

Financial statements of

**The National Accounts of
The United Church of Canada**

December 31, 2014

The National Accounts of The United Church of Canada

December 31, 2014

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June 8, 2015

Independent Auditor's Report

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

We have audited the accompanying financial statements of The National Accounts of The United Church of Canada, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, 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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Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of The National Accounts of The United Church of Canada as at December 31, 2014 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 National Accounts of The United Church of Canada

Statement of financial position

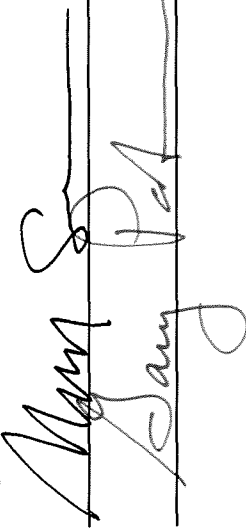
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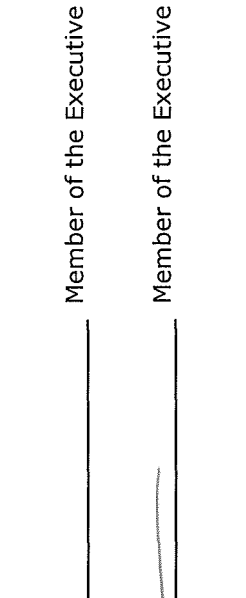
(amounts in thousands)

	December 31, 2014		December 31, 2013		
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total
Assets					
Current					
Cash and cash in transit	7,586	42	147	20	7,795
Accounts receivable (Notes 4 and 6)	3,556	-	38	-	3,594
Inventory	610	-	-	-	610
Other	680	2	-	-	682
	12,432	44	185	20	12,681
Investments (Notes 6, 7 and 8)	60,897	2,662	20,565	34,029	118,153
Capital loans (Note 9)	62	248	-	6,440	6,750
Capital assets (Note 10)	35	-	-	1,586	1,621
	73,426	2,954	20,750	42,075	139,205
Liabilities and fund balances					
Current					
Accounts payable and accrued liabilities (Notes 4 and 5)	1,756	2	-	-	1,758
Payable to KAIROS and annuitants (Note 6)	6,927	-	8,465	-	15,392
Deferred lease indurement	-	-	-	-	-
Group insurance benefits plan liability (Note 7)	31,050	-	-	-	31,050
Fund balances	33,693	2,952	12,285	42,075	91,005
	73,426	2,954	20,750	42,075	139,205

Commitments, guarantees and contingencies (Notes 13, 14 and 15)

Approved on behalf of the General Council Executive

 Member of the Executive

 Member of the Executive

The National Accounts of The United Church of Canada

Statement of operations
for the year ended
(amounts in thousands)

December 31, 2014 December 31,
2013

	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Contributions						
Congregations	24,170	-	-	-	24,170	24,480
United Church Women	1,463	-	-	-	1,463	1,569
Legacies	1,680	7	-	-	1,687	5,053
Donations	1,930	35	-	20	1,985	4,563
Total contributions	29,243	42	-	20	29,305	35,665
Recovery of administrative costs (Note 4)	1,695	-	-	-	1,695	1,539
Investment income	509	52	549	956	2,066	1,750
Retail sales	863	16	-	1	880	1,275
Annuities	-	-	1,129	-	1,129	805
Other revenue	4,812	120	-	216	5,148	1,841
Total revenues	37,122	230	1,678	1,193	40,223	42,875
Expenses						
Grants	17,069	418	-	336	17,823	22,407
Staff costs	12,669	-	-	-	12,669	14,580
Resources	1,597	-	-	-	1,597	1,836
Travel and meeting	1,824	-	-	1	1,825	2,161
Office	1,950	-	-	979	2,929	3,603
Annuities	-	-	1,401	-	1,401	1,749
Professional fees	1,754	1	-	12	1,767	1,674
Property and insurance	1,087	-	-	220	1,307	1,209
Investment	211	29	112	416	768	445
Other	18	-	-	-	18	(308)
Total expenses	38,179	448	1,513	1,964	42,104	49,356
Surplus (deficit) before the following	(1,057)	(218)	165	(771)	(1,881)	(6,481)
Change in fair value of investments	1,583	163	1,816	2,282	5,844	6,066
Change in payable to annuitants (Note 6 (b))	-	-	(630)	-	(630)	873
Surplus (deficit)	526	(55)	1,351	1,511	3,333	458

The National Accounts of The United Church of Canada

Statement of changes in fund balances
for the year ended
(amounts in thousands)

	December 31, 2014		December 31, 2013		
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total
	\$	\$	\$	\$	\$
Fund balances, beginning of year	32,569	3,150	11,373	40,580	87,672
Transfer to Foundation	-	-	-	-	117,067
Surplus (deficit)	526	(55)	1,351	1,511	(29,224)
Net interfund transfers (Note 11)	598	(143)	(439)	(16)	458
Distribution of past realized net gains	-	-	-	-	-
Fund balances, end of year	33,693	2,952	12,285	42,075	91,005
					87,672

The National Accounts of The United Church of Canada

Statement of cash flows for the year ended

(amounts in thousands)

	December 31, 2014	December 31, 2013
	\$	\$
Operating activities		
Surplus	3,333	458
Non-cash items		
Change in fair value of investments	(5,844)	(6,066)
Provision for capital loans	-	(506)
Deferred lease inducement	(599)	(599)
Change in payable to annuitants	630	(873)
Amortization	979	883
	(1,501)	(6,703)
Increase (decrease) in cash from changes in		
Accounts receivable	(1,676)	475
Inventory	(165)	(27)
Other	(130)	114
Accounts payable and accrued liabilities	(738)	(689)
Group insurance benefits plan liability	4,017	5,349
Payable to KAIROS	533	673
Total cash provided by (used in) operating activities	340	(808)
Investing activities		
Net decrease (increase) in investments	(294)	(952)
Capital loans issued, net of repayments	466	1,838
Capital asset additions	(700)	(1,024)
Total cash provided by (used in) investing activities	(528)	(138)
Increase (decrease) in cash and cash in transit	(188)	(946)
Cash and cash in transit, beginning of year	7,983	8,929
Cash and cash in transit, end of year	7,795	7,983

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Notes to the financial statements

December 31, 2014

(amounts in thousands)

1. The United Church of Canada

The United Church of Canada ("The United Church") was formed in 1925 through the union of three denominations – Congregationalist, Methodist, and part of the Presbyterian Church in Canada. The United Church's legal form is set out in the federal United Church of Canada Act of 1925. The United Church is registered as a charitable organization under the Income Tax Act of Canada ("the Act") and is in compliance with the requirements of the Act to maintain its non-taxable status.

The purpose of The United Church is: (i) to offer the resources of faith to the people of Canada and Bermuda; (ii) to gather people into congregations for the public worship of God, for the proclamation of the Gospel of Jesus Christ, for a witness to justice and service in their communities; and (iii) to promote unity and justice among all people in Canada and throughout the world.

As a not-for-profit entity, The United Church's operations are reliant on revenues generated annually. The United Church has accumulated unrestricted funds over its history, which are included in the General Operating Funds balance in the statement of changes in fund balances. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities), which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of The United Church at the discretion of the General Council.

2. Financial statement presentation

General

These financial statements include the assets, liabilities, revenues, expenses, and cash flows under the administration of Finance, General Council Office, on behalf of the General Council ("National Accounts") of The United Church. The financial statements of Observer Publications Inc., the colleges, certain institutions under the general supervision of various units of The United Church, Conferences, presbyteries, individual congregations and KAIROS: Canadian Ecumenical Justice Initiatives/ Initiatives Canadiennes Oecumeniques Pour La Justice ("KAIROS") are not included in the National Accounts (see Notes 4 and 6).

Fund accounting

These financial statements have been prepared in accordance with the Canadian generally accepted accounting standards for not-for-profit organizations ("ASNPO") established by the Chartered Professional Accountants of Canada ("CPA Canada") using the restricted fund method of reporting restricted donations. The funds are described as follows:

General Operating Funds

These funds record the day-to-day operations of the activities under the control of the General Council Office. They include contributions, donations, bequests, grants and other receipts of The United Church for specific and general purposes, including services. The funds that have a specific purpose in this category have no restrictions on the use of capital.

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. As at January 1, 2013, The United Church transferred all of its Endowment Funds and a large portion of its Trust Funds to The Foundation of The United Church of Canada ("the Foundation").

The National Accounts of The United Church of Canada

Notes to the financial statements

December 31, 2014

(amounts in thousands)

2. Financial statement presentation (continued)

Annuity Funds

The Annuity Funds record The United Church's gift annuity program, under which donors wishing to give to The United Church, its congregations or programs 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 held to maturity. Regular annuity payments are made and a liability for all such payments is recognized on the statement of financial position under the caption "Payable to KAIROS and annuitants". Any residual amounts remaining on the annuitant's death are paid to The United Church or related beneficiaries, as designated by the donor.

Property and Building Funds

These are funds accumulated from: gifts; bequests; allocations from the General Operating Funds; and contributions from the founding churches at the time of union. These funds are used to provide capital assistance, by grant or loan, to congregations, camps, training centres, and other entities. These funds also include the fund associated with the General Council Office premises.

3. Summary of significant accounting policies

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

(a) Basis of accounting

The National Accounts of The United Church are prepared using the accrual basis of accounting.

(b) Cash in transit

Remittances for the current calendar year received early in the following year are recorded as cash in transit.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on the first in, first out basis. Inventory, to be distributed at a nominal or no charge, is stated at lower of cost and current replacement cost.

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Notes to the financial statements

December 31, 2014

(amounts in thousands)

3. Summary of significant accounting policies

(d) Financial instruments

The United Church has classified each of its financial instruments into the following accounting categories, which determines how the carrying value of each instrument is measured and accounted for.

Asset/Liability	Measurement
Cash and cash in transit	Fair value
Accounts receivable	Amortized cost
Pooled investments	Fair value
Segregated investments	Fair value
Designated investments	Amortized cost
Capital loans	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Payable to KAIROS and annuitants	Fair value
Group insurance benefits plan liability	Fair value

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

(e) Capital assets

Capital assets consist of leasehold improvements, office furniture and equipment, studio equipment, real property, mobile homes and vehicles. Capital assets for office operations costing in excess of \$1,000 have been capitalized; those costing less than \$1,000 are treated as expenses in the year of acquisition. Leasehold improvements, office furniture, and leased equipment are being amortized on a straight-line basis over the term of the applicable lease. Computer equipment is being amortized on a straight-line basis over four years. Capital assets for real property and mobile homes costing in excess of \$5,000 have been capitalized; those costing less than \$5,000 are treated as expenses in the year of acquisition. Real property and mobile homes are being amortized on a straight-line basis at various rates ranging from 10 to 20 years.

(f) Deferred lease inducement

The deferred lease inducement represents landlord incentives, which are amortized over the term of the lease and reduce future lease expenses.

(g) Group insurance benefits plan liability

The group insurance benefits plan is accounted for as a liability. As such, all remitted premiums exceeding claims, accepted under the terms of the plan, and all administrative costs are included in this balance. Investment income, realized and unrealized gains arising from the investment of the excess premiums are also included in the group insurance benefits plan liability.

(h) Contributions, legacies and donations

Contributions from congregations and The United Church Women, legacies and donations are recorded as revenue in the period when received or receivable, based on appropriate evidence as to collectability.

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(amounts in thousands)

3. Summary of significant accounting policies

- (i) Investment income, retail sales and other revenue

Investment income, retail sales and other revenue are recognized when earned.

- (j) Gifts in kind

Donated capital assets are recorded at fair value when such value can be reasonably determined. The United Church has elected not to record the fair value of donated materials and services.

- (k) 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.

- (l) Use of estimates

The preparation of financial statements in conformity with ASNPO requires The United Church to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from such estimates. Significant estimates include the recoverability of capital loans, the carrying value of capital assets and the determination of the payable to external beneficiaries based on actuarial assumptions and formulae.

- (m) 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.

- (n) Financial instruments risk disclosures

The main risks The United Church's 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 Sub-Committee (Finance) ("ISCF") was formed by the Permanent Committee on Finance of the General Council Office of The United Church of Canada and has established a Statement of Investment Policies and Procedures ("SIPP") which it uses to manage the above-noted risks.

The following describes the various risks and how The United Church addresses such risks:

Market risk: Market risk is the risk the value of an investment will fluctuate as a result of changes in market prices. To mitigate the impact of market risk, the United Church invests in a diversified portfolio of investments within limits set out in the SIPP approved by the Permanent Committee on Finance. Market risk is comprised of the following:

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Notes to the financial statements

December 31, 2014

(amounts in thousands)

3. Summary of significant accounting policies

(n) Financial instruments risk disclosures (continued)

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 financial instruments. The United Church invests in interest bearing financial instruments, the values of which will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on cash and cash in transit invested at short-term interest rates.

The United Church utilizes investment limits set out in the SIPP for fixed income investments that assist in controlling interest rate risk relative to a recognized bond benchmark in Canada.

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.

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 10.9% (2013 - 7.5%) of its investments in the United States and 15.9% (2013 - 9.8%) in international markets and, therefore, is subject to currency exchange risk. The portfolio construction policies used by the investment manager limits the total exposure to any one currency while ensuring investments are held in a number of different currencies. This diversification policy limits the currency risk exposure. The currency exchange risk is assessed as moderate.

Credit risk: Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The United Church is exposed to credit risk on accounts receivable. The United Church has adopted a credit policy that includes the analysis of the financial position of its potential debtors. Management reviews the credit limits of its existing debtors regularly. The credit risk for accounts receivable is assessed as low.

Liquidity risk: Liquidity risk is the risk The United Church could encounter difficulty in meeting obligations associated with operations as they come due. The United Church manages the liquidity risk by identifying its expected cash requirements over the next twelve months and selling investments as required. The United Church also holds cash and short-term securities to further ensure it meets its immediate obligations. The United Church believes it has moderate to low liquidity risks.

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December 31, 2014

(amounts in thousands)

4. Related entities – significant influence and transactions

Within the councilor structure of The United Church, there are 13 regionally based bodies called "Conferences", which exercise certain local responsibilities under The United Church of Canada Act and The United Church's by-laws. The Conferences 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 only exception is the Newfoundland and Labrador Conference, which is separately incorporated. The United Church's General Council has oversight and significant influence over the Conferences and is ultimately responsible for any liabilities of the Conferences, with the possible exception of the Newfoundland and Labrador Conference.

In addition, The United Church also has a relationship with the Foundation and KAIROS: Canadian Ecumenical Justice Initiatives/ Initiatives Canadiennes Oecumeniques Pour La Justice ("KAIROS"). Transactions with these related parties are summarized below and in Note 6.

The United Church provides grants, various payroll, accounting, human resource and administrative services to a number of related parties, noted below:

	2014	2013
	\$	\$
Revenue		
The United Church of Canada Foundation	1,863	1,024
Grants		
Operating grants to conferences	3,746	4,541
Mission support grants to pastoral charges and other mission units (including staff costs)	3,627	4,414
Grants to theological colleges and universities	1,641	1,714
KAIROS	416	558
Operating grant to Observer Publications Inc.	112	132
	9,542	11,359
Revenue earned from providing services to		
The United Church of Canada Pension Plan	1,116	1,179
Ontario Conferences - archives	193	184
The United Church of Canada Foundation	250	-
KAIROS	53	52
	1,612	1,415

As at year-end, total accounts receivable from the related parties were \$2,654 (2013 - \$819) and the accounts payable to related parties were \$162 (2013 - \$142) and payable to external parties was \$6,927 (2013 - \$6,384)

5. Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. At year-end, the accounts payable and accrued liabilities balance included a net receivable totaling \$109 for the current year-end and \$139 for the prior year.

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December 31, 2014

(amounts in thousands)

6. Payable to KAIROS and annuitants

(a) KAIROS

The payable to KAIROS is a result of managing its investments and the amounts receivable arises from the provision of payroll and administrative services.

At year end, The United Church held the following balances in connection with KAIROS (a related party of The United Church):

	2014	2013
	\$	\$
Payable to external parties		
Investments (managed by The United Church)	6,927	6,302
Income distribution	-	82
Other	-	10
	6,927	6,394
Amounts receivable		
Payroll	130	79
Administrative fee	40	40
	170	119

KAIROS is not a separate legal entity, but a venture sponsored by eleven different churches and organizations, including The United Church. The United Church has two representatives who are members of the board of directors of KAIROS, which commenced operations in 2001. In 2014, The United Church continued to provide administrative, financial accounting, investment management, human resource, payroll and cash flow management services to KAIROS for an administrative fee of \$40 (2013 - \$40) and an asset management fee of \$87 (2013 - \$nil). Summary financial information of KAIROS is as follows:

	2014	2013
	\$	\$
Assets	7,551	7,198
Liabilities	2,386	2,351
Fund balance	5,165	4,847
Revenues	2,227	2,197
Expenses	2,411	2,666
Change in fair value of investments	472	1,084
Surplus	288	605

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Notes to the financial statements

December 31, 2014

(amounts in thousands)

6. Payable to KAIROS and annuitants (continued)

(b) Annuities

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 liability is recognized with respect to future contractual annuity payments to all annuitants and is included in payable to KAIROS and annuitants in the statement of financial position.

	2014	2013
	\$	\$
Investments	20,565	19,134
Cash	147	-
Accounts receivable	38	74
Fund balances	(12,285)	(11,373)
Present value of payments to all annuitants, end of year	8,465	7,835
Present value of payments to all annuitants, beginning of year	7,835	8,708
(Increase) decrease in payable to annuitants	(630)	873

No adjustment to revenue or expenses has been made for decrction of existing annuities or for the difference between fair value and the principal balance for new annuities purchased in the current year.

The most recent triennial actuarial valuation was undertaken in 2013, the results of which are noted in the 2013 comparative below. As recommended by the actuary in their valuation report, for the succeeding 2 years until the next valuation in 2016, a full valuation is not required if certain key assumptions have not changed materially. Under the recommended actuarial valuation methodology, the liabilities would be estimated as 95% of annuity fund assets net of annuity fund payables. Management has determined that there are no significant changes in key assumptions and estimated the 2014 actuarial liability below based on the 95% formula provide by the actuary.

	2014	2013
	\$	\$
Present value of annuity payments to all annuitants	8,465	7,835
Present value of gift remainders payable to parties other than the General Council Office	5,318	4,923
Present value of gift remainders payable to the General Council Office	4,453	4,122
Present value of future administrative expenses	1,477	1,367
Total actuarially determined liability	19,713	18,247

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(amounts in thousands)

7. 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 which are used to pay claims accepted under the terms of the plan and all administrative costs. The accumulated unused balance has been invested in The United Church's pooled investment fund and all investment income, realized and unrealized net gains are included in the group insurance benefits plan liability in the statement of financial position. The change in the liability is described below.

	2014	2013
	\$	\$
Opening balance	27,033	21,303
Premiums received	19,646	19,440
Claims paid	(15,467)	(15,564)
Administration costs	(2,512)	(2,437)
Investment income	667	334
Investment expenses	(387)	-
Distribution of past realized net gains	-	381
Change in fair value of investments	2,070	3,576
Closing balance	31,050	27,033

8. 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, 2014					
Pooled	60,656	2,129	7,117	33,829	103,731
Segregated	-	-	13,448	-	13,448
Designated	241	533	-	200	974
	60,897	2,662	20,565	34,029	118,153
December 31, 2013					
Pooled	57,970	2,368	5,433	31,575	97,346
Segregated	-	-	13,701	-	13,701
Designated	235	533	-	200	968
	58,205	2,901	19,134	31,775	112,015

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(amounts in thousands)

8. Investments (continued)

(a) Pooled Investments

The pooled investments are summarized as follows:

	2014		2013	
	\$	%	\$	%
Pooled funds				
Bonds	19,989	19	28,526	29
Equities				
International	24,254	23	17,883	18
Canadian	9,940	10	12,885	13
	54,183	52	59,294	61
Equities				
Canadian	29,420	28	23,162	24
United States	16,543	16	12,298	13
	45,963	44	35,460	36
Short-term securities	3,435	4	2,595	3
Currency contracts	150	-	(3)	-
	103,731	100	97,346	100

(b) Segregated Investments

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

	2014		2013	
	\$	%	\$	%
Bonds				
Provincial	7,904	59	7,300	53
Government of Canada	4,420	33	5,227	38
Public utilities and corporations	867	6	898	7
Municipal	257	2	276	2
	13,448	100	13,701	100

(c) Designated Investments

Designated investments are investments to which normal investment criteria cannot be applied. They are therefore accounted for separately from pooled investments. Income earned on these investments, as well as any gains or losses realized on their sale, is applied to the specific funds for which the investments are designated. These investments include specific securities given to The United Church with restrictions on their sale, and investments made for the purposes of The United Church, which have non-market rates of return or degrees of risk. The designated investments are summarized as follows:

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8. Investments (continued)

	2014		2013	
	\$	%	\$	%
Olko credit (EDCS)	714	73	714	74
Canadian Alternative Investments	200	21	200	21
Stocks	19	2	19	2
Stripped bonds	41	4	35	4
	974	100	968	100

9. Capital loans

Capital loans for congregational development have been made for the purposes of new churches, improving existing buildings, or for other mission purposes of the congregation.

	2014	2013
	\$	\$
Congregational	6,921	7,343
New church development/redevelopment	2,273	3,313
Other	385	420
Allowance for capital loans	(2,829)	(3,860)
	6,750	7,216

10. Capital assets

Capital assets are comprised of the following:

	2014		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	4,839	4,402	437
Office furniture and equipment	6,004	5,973	31
Studio equipment	208	206	2
Real property	1,703	792	911
Mobile homes	97	30	67
Computer	405	232	173
	13,256	11,635	1,621

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10. Capital assets (continued)

	Cost	Accumulated amortization	2013 Net book value
	\$	\$	\$
Leasehold improvements	4,786	4,002	784
Office furniture and equipment	6,002	5,769	233
Studio equipment	208	200	8
Real property	1,132	529	603
Mobile homes	97	25	72
Computer	331	131	200
	12,556	10,656	1,900

11. Net interfund transfers

The most significant transfers relate to the transfer of proceeds of matured annuity funds to General Operating Funds. Transfers from/to the General Operating Funds are used to support the activities of The United Church including program development and delivery, grants to church sponsored charities.

12. The Pension Plan of the United Church of Canada ("the Plan")

The United Church is the sponsor of a multi-employer defined benefit pension plan. Members of the Plan include employees of congregations of The United Church, the employees of the General Council, and employees of various other organizations who are members of the Order of Ministry of The United Church of Canada and whose ministry is recognized by the Courts of The United Church.

The cost of funding the Plan is shared by Plan members and participating employers. The rate of employer contributions to the fund in 2014 was 9.00% (2013 - 9.00%) of the pensionable earnings of each Plan member. The employer contributions paid in respect of current services rendered by employees of the General Council Office amounted to \$1,777 in 2014 (2013 - \$1,845). At the date of the most recent actuarial valuation on December 31, 2013, there was a surplus totaling \$22,153, determined on a solvency basis as required under pension legislation.

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13. Commitments

The United Church has entered into a lease agreement for office accommodation totaling approximately 44,520 square feet expiring January 31, 2019.

Lease payments for basic rent are payable as follows:

	Basic rent
	\$
2015	1,026
2016	1,026
2017	1,026
2018	970
2019	74
	4,122

14. 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, law suits, 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.

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14. Guarantees (continued)

- (d) The United Church has provided performance guarantees for debts and liabilities resulting from various capital projects (2014 – 5 projects; 2013 – 4 projects) involving bank financing totaling \$6,145 (2013 - \$3,654) of which \$3,210 (2013 - \$2,837) would be payable if The United Church were required to act on the outstanding guarantees. No liability has been recorded in these financial statements as a result of these guarantees. The United Church did not receive a fee nor does it hold any collateral assets. In the event the guarantees are called on by all or any of the banks, The United Church is obligated to pay all outstanding debt, related interest and other costs. The United Church is not entitled to any recourse assets under the guarantee agreements.

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

15. Contingencies

The Church is named as a defendant in lawsuits related to its activities. These claims are at various stages and therefore it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to The United Church. Management believes these claims should not have a material adverse effect on the financial position of The United Church and, accordingly, no provision has been made for loss in these financial statements.