

The National Accounts of The United Church of Canada

December 31, 2022

**The National Accounts of
The United Church of Canada**
December 31, 2022

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DRAFT #1
May 10, 2023

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, 2022
- 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, 2022, 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.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 10, 2022.

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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.

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- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

**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, 2022	December 31, 2021
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash	3,077	265	-	-	3,342	9,434
Accounts and contributions receivable (notes 5, 7 and 8)	9,898	-	-	224	10,122	10,230
Short-term investments (notes 6 and 16)	1,200	-	-	-	1,200	1,200
Inventory	204	-	-	-	204	225
Other	271	-	-	-	271	351
	14,650	265	-	224	15,139	21,440
Investments (Note 11)	47,760	7,838	17,492	25,911	99,001	112,764
Investment in and advances to a wholly owned subsidiary (note 12)	-	-	-	7,967	7,967	8,967
Loans (notes 7 and 13)	-	-	-	9,191	9,191	5,771
Capital assets (note 14)	-	-	-	3,626	3,626	4,004
	62,410	8,103	17,492	46,919	134,924	152,946
Liabilities and fund balances						
Current						
Accounts payable and accrued liabilities (note 7)	1,997	-	-	18	2,015	2,576
Payable to annuitants (note 9)	-	-	4,351	-	4,351	4,902
Deferred Contributions	5	-	-	-	5	103
Mortgage debt (note 15)	-	-	-	-	-	344
Group insurance benefits plan liability (note 10)	15,809	-	-	-	15,809	19,018
Fund balances	44,599	8,103	13,141	46,901	112,744	126,003
	62,410	8,103	17,492	46,919	134,924	152,946

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

Approved on behalf of the General Council Executive

_____ Member of the Executive

_____ Member of the Executive

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

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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, 2022				year ended December 31, 2021	
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions (note 7)						
Congregations	19,063	-	-	-	19,063	19,698
Assessment	10,556	-	-	-	10,556	10,838
United Church Women	475	-	-	-	475	509
Legacies	1,637	-	-	-	1,637	959
Donations	5,068	73	-	5	5,146	6,136
Total contributions	36,799	73	-	5	36,877	38,140
Recovery of administrative costs (note 7)	2,775	-	-	-	2,775	2,431
Interest	156	1	-	451	608	274
Retail sales	421	8	-	-	429	421
Annuities	-	-	350	-	350	300
Grants	3,818	828	-	-	4,646	4,443
Other	4,320	-	-	217	4,537	5,110
Total revenue	48,289	910	350	673	50,222	51,119
Expenses						
Grants (note 7)	22,294	906	-	1,083	24,283	22,908
Staff costs	18,812	270	-	43	19,125	17,419
Resources	1,719	10	-	-	1,729	1,442
Travel and meeting	1,748	33	-	5	1,786	120
Office	1,783	12	-	750	2,545	2,632
Annuities	-	-	820	-	820	1,603
Professional fees	2,429	6	-	315	2,750	1,955
Property and insurance	873	-	-	569	1,442	2,257
Investment	483	96	98	384	1,061	1,139
Other	-	-	-	548	548	91
Total expenses	50,141	1,333	918	3,697	56,089	51,566
Deficit before the following	(1,852)	(423)	(568)	(3,024)	(5,867)	(447)
Investment income	664	175	419	853	2,111	1,776
Change in fair value of investments	(2,752)	(736)	(2,072)	(3,148)	(8,708)	7,352
Loss from a wholly owned subsidiary	-	-	-	(1,346)	(1,346)	(1,601)
Change in payable to annuitants (note 9)	-	-	551	-	551	195
Surplus (deficit)	(3,940)	(984)	(1,670)	(6,665)	(13,259)	7,275

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

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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, 2022	year ended December 31, 2021
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	49,646	8,321	14,773	53,263	126,003	118,511
Surplus (deficit)	(3,940)	(984)	(1,670)	(6,665)	(13,259)	7,275
Transfers (note 17)						
Transfer from UCC related entities	-	-	-	-	-	217
Justice Fund transfers to the General Fund	(525)	525	-	-	-	-
WPS program transfers	(185)	185	-	-	-	-
WPS admin transfers	71	(71)	-	-	-	-
Net interfund transfers	(468)	127	38	303	-	-
Total Transfers	(1,107)	766	38	303	-	217
Fund balances, end of year	44,599	8,103	13,141	46,901	112,744	126,003

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

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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, 2022	year ended December 31, 2021
	\$	\$
Operating activities		
Surplus (deficit)	(13,259)	7,275
Non-cash items		
Change in fair value of investments	10,319	(7,352)
Provision for loans	505	13
Investment interest earned	(2,501)	(1,776)
Change in payable to annuitants	(551)	(195)
Loss from a wholly owned subsidiary	1,346	1,601
Accrued loan interest	(346)	(103)
Amortization	611	804
	(3,876)	267
Change, increase and (decrease), in non-cash working capital		
Accounts and contributions receivable	108	(8,121)
Inventory	21	74
Other	80	371
Accounts payable and accrued liabilities	(561)	(258)
Total cash used in operating activities	(4,228)	(7,667)
Investing activities		
Withdrawal from investments	5,945	639
Loans issued	(4,644)	(950)
Loans repayments	719	1,760
Capital asset additions	(233)	(492)
Total cash provided by investing activities	1,787	957
Financing activities		
Transfer from UCC Related entities	-	217
Deferred contributions	(98)	103
Repayment of mortgage	(344)	(163)
Group insurance benefit plan liability	(3,209)	(693)
Total cash used in financing activities	(3,651)	(536)
Decrease in cash	(6,092)	(7,246)
Cash, beginning of year	9,434	16,680
Cash, end of year	3,342	9,434

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

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Notes to the non-consolidated financial statements

December 31, 2022

(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 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") is accounted for using the equity method (note 12).

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").

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

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 and the investment in and advances to UPRC (note 12).

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, 2022 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, in addition to trade receivables, Mission & Service Fund donations from congregants, collected by congregations, designated for the current reporting year, and remitted to GCO during the six weeks of the following year.
- (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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements
December 31, 2022
(amounts in thousands of Canadian dollars)

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
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
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. Designated investments are social justice investments.

(d) Investment in and advances to a wholly owned subsidiary

Investment in wholly-owned subsidiary is accounted for using the equity method as explained further in note 12. 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.

(e) Capital assets

Capital assets consist of leasehold improvements, office furniture and equipment, studio equipment, real property, mobile homes, vehicles 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 and office furniture are amortized on a straight-line basis over their useful economic life, often being the term of the leased premises. Computer equipment 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) 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

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

(g) 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 premiums for the national insurance program (note 22), 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.

(h) 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.

(i) 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).

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements December 31, 2022 (amounts in thousands of Canadian dollars)

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

(j) 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.

(k) 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 2021.

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.

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Notes to the non-consolidated financial statements

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(amounts in thousands of Canadian dollars)

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 13% (2021 – 11%) 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 \$4,430 (2021 – \$5,504) of Mission & Service donations that were received within the first 6 weeks of the following fiscal year.

6. Short-term investments (note 16)

Short-term investments comprise two guaranteed investment certificates totaling \$1,200 (2021 – \$1,200) used as collateral for an overdraft (\$1,000) and credit facility (\$200) and, are restricted to these purposes.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

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(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 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 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 federal United Church of Canada Act of 1925, 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 (2022 - \$1,826, 2021 - \$1,889). 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 (note 12).

A summary of related party transaction is as follows:

	2022	2021
	\$	\$
Revenue		
Contributions	30,094	31,045
Recovery of administrative costs		
The United Church of Canada Pension Plan	1,450	1,284
Ontario regional councils - archives	116	231
The Foundation	691	496
Regional councils	266	253
Other	2	12
	2,525	2,276
Expenses - grants		
Operating grants to regional councils	7,106	6,550
Mission support grants to pastoral charges and other mission units (including staff costs)	5,343	5,723
	12,449	12,273

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 \$8,844 (2021 - \$9,559); accounts payable and accrued liabilities to related parties were \$149 (2021 - \$759); and loans were \$9,191 (2021 - \$5,771) (note 13).

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Notes to the non-consolidated financial statements

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(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 balance included accounts and contributions receivable total \$207 (2021 - net payable totaling \$47).

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.

	2022	2021
	\$	\$
Investments	17,492	19,713
Accounts receivable	-	20
Accounts payable	-	(58)
Fund balances	(13,141)	(14,773)
Present value of payments to all annuitants, end of year	4,351	4,902
Less present value of payments to all annuitants, beginning of year	4,902	5,097
Decrease in payable to annuitants	551	195

The most recent actuarial valuation was undertaken as at September 30, 2020, the results of which have been extrapolated to December 31, 2022 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements
December 31, 2022
(amounts in thousands of Canadian dollars)

10. Group insurance benefits plan liability (continued)

The change in the liability is described below.

	2022	2021
	\$	\$
Opening balance	19,018	18,325
Premiums received	17,404	21,358
Claims paid	(15,900)	(19,756)
Administration costs	(1,354)	(1,152)
Investment income	390	374
Investment expenses	(214)	(239)
Change in fair value of investments	(1,611)	1,905
Systems development costs	(1,924)	(1,797)
Closing balance	15,809	19,018

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, 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
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

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

11. Investments (continued)

(a) Pooled investments

The pooled investments are summarized as follows:

	2022		2021	
	\$	%	\$	%
Indirect holdings				
Bonds	17,146	20	20,518	20
Equities				
International	11,069	13	11,515	11
Canadian	25,482	29	37,120	37
EFT fund	1,609	1	1,651	1
	55,306	63	70,804	69
Direct holdings				
Equities - Canadian	17,374	20	23,119	23
Short-term securities	15,150	17	6,599	8
	87,830	100	100,522	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 that are used to manage liquidity risk. These segregated investments are carried at fair value and are summarized as follows:

	2022		2021	
	\$	%	\$	%
Bonds				
Provincial	6,443	64	6,805	61
Government of Canada	2,657	26	3,282	29
Public utilities and corporations	1,017	10	1,101	10
	10,117	100	11,188	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:

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

11. Investments (continued)

(c) Designated investments (continued)

	2022		2021	
	\$	%	\$	%
Oiko credit (EDCS)	999	95	999	95
Stocks	16	1	16	1
Stripped bonds	39	4	39	4
	1,054	99	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 \$7,967 (2021 – \$8,967) is comprised of:

- an equity investment of \$5,000 (2021 - \$5,000) for 5,000,100 no par value common shares; and
- a \$5,914 demand loan (2021 - \$5,568) 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 \$916 (2021 - \$568). There are no repayment terms associated with the loan.
- Cumulative losses from UPRC total \$2,947 in 2022 (2021 - \$1,601).

The United Church provides IT services to UPRC in the normal course of operations at exchange amounts. The total services invoiced to UPRC in the current year were \$23 (2021 - \$902).

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 deficit and cash flow are as follows:

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

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)

	2022	2021
Current assets	14,961	25,468
Development loans, capital assets and properties held for development	16,324	6,976
Total assets	31,285	32,444
Current liabilities	3,320	3,551
Debt	25,973	25,554
Total liabilities	29,293	29,105
Share capital	5,000	5,000
Retained deficit	(3,008)	-1,661
Total equity	1,992	3,339

Consolidated Statement of Operations

as at December 31,

(amounts in thousands of Canadian dollars)

	2022	2021
Revenues	3,083	859
Operating expenses	(3,874)	(1,259)
Interest expenses	(556)	(303)
Net loss	(1,347)	(703)
Opening deficit	(1,661)	(958)
Closing deficit	(3,008)	(1,661)
Share capital	5,000	5,000
Total equity	1,992	3,339

Consolidated Statement of Cash Flows

for the years ended December 31,

(amounts in thousands of Canadian dollars)

	2022	2021
Net loss for the year	(1,346)	(703)
Changes in non-cash working capital	(3,338)	1,364
Total cash provided by (used in) operating activities	(4,684)	661
Investing activities	(9,385)	(5,788)
Financing activities	1	14,993
Increase (decrease) in cash during the year	(14,068)	9,866
Cash at the beginning of the year	24,241	14,375
Cash at the end of the year	10,173	24,241

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(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".

	2022	2021
	\$	\$
Congregational	9,257	8,366
New church development/redevelopment	1,265	1,261
Other	3,396	366
Allowance for loans	(4,727)	(4,222)
	9,191	5,771

14. Capital assets

Capital assets are comprised of the following:

	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

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

14. Capital assets (continued)

			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
Information technology hardware	1,153	997	156
	9,238	5,234	4,004

15. Mortgage debt

The United Church paid the outstanding balance of the mortgage it had assumed as part of its restructuring in 2019. The mortgage pertained to the former Maritime Conference property, which is now being occupied by two regional councils.

16. 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 2022 and the balance at year-end is \$nil (2021 - \$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 (note 11 (b)) and term deposits totaling \$1,000 (note 6).
 - 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 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.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

17. Net interfund transfers

The most significant transfers in the non-consolidated statement of changes in fund balances relate to the transfer of: proceeds of matured annuity funds to General Operating Funds; and grants from the General Fund (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, and grants to church sponsored charities.

During the year, a transfer totaling \$525 (2021 - \$846) was made from the KAIROS General Fund (included in the General Operating Funds) to the Justice Fund (included in the Trust and Endowments Funds) to adjust the investment balance to equal 110% of total cumulative contributions to December 31, 2022. As required under a joint project funding agreement with Global Affairs Canada, a transfer of \$185 (2021 - \$194) 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 \$71 (2021 - \$70) was made from the KAIROS Global Partnership Fund to the KAIROS General Operating Funds, for administration fees.

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 2022 was 9.00% (2021 - 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 \$2,050 in 2022 (2021 - \$1,894). At the date of the most recent actuarial valuation on December 31, 2021, there was a surplus totaling \$274 million, determined on a going concern basis and a surplus of \$297 million, determined on a hypothetical wind-up basis, as required under pension legislation.

19. Commitments

The United Church has renegotiated its lease agreement at 3250 Islington, Toronto to occupy approximately 17,718 square feet expiring on Feb 28, 2026. Additional office space is occupied by KAIROS: at 80 Hayden Street, Toronto where the lease is expiring August 31, 2024; and at the Bronson Centre, Ottawa where the lease is being terminated April 30, 2023. The General Council Office and Ontario Regional Council Archives occupy space at 40 Oaks Community Hub in Toronto.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

19. Commitments (continued)

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
	\$	\$	\$	\$	\$
2023	392	157	88	8	645
2024	411	157	59	-	627
2025	420	79	-	-	499
2026	71	-	-	-	71
	1,294	393	147	8	1,842

In 2020, The United Church signed agreements with vendors to implement a pension and group insurance administration system and the remaining commitment is \$2,916 over the next year.

20. Guarantees

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

- (a) The United Church has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, The United Church agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, lawsuits, and damages arising during, on, or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all trustees, directors, officers, and volunteers of The United Church for various items including, but not limited to, all costs to settle suits or actions due to association with The United Church, subject to certain restrictions. The United Church has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director, officer, or volunteer of The United Church. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, The United Church has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements, and service agreements. These indemnification agreements may require The United Church to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The National Accounts of The United Church of Canada

Notes to the non-consolidated financial statements

December 31, 2022

(amounts in thousands of Canadian dollars)

20. Guarantees (continued)

- (d) The United Church has provided performance guarantees for debts and liabilities resulting from various capital projects (2022 – 53 projects; 2021 – 23 projects) involving bank financing and loans from the Canada Mortgage and Housing Corporation (CMHC) totaling \$19,988 (2021 - \$22,032) of which \$19,988 (2021 - \$22,032) would be payable if The United Church were required to act on the outstanding guarantees as at December 31, 2022. Also, The United Church has provided a 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 in the non-consolidated statement of operations. The United Church issued a letter of credit totaling USD \$6,250 for the benefit of the insurance company expiring on December 18, 2023. 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 position and cash flows were reclassified to conform to the current year's presentation.

**KAIROS: Canadian Ecumenical
Justice Initiatives/Initiatives
Canadiennes Oecumeniques Pour
La Justice Program**

Statement of Operations and Changes in Fund Balances
For the year ended December 31, 2022

DRAFT #2
June 2, 2023

INDEPENDENT AUDITOR'S REPORT

To the KAIROS Steering Committee and General Council of the United Church of Canada

Opinion

We have audited the statement of operations and changes in fund balances for the KAIROS: Canadian Ecumenical Justice Initiatives/Initiatives Canadiennes Oecumeniques Pour La Justice Program (the Program) for the year ended December 31, 2022 and notes to the statement, including a summary of significant accounting policies (Hereinafter referred to as the "statement").

In our opinion, the accompanying statement for the year ended December 31, 2022 for the Program is prepared, in all material respects, in accordance with the financial reporting provisions described in Note 2 to the statement.

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 Statement"** 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 statement 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.

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 2 in the statement, which describes the applicable financial reporting framework and the purpose of the statement.

As a result, the statement may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

The statement for the year ended December 31, 2021 was audited by another auditor who expressed an unmodified opinion on those financial statements on July 21, 2022.

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Responsibilities of Management and Those Charged with Governance for the Statement

Management is responsible for the preparation of the statement in accordance with the financial reporting provisions described in Note 2 to the statement; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Program's financial reporting process.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement as a whole is 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 statement.

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 statement, 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 Program's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

KAIROS:
Canadian Ecumenical Justice Initiatives/
Initiatives Canadiennes Oecumeniques Pour La Justice
 Statement of operations and changes in fund balances
 for the year ended

	31-Dec-22					31-Dec-21	
	General Operating Fund		Global	Capital	Justice	Total	Total
	Operating Fund	Special Purpose Fund	Partnership Fund	Fund	Fund		
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Member contributions (note 6)	487,166	65,000	-	-	-	552,166	597,166
Global Affairs Canada	-	-	563,147	-	-	563,147	753,872
Donations - religious communities	289,340	-	-	-	-	289,340	262,095
Donations - individuals and groups	359,911	120,318	-	-	-	480,229	449,259
Grants	3,036,713	-	-	-	-	3,036,713	3,553,402
Investment income	80,600	-	602	-	151,300	232,502	224,618
Other revenue	909,426	-	-	-	-	909,426	944,956
	5,163,156	185,318	563,749	-	151,300	6,063,523	6,785,368
Expenses (notes 4 and 7)							
Grants	1,986,080	-	468,285	-	-	2,454,365	3,131,310
Staff costs	2,634,627	-	270,180	-	-	2,904,807	2,749,959
Travel and meetings	140,168	-	32,518	-	-	172,686	60,723
Office	220,937	-	2,587	-	-	223,524	234,865
Program resources	579,276	-	10,388	-	-	589,664	386,767
Amortization	-	-	9,353	50,119	-	59,472	34,254
Professional fees	468,288	-	6,842	-	-	475,130	263,296
Investment expenses and bank charges	43,717	-	-	-	83,700	127,417	176,705
Other	-	-	-	-	-	-	1
	6,073,093	-	800,153	50,119	83,700	7,007,065	7,037,880
Surplus (deficit) before the following	(909,937)	185,318	(236,404)	(50,119)	67,600	(943,542)	(252,512)
Changes in fair value of investments	(377,300)	-	-	-	(592,375)	(969,675)	1,193,864
Surplus (deficit)	(1,287,237)	185,318	(236,404)	(50,119)	(524,775)	(1,913,217)	941,352
Fund balances, beginning of year	4,460,672	-	9,353	89,972	7,055,995	11,615,992	10,674,640
Interfund transfers (note 5)							
Justice Fund net transfer from the General Fund	(524,775)	-	-	-	524,775	-	-
Women, Peace and Security program	-	-	-	-	-	-	-
interfund program transfers	-	(185,318)	185,318	-	-	-	-
interfund transfers for administrative fees	94,896	(23,724)	(71,172)	-	-	-	-
Other interfund transfers	(146,876)	23,724	112,905	10,247	-	-	-
Fund balances, end of year	2,596,680	-	-	50,100	7,055,995	9,702,775	11,615,992

The accompanying notes are an integral part of this statement.

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KAIROS: Canadian Ecumenical Justice Initiatives/Initiatives Canadiennes Oecumeniques Pour La Justice Program

Notes to Financial Statements

For the year ended December 31, 2022

1 Purposes of KAIROS: Canadian Ecumenical Justice Initiatives/Initiatives Canadiennes Oecumeniques Pour La Justice Program (hereinafter called KAIROS)

KAIROS is an unincorporated not-for-profit ecumenical organization. It is a program of the United Church of Canada ("The United Church") with a steering committee comprised of nine member churches and church related organizations. The United Church provides administrative, financial and personnel services on behalf of the other members. KAIROS primarily addresses ecological justice and human rights, including a particular focus on Indigenous rights, within both a Canadian and global context. Its participation in and experience of ecumenism is widened by the establishment of connections with a number of churches and other ecumenical organizations in Canada and throughout the world.

Effective January 1, 2016, KAIROS's memorandum of agreement was revised to give The United Church control over the strategic, operating, investing and financing policies of KAIROS. This statement is provided to stakeholders and interested parties for added disclosure of the activities of KAIROS, a program of The United Church.

2 Method of presentation and basis of accounting

The statement of operations and changes in fund balances ("the statement") is prepared in accordance with the financial reporting provisions of the agreements, including amendments, ("the agreements") among the following ("the participants"): The Anglican Church of Canada; The Christian Reformed Church in North America; The Evangelical Lutheran Church of Canada; the Mennonite Central Committee of Canada; The Presbyterian Church of Canada; The Primate's World Relief and Development Fund; The United Church; The Canadian Yearly Meeting of the Religious Society of Friends (Quakers); Global Affairs Canada ("GAC"); and Employment and Social Development Canada, which require audited financial statements for KAIROS.

The agreements do not prescribe the financial reporting framework and The United Church has elected to apply the recognition and measurement principles of Canadian generally accepted accounting principles ("GAAP") in the CPA Handbook – Accounting Standards for Not-for-Profit Organizations related specifically to revenue and expenses and changes in financial fund balances and not the presentation principles or the presentation of all of the financial statements and note disclosures required by GAAP. The purpose of this statement is to meet the reporting obligations under the agreements and for the use of management, KAIROS Steering Committee and the General Council of The United Church. As a result, the statement may not be suitable for another purpose.

Fund accounting

The funds are described as follows:

General Operating Fund – Operating Fund

The General Operating Fund accounts for the program delivery and administrative activities of KAIROS.

**KAIROS: Canadian Ecumenical Justice
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2. Method of presentation and basis of accounting (continued)*General Operating Fund – Special Purpose Fund*

The Special Purpose Fund includes donor funds designated for the Women of Courage – Women, Peace and Security program (“WPS program”).

Global Partnership Program Fund

The Global Partnership Program Fund reports only advances, revenue and resources from GAC that are used for the purposes of the WPS program.

Capital Fund

Funds are transferred from the Operating Fund to the Capital Fund for purchases of capital assets.

Justice Fund

The Justice Fund is an endowment fund that generates net investment returns to support the operations of KAIROS. Contributions may be in the form of gifts which are included in the statement of changes in fund balances.

3 Summary of significant accounting policies

The significant accounting policies followed by KAIROS are as follows:

Revenue recognition

KAIROS follows the deferral method of accounting for contributions. Unrestricted contributions, recorded in the General Operating Fund, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Funds received from program partners are deferred when received and recorded as revenue when the funds are expended.

Management estimates

The preparation of financial statements requires KAIROS to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 materially from such estimates.

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4 Related parties

Membership on the Steering Committee includes representatives from the The Anglican Church of Canada; The Christian Reformed Church in North America; The Evangelical Lutheran Church of Canada; the Mennonite Central Committee of Canada; The Presbyterian Church of Canada; The Primate's World Relief and Development Fund; The United Church; and The Canadian Yearly Meeting of the Religious Society of Friends (Quakers. As such, these organizations exercise influence over KAIROS and provide core funding (note 7).

Administrative, financial, investment and human resource services were provided by The United Church for an administrative fee of \$40,000 (2021 - \$40,000), IT support fee \$29,574 (2021 - \$25,432), human resources services fees \$101,971 (2021 - \$46,000) and investment management fees of \$107,016 (2021 - \$125,849).

5 Interfund balances and transfers

The General Operating Fund includes a Special Purpose Fund used for fundraising KAIROS's share of the WPS program. The Justice Fund received no endowment contribution for years ended December 31, 2022 and 2021. The interfund transfers are comprised of the following:

- a. As a result of poor market returns, a total of \$524,775, including net interest earned, was transferred from the Operating Fund to the Justice Fund (2021 - \$846,094 transferred from the Justice Fund to the Operating Fund) in compliance with a policy to retain 110% of cumulative contributions in the Justice Fund.
- b. A transfer of \$185,318 (2021 - \$193,581) was made from the Special Purpose Fund to the Global Partnership Program Fund in respect of the WPS program agreement with GAC requiring KAIROS to fund 25% of the annual program and administration costs.
- c. Another transfer of \$94,896 (2021 - \$92,919) was received in the Operating Fund from the Special Purpose and Global Partnership Program Funds for the administration fees to which KAIROS is entitled under the agreement with GAC.
- d. Funds for the purchase of computer equipment and information technology (2022 - \$10,247; 2021 - \$17,012) were transferred from the General Operating Fund to the Capital Fund.
- e. A transfer from the Operating Fund is used to reduce the deficit in the Special Purpose Fund (2022 - \$23,724; 2021 - \$63,107).
- f. Funds to adjust the year end fund balance were transferred from the Operating Fund to the Global Partnership Program Fund (2022 - \$112,905; 2021 - \$107,433).

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6 Member contributions

Contributions recognized in revenue from the founding members are summarized below.

	2022	2021
	\$	\$
Anglican Church of Canada	83,500	83,500
Canadian Catholic Organization for Development and Development Fund	-	20,000
Christian Reformed Church in North America (Canadian Corporation)	18,000	19,000
Evangelical Lutheran Church in Canada	80,000	80,000
Mennonite Central Committee of Canada	18,266	18,266
Religious Society of Friends (Quakers)	4,700	3,700
The Presbyterian Church in Canada	42,700	42,700
Presbyterian World Service and Development	65,000	65,000
The Primate's World Relief and Development Fund	25,000	50,000
The United Church of Canada	215,000	215,000
	<u>552,166</u>	<u>597,166</u>

The Presbyterian World Service and Development have designated all (\$65,000; 2021 – \$65,000) of their member contributions to the WPS program.

7 Expenses by functional areas

KAIROS's rent and office expenses continue to be allocated to all program areas as well as administration and fundraising. This is a more appropriate allocation because program staff utilize space in the office as well as all office resources to perform program work.

	2022		2021	
	\$	%	\$	%
Program expenses				
KAIROS Blanket Exercise program	1,316,947	19	1,118,778	17
Women, Peace and Security program	399,783	6	353,847	5
Empowering Temporary Foreign Workers program	1,049,605	15	830,793	12
Other programs	585,820	8	636,715	9
Grants	2,454,365	37	3,131,310	46
Administration and fundraising	1,013,656	15	755,478	11
	<u>6,820,176</u>	<u>100</u>	<u>6,826,921</u>	<u>100</u>
Bank charges	20,401		31,447	
Investment management expenses	107,016		145,258	
Amortization	59,472		34,254	
	<u>7,007,065</u>		<u>7,037,880</u>	

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8 The Temporary Foreign Workers Funding Program – Project 2

KAIROS received from the Government of Canada (Employment and Service Development Canada, or ESDC) funding through the Temporary Foreign Workers Funding Program. This program started on August 1, 2021 and concluded on September 30, 2022. Below are the details of the funds received from the ESDC, the expenses that KAIROS incurred in the program and the resulting balance.

	<u>2022</u>	<u>2021</u>	<u>Total</u>
Funds received	<u>2,391,890</u>	<u>2,133,341</u>	<u>4,525,231</u>
Expenses incurred			
Grants	1,738,651	1,169,220	2,907,871
Staff costs	596,481	304,556	901,037
Project costs	310,305	81,554	391,859
Administration costs	214,329	110,135	324,464
Total project costs	<u>2,859,766</u>	<u>1,665,465</u>	<u>4,525,231</u>
Funds received less costs incurred			<u>-</u>