

Financial statements of

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

December 31, 2016

The National Accounts of The United Church of Canada

December 31, 2016

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June 20, 2017

Independent Auditor's Report

To the General Council 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, 2016 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 present fairly, in all material respects, the financial position of The National Accounts of The United Church of Canada as at December 31, 2016 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

as at

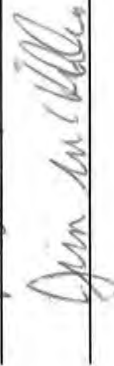
(amounts in thousands)

	December 31, 2016		December 31, 2015			
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash and cash in transit	9,322	-	-	-	9,322	9,016
Accounts receivable (Note 5)	1,830	-	33	-	1,863	1,659
Inventory	398	-	-	-	398	453
Other	547	-	-	-	547	560
	12,097	-	33	-	12,130	11,688
Investments (Note 10)	51,278	8,774	19,701	34,701	114,454	115,556
Capital loans (Note 11)	-	-	-	8,688	8,688	6,067
Capital assets (Note 12)	-	-	-	1,100	1,100	1,399
	63,375	8,774	19,734	44,489	136,372	134,710
Liabilities and fund balances						
Current						
Accounts, demand loan payable and accrued liabilities (Notes 5, 6 and 7)	2,400	1,002	-	-	3,402	3,916
Payable to annuitants (Note 8)	-	-	6,694	-	6,694	6,809
Group insurance benefits plan liability (Note 9)	25,731	-	-	-	25,731	28,374
Fund balances	35,244	7,772	13,040	44,489	100,545	95,611
	63,375	8,774	19,734	44,489	136,372	134,710
Commitments, guarantees and contingencies (Notes 15, 16 and 17)						

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 period ended
(amounts in thousands)

	December 31,				December 31,	
	2016		2015		(Note 4)	
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Contributions						
Congregations	22,363	-	-	-	22,363	23,109
United Church Women	1,292	-	-	-	1,292	1,372
United Church of Canada Foundation (Note 5)	1,674	-	-	-	1,674	1,614
Legacies (Note 6)	2,715	1,506	-	-	4,221	2,237
Donations	2,937	29	-	1	2,967	3,916
Total contributions	30,981	1,535	-	1	32,517	32,248
Recovery of administrative costs (Note 5)	1,974	-	-	-	1,974	1,814
Investment income	849	273	549	1,452	3,123	2,059
Retail sales	792	13	-	-	805	1,121
Annuities	-	-	610	-	610	398
Other revenue	3,793	94	-	672	4,559	3,764
Total revenues	38,389	1,915	1,159	2,125	43,588	41,404
Expenses						
Grants (Note 5)	13,816	406	-	541	14,763	16,892
Staff costs	13,261	32	-	-	13,293	13,623
Resources	1,564	-	-	1	1,565	2,093
Travel and meeting	1,499	-	-	7	1,506	2,772
Office	2,827	-	-	667	3,494	3,728
Annuities	-	-	1,501	-	1,501	1,661
Professional fees	1,894	-	-	2	1,896	1,560
Property and insurance	1,241	-	-	226	1,467	1,783
Investment	468	106	98	471	1,143	1,053
Other	9	-	-	1	10	107
Total expenses	36,579	544	1,599	1,916	40,638	45,272
Surplus (deficit) before the following	1,810	1,371	(440)	209	2,950	(3,868)
Change in fair value of investments	1,068	338	135	1,553	3,094	2,122
Change in payable to annuitants (Note 8)	-	-	115	-	115	1,656
Surplus (deficit)	2,878	1,709	(190)	1,762	6,159	(90)

The National Accounts of The United Church of Canada

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

	December 31, 2016			December 31, 2015 (Note 4)		
	General Operating Funds	Trust and Endowment Funds	Annuity Funds	Property and Building Funds	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	33,481	6,359	13,230	42,541	95,611	96,166
Transfer to Foundation	(1,225)	-	-	-	(1,225)	(465)
Surplus (deficit)	2,878	1,709	(190)	1,762	6,159	(90)
Net interfund transfers (Note 13)	110	(296)	-	186	-	-
Fund balances, end of year	35,244	7,772	13,040	44,489	100,545	95,611

The National Accounts of The United Church of Canada

Statement of cash flows for the period ended

(amounts in thousands)

	December 31, 2016	December 31, 2015 (Note 4)
	\$	\$
Operating activities		
Surplus (deficit)	6,159	(90)
Non-cash items		
Change in fair value of investments	(3,094)	(2,122)
Provision for capital loans	-	107
Change in payable to annuitants	(115)	(1,656)
Amortization	667	588
	3,617	(3,173)
Increase (decrease) in cash from changes in		
Accounts receivable	(204)	1,801
Inventory	55	157
Other	13	138
Accounts, demand loan payable and accrued liabilities		
Accounts payable and accrued liabilities	486	(59)
Demand loans (foregiven) (Note 6)	(1,000)	-
Group insurance benefits plan liability	(2,643)	(2,676)
Total cash provided by (used in) operating activities	324	(3,812)
Investing activities		
Net decrease (increase) in investments	2,971	4,254
Capital loans issued, net of repayments	(2,621)	576
Capital asset additions	(368)	(265)
Total cash provided by (used in) investing activities	(18)	4,565
Increase (decrease) in cash and cash in transit	306	753
Cash and cash in transit, beginning of year	9,016	8,263
Cash and cash in transit, end of year	9,322	9,016

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Notes to the financial statements

December 31, 2016

(amounts in thousands of Canadian dollars)

1. The United Church of Canada

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

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

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

2. Financial statement presentation

General

These 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 and individual congregations (see Notes 5 and 7).

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").

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Notes to the financial statements

December 31, 2016

(amounts in thousands of Canadian dollars)

2. Financial statement presentation (continued)

Annuity Funds

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

Property and Building Funds

These are funds accumulated from: gifts; bequests; allocations from the General Operating Funds; and contributions from the founding churches at the time of union. These funds are used to provide capital assistance, by grant or loan, to congregations, camps, training centres, and other entities. These funds also include the 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 10 business days after January 31 of 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 the lower of cost and current replacement cost.

(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.

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Notes to the financial statements

December 31, 2016

(amounts in thousands of Canadian dollars)

3. Summary of significant accounting policies (continued)

<u>Asset/Liability</u>	<u>Measurement</u>
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, demand loan payable and accrued liabilities	Amortized cost
Payable to 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) 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 net gains arising from the investment of the excess premiums are also included in the group insurance benefits plan liability.

(g) 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.

(h) 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.

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Notes to the financial statements

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3. Summary of significant accounting policies (continued)

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

Investment income, retail sales and other revenue are recognized when earned. Purchased annuities are recognized in the period in which the proceeds are received.

Other revenue includes all of the revenue from KAIROS, a program of the United Church, comprising donations from other denominations, religious communities, individuals and grants from government and other entities, investment income and other revenue.

(j) 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.

(k) 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.

(l) Guarantees

The United Church, when acting as a guarantor, discloses the nature of the guarantees, the maximum potential amount of future payments, and the current carrying amount of the liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The disclosure is made even if it is not probable that payment will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements.

(m) 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 Committee (Finance) 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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(amounts in thousands of Canadian dollars)

3. Summary of significant accounting policies (continued)

(m) 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 33% (2015 – 36%) of its investments outside Canada 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 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 risk.

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(amounts in thousands of Canadian dollars)

4. Inclusion of KAIROS financial statements

Effective January 1, 2016, the founding agreement for KAIROS: Canadian Ecumenical Justice Initiatives/Initiatives Canadiennes Oecumeniques Pour La Justice (KAIROS) was amended to provide The United Church control over its strategic, operating, investing and financing policies. As such KAIROS is a program of the United Church and program's assets, liabilities and results of operation have been included in these financial statements. The KAIROS prior year information has been combined with the United Church for better presentation.

KAIROS receives grants from other denominations and other religious communities and donations from groups and individuals, which are included in donations in the statement of operations. Endowment gifts, investment income and grants received are included in legacies, investment income and other revenue respectively. KAIROS expenses are included in the various expense captions in the statement of operations. The KAIROS Justice Fund has been included in the Trust and Endowment Funds in the statement of financial position, the statement of operations and the statement of changes in fund balances. Separate KAIROS program financial statements have been prepared and are available on request. (see also Note 6)

5. Related entity 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. The United Church provides grants, various payroll, accounting, human resource and administrative services to these related parties at cost.

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 cost. The Foundation receives and maintains funds which are used to support the mission of The United Church with grants.

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December 31, 2016

(amounts in thousands of Canadian dollars)

5. Related entity transactions (continued)

	2016	2015
	\$	\$
Revenue		
Contributions		
The United Church of Canada Foundation	1,674	1,614
Recovery of administrative costs		
The United Church of Canada Pension Plan	1,021	1,083
Ontario Conferences - archives	209	203
The United Church of Canada Foundation	398	390
Pastoral charges	46	19
	1,674	1,695
Expenses - grants		
Operating grants to conferences	2,548	3,736
Mission support grants to pastoral charges and other mission units (including staff costs)	3,352	3,726
Grants to theological colleges and universities	1,539	1,621
Operating grant to Observer Publications Inc.	102	112
	7,541	9,195

As at year-end, total accounts receivable from the related parties were \$1,077 (2015 - \$1,254) and the accounts payable to related parties were \$1,481 (2015 - nil).

6. Accounts, demand loans payable and accrued liabilities

Accounts, demand loans payable and accrued liabilities includes an interest free demand loan (2016 - \$1,000,000; 2015 - \$2,000,000) which is recorded at its face value because the repayment date is not determinable. The proceeds from the demand loans were invested and are recorded as an endowment in the KAIROS Justice Fund which is included in the Trust and Endowment Funds. Income from the Justice Fund supports the work of KAIROS.

Should the fair value of the underlying investments be lower than the original amount of the loan, the lender will accept the amount of the fair value of the investments on that date as repayment in full of the loan. As at December 31, 2016 the fair value of the underlying investments exceeded the demand loan liability. Subsequent to year end, this demand loan totaling \$1,000,000 was forgiven effective March 24, 2017.

During the year a demand loan totaling \$1,000,000 was forgiven resulting in a contribution to the Justice Fund which is included in legacies in the statement of operations.

7. 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 \$116 for the current year-end and \$153 for the prior year.

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8. Payable to annuitants

Donors wishing to give to The United Church, its congregations, courts or other programs have the option of purchasing a life annuity, valued by an actuary. To minimize exposure to fluctuating market rates, the funds are invested in bonds, which are held to maturity. A portion of the funds is invested in the pooled investment portfolio for liquidity purposes (see Note 10). A liability is recognized with respect to future contractual annuity payments to all annuitants and is included in payable to annuitants in the statement of financial position.

	2016	2015
	\$	\$
Investments	19,701	20,006
Cash	-	-
Accounts receivable	33	33
Fund balances	(13,040)	(13,230)
Present value of payments to all annuitants, end of year	6,694	6,809
Present value of payments to all annuitants, beginning of year	6,809	8,465
(Increase) decrease in payable to annuitants	115	1,656

The most recent actuarial valuation was undertaken as at September 30, 2015, the results of which have been extrapolated to December 31, 2016 using appropriate 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.

	2016	2015
	\$	\$
Present value of annuity payments to all annuitants	6,694	6,809
Present value of gift remainders payable to parties other than the General Council Office	5,921	6,012
Present value of gift remainders payable to the General Council Office	5,133	5,212
Present value of future administrative expenses	987	1,002
Total actuarially determined liability	18,735	19,035

9. 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 portfolio and all investment income, realized and unrealized net gains are included in the group insurance benefits plan liability in the statement of financial position.

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(amounts in thousands of Canadian dollars)

9. Group insurance benefits plan liability (continued)

The change in the liability is described below.

	2016	2015
	\$	\$
Opening balance	28,374	31,050
Premiums received	15,117	15,428
Claims paid	(16,486)	(16,325)
Administration costs	(3,002)	(2,912)
Investment income	941	596
Investment expenses	(351)	(367)
Change in fair value of investments	1,138	904
Closing balance	25,731	28,374

10. 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, 2016					
Pooled	51,037	8,244	7,483	34,701	101,465
Segregated	-	-	12,218	-	12,218
Designated	241	530	-	-	771
	51,278	8,774	19,701	34,701	114,454
 December 31, 2015					
Pooled	51,778	7,825	7,381	34,976	101,960
Segregated	-	-	12,625	-	12,625
Designated	241	530	-	200	971
	52,019	8,355	20,006	35,176	115,556

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(amounts in thousands of Canadian dollars)

10. Investments (continued)

(a) Pooled investments

The pooled investments are summarized as follows:

	2016		2015	
	\$	%	\$	%
Pooled funds				
Bonds	19,497	19	19,687	19
Equities				
International	33,177	33	37,020	36
Canadian	10,766	11	11,872	12
	63,440	63	68,579	67
Equities				
Canadian	36,819	36	33,302	32
United States	-	-	-	0
	36,819	36	33,302	32
Short-term securities	1,289	1	295	1
Currency contracts	(83)	-	(216)	-
	101,465	100	101,960	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 (see part (a) of this note). These segregated investments are carried at fair value and are summarized as follows:

	2016		2015	
	\$	%	\$	%
Bonds				
Provincial	7,334	60	7,422	59
Government of Canada	4,137	34	4,375	35
Public utilities and corporations	747	6	828	6
	12,218	100	12,625	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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10. Investments (continued)

(c) Designated investments (continued)

	2016		2015	
	\$	%	\$	%
Oiko credit (EDCS)	714	93	714	74
Canadian Alternative Investments	-	-	200	21
Stocks	16	2	16	2
Stripped bonds	41	5	41	3
	771	100	971	100

11. 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.

	2016	2015
	\$	\$
Congregational	8,572	6,412
New church development/redevelopment	2,103	2,150
Other	257	199
Allowance for capital loans	(2,244)	(2,694)
	8,688	6,067

During the year The United Church assumed the Symons Valley bank loan (\$1,834) which was previously guaranteed (Note 16).

12. Capital assets

Capital assets are comprised of the following:

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	5,013	4,875	138
Office furniture and equipment	6,063	6,054	9
Studio equipment	227	210	17
Real property	2,083	1,338	745
Mobile homes	97	40	57
Computer	664	530	134
	14,147	13,047	1,100

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12. Capital assets (continued)

	Cost	Accumulated amortization	2015 Net book value
	\$	\$	\$
Leasehold improvements	4,980	4,665	315
Office furniture and equipment	6,052	6,018	34
Studio equipment	214	208	6
Real property	1,861	1,048	813
Mobile homes	97	35	62
Computer	575	406	169
	13,779	12,380	1,399

13. Net interfund transfers

The most significant transfers relate to the transfer of: proceeds of matured annuity funds to General Operating Funds; and grants from the General Fund to the Healing Fund in the Trust Funds. Transfers from/to the General Operating Funds are used to support the activities of The United Church including program development and delivery, and grants to church sponsored charities. Other transfers include the distribution of investment income, net realized and unrealized gains, less investment management fees from the General Fund for all funds participating in the pooled investments.

14. 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 2016 was 9.00% (2015 - 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 \$1,813 in 2016 (2015 - \$1,699). At the date of the most recent actuarial valuation on December 31, 2015, there was a surplus totaling \$264,463, determined on a going concern basis and a deficit of \$23,174, determined on a solvency basis as required under pension legislation.

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15. Commitments

The United Church has extended its lease agreement for office accommodation in which it will give up 26,842 square feet of office space to occupy approximately 17,718 square feet expiring July 31, 2023. Additional office space is occupied by KAIROS at 310 Dupont and the Bronson Centre.

Lease payments for basic rent are payable as follows:

	3250 Islington, Toronto	40 Oaks Community Hub, Toronto	310 Dupont, Toronto	Bronson Centre, Ottawa	Total Basic Rent
	\$	\$	\$	\$	\$
2017	719	135	129	7	990
2018	354	79	87	-	520
2019	368	-	-	-	368
2020	368	-	-	-	368
2021	381	-	-	-	381
2022	381	-	-	-	381
2023	222	-	-	-	222
	2,793	214	216	7	3,230

16. 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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16) Guarantees (continued)

- (d) The United Church has provided performance guarantees for debts and liabilities resulting from various capital projects (2016 – 3 projects; 2015 – 4 projects) involving bank financing totaling \$1,850 (2015 - \$4,700) of which \$1,021 (2015 - \$3,143) 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. (See also Note 11).

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.

17. 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.