payable until such time, not to exceed twenty-four months, the donor designates a congregation or charity to which the proceeds are to be disbursed.

**The United Church of Canada Foundation/  
Fondation de l'Église Unie du Canada**  
**Notes to the financial statements**  
**December 31, 2013**

**7. Net inter-fund transfers**

The Foundation accounts for its fund administrative fees and donor undesignated general donations in the net inter-fund transfer accounts. The administrative fees as required by Fiera Capital Inc. for Endowment Funds are charged by the General Operating Funds quarterly at 0.25% of the average fund balance and reflected as inter-fund transfers. The administrative fees charged to Endowment Funds total \$449,065 (2012 - \$58,347). Donor undesignated general donations totaling \$0 (2012 - \$65,538) were included in the General Operating Fund donations and transferred to the Endowment Funds upon motion by the Board of Directors.

**8. Co-investment program**

Under the co-investment program, the Foundation provides the congregations, presbyteries, Conferences and partner organizations of The United Church access to its investment manager, Fiera Sceptre Funds Inc., who contracts with each participant for investment management services. The Foundation provides administrative support services with regards to the co-investment program as described in a service agreement with Fiera, which was revised effective September 29, 2011. The investment assets of the congregations and other participants are not recorded in the Foundation's financial statements. At December 31, 2013, the investments totaled \$21.5 million (2012 - \$24.6 million). The participants in the co-investment program are charged a fee under this program by Fiera in accordance with Fiera's fee structure. Under the revised agreement, Fiera forwards the Foundation a portion of the fees earned from the program and the Foundation pays the account maintenance fees for any participant that holds investments whose average market value is less than \$180,000. In 2013, The Foundation paid \$4,416 (2012 - \$9,369) in account maintenance fees.

**9. Guarantees**

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. The Foundation's primary guarantees are as follows:

- (a) Indemnity has been provided to all trustees, directors, officers and volunteers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director, officer or volunteer of the Foundation. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties, such as confidentiality agreements as well as engagement letters with advisors and consultants. These indemnification agreements may require the Foundation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability that stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any significant payments under such or similar indemnification agreements, and therefore, no amount has been accrued in the statement of financial position with respect to these agreements.