

Financial statements of

**East Central Ontario
Regional Council of
The United Church of Canada**

December 31, 2021



December 9, 2022

Independent Practitioner's Review Engagement Report

To the Executives of East Central Ontario Regional Council of The United Church of Canada

We have reviewed the accompanying financial statements of East Central Ontario Regional Council of The United Church of Canada (the Regional Council) that comprise the statement of financial position as at December 31, 2021 and 2020 and the statements of operations, changes in fund balances and cash flows for the years then ended, and the related notes, which comprise 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.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Regional Council as at December 31, 2021 and 2020, and statements of operations, changes in fund balances and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario

East Central Ontario Regional Council
The United Church of Canada

December 31, 2021

Table of contents

Statement of financial position 2

Statement of operations 3

Statement of changes in fund balances 4

Statement of cash flows 5

Schedule 1 6

Schedule 2 7

Notes to Financial Statements 8 - 13

Eastern Central Ontario Regional Council The United Church of Canada

Statement of financial position

as at

(amounts in Canadian dollars)

					December 31, 2021	December 31, 2020
	Operating Fund	Restricted Funds	Endowment Funds	Property Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Assets						
Current						
Cash and deposits	1,047,912	-	-	-	1,047,912	822,454
Accounts receivable (note 4)	13,148	-	-	14,848	27,996	-
	1,061,060	-	-	14,848	1,075,908	822,454
Due from/to other funds	(465,145)	35,919	-	429,226	-	-
Investments (note 5)	174,015	454,849	157,740	-	786,604	604,554
Loan receivable (note 6)	-	-	-	-	-	9,620
	769,930	490,768	157,740	444,074	1,862,512	1,436,628
Liabilities and fund balances						
Current						
Accounts payable and accrued liabilities (note 7)	18,514	18,500	-	150,750	187,764	119,082
Deferred revenue (note 8)	-	-	-	17,060	17,060	-
Internally restricted funds - schedule 1	-	183,448	-	-	183,448	142,732
Externally restricted funds - schedule 1	-	288,820	-	-	288,820	189,160
Endowment funds	-	-	157,740	-	157,740	157,740
Unrestricted funds	751,416	-	-	276,264	1,027,680	827,914
	769,930	490,768	157,740	444,074	1,862,512	1,436,628

Commitments, guarantees and contingencies (note 11)

Approved by the Board

Executive Secretary

Treasurer

(Unaudited)

The accompanying notes are an integral part of these financial statements

Eastern Central Ontario Regional Council The United Church of Canada

Statement of operations for the 12 months ended

(amounts in Canadian dollars)

					December 31, 2021	December 31, 2020
	Operating Fund	Restricted Funds	Endowment Funds	Property Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
General Council grants (note 9)	401,375	-	-	-	401,375	392,000
Mission support grants (note 9)	240,000	-	-	-	240,000	289,000
Ontario regional council archive grants (note 9)	20,161	-	-	-	20,161	19,639
Registration fees	-	-	-	-	-	6,785
Donations (note 9)	-	12,635	-	970,613	983,248	87,648
Other revenue	-	800	-	-	800	-
Other grant revenue	-	-	-	-	-	2,500
	661,536	13,435	-	970,613	1,645,584	797,572
Expenses						
Salaries, benefits and continuing education	292,953	-	-	-	292,953	292,312
Grants (note 9)	142,309	11,885	-	939,410	1,093,604	238,355
Travel and Meetings	2,373	-	-	-	2,373	10,915
Office administration	10,467	-	-	-	10,467	7,541
Ontario regional council archives (note 9)	40,322	-	-	-	40,322	39,278
Professional fees	16,188	-	-	465	16,653	23,623
General Council Office admin fees (note 9)	19,278	-	-	-	19,278	19,069
Resources	8,480	2,900	-	-	11,380	12,596
Property and insurance	289	-	-	-	289	4,038
Bank charges	106	50	-	17	173	85
	532,765	14,835	-	939,892	1,487,492	647,812
Net revenues (expenses), before items below	128,771	(1,400)	-	30,721	158,092	149,760
Investment income	10,512	24,607	12,398	-	47,517	24,637
Adjustment to fair market value of investments	29,762	69,669	35,102	-	134,533	22,183
Investment expenses	-	-	-	-	-	(3,047)
	40,274	94,276	47,500	-	182,050	43,773
Net revenues (expenses)	169,045	92,876	47,500	30,721	340,142	193,533

(Unaudited)

The accompanying notes are an integral part of these financial statements

Eastern Central Ontario Regional Council

The United Church of Canada

Statement of changes in fund balances
for the 12 months ended
(amounts in Canadian dollars)

					December 31, 2021	December 31, 2020
	Operating Fund	Restricted Funds	Endowment Funds	Property Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	582,371	331,892	157,740	245,543	1,317,546	1,124,013
Net revenues (expenses)	169,045	92,876	47,500	30,721	340,142	193,533
Interfund transfers (note 8)	-	47,500	(47,500)	-	-	-
Fund balances, end of year	751,416	472,268	157,740	276,264	1,657,688	1,317,546

(Unaudited)

The accompanying notes are an integral part of these financial statements

Eastern Central Ontario Regional Council

The United Church of Canada

Statement of cash flows for the 12 months ended

(amounts in Canadian dollars)

					December 31, 2021	December 31, 2020
	Operating Fund	Restricted Funds	Endowment Funds	Property Fund		
	\$	\$	\$	\$	\$	\$
Cash flows from operating activities						
Surplus	169,045	92,876	47,500	30,721	340,142	193,533
Adjustments for:						
Adjustments for return on investments	(40,274)	(94,276)	(47,500)	-	(182,050)	(43,773)
Investment revenue	-	-	-	-	-	-
	128,771	(1,400)	-	30,721	158,092	149,760
Changes in level of:						
Accounts receivable	(13,148)	-	-	(14,848)	(27,996)	16,148
Prepaid expenses	-	-	-	-	-	-
Accounts payable and accrued liabilities	(61,763)	(0)	-	130,445	68,682	(71,359)
Interfund adjustments	161,978	1,400	-	(163,378)	-	-
Deferred revenue	-	-	-	17,060	17,060	-
Loans receivable	9,620	-	-	-	9,620	-
	225,458	-	-	-	225,458	94,549
Cash flows from investing activities						
Withdrawal of funds from investments	-	(47,500)	47,500	-	-	0
	-	(47,500)	47,500	-	-	0
Financing activities – net changes						
Interfund transfers	-	47,500	(47,500)	-	(0)	-
Total cash provided by (used in) financing activities	-	47,500	(47,500)	-	(0)	-
Total cash and deposits provided	225,458	-	-	-	225,457	94,549
Cash and cash in transit, beginning of year	822,454	-	-	-	822,454	727,905
Cash and cash in transit, end of year	1,047,912	-	-	-	1,047,911	822,454
Cash and deposits consist of:						
Cash	1,047,912	-	-	-	1,047,912	822,454
Total	1,047,912	-	-	-	1,047,912	822,454

(Unaudited)

The accompanying notes are an integral part of these financial statements

**Eastern Central Ontario Regional Council
The United Church of Canada**

Schedule 1

Schedule of Restricted Fund Balances

as at December 31, 2021

(amounts in Canadian dollars)

	2021 Opening Balance	Revenue	Expenses	Adjustment for return on investments	Transfer from (to) Operating Fund	2021 Closing Balance	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Internally Restricted							
The Shining Waters Legacy Fund	142,732	-	-	40,716	-	183,448	142,732
	142,732	-	-	40,716	-	183,448	142,732
Externally Restricted							
The Library Networking & Clustering Fund	15,877	-	-	4,529	-	20,406	15,877
Bursary Fund (note 8)	47,560	-	-	13,567	47,500	108,627	47,560
Queen's Theology Alumni Executive Fund	4,683	-	-	1,336	-	6,019	4,683
Queen's Theology Alumni Annual Conference Fund	25,359	1,500	(3,100)	6,778	-	30,537	25,359
Queen's Theology Rural Ministry Symposium Fund	23,932	-	-	6,827	-	30,759	23,932
Stewardship Initiatives Project Fund	8,205	-	-	2,341	-	10,546	8,205
Learning Grant Fund	538	-	-	153	-	691	538
Eldorado United Chrch Accessibility Fund	29,094	-	-	8,299	-	37,393	29,094
Library & Resource Ministry Fund	31,646	-	-	9,027	-	40,673	31,646
GC43 Locals Arrangement Committee Fund	0	-	-	0	-	0	0
IBE	2,266	11,935	(11,735)	703	-	3,169	2,266
	189,160	13,435	(14,835)	53,560	47,500	288,820	189,160
Total	331,892	13,435	(14,835)	94,276	47,500	472,268	331,892

(Unaudited)

The accompanying notes are an integral part of these financial statements

**Eastern Central Ontario Regional Council
The United Church of Canada**

Schedule 2

Schedule of Endowment Fund Balances

as at December 31, 2021

(amounts in Canadian dollars)

	2021 Opening Balance	Adjustment for return on investments	Transfer (to) Bursary Fund	2021 Closing Balance	2020 Closing Balance
	\$	\$	\$	\$	\$
Oshawa Trust Fund (note 8)	102,740	30,938	(30,938)	102,740	102,740
Staples Bequest Fund (note 8)	27,500	8,281	(8,281)	27,500	27,500
Gladys Margaret McCord Memorial Scholarship Fund (note 8)	27,500	8,281	(8,281)	27,500	27,500
Total	157,740	47,500	(47,500)	157,740	157,740

(Unaudited)

The accompanying notes are an integral part of these financial statements

East Central Ontario Regional Council

The United Church of Canada

Notes to the financial statements

December 31, 2021

(amounts in thousands of Canadian dollars)

1. The East Central Ontario Regional Council, The United Church of Canada

The purpose of East Central Ontario Regional Council, The United Church of Canada (the Regional Council) is to be responsible for providing leadership and resources to the pastoral charges within its assigned geographical boundary in order that the life and work of Jesus Christ may be known in The United Church of Canada (The Church) and in the world.

The Regional Council is the regional headquarters, in East Central Ontario, for The United Church of Canada. The Regional Council was established as a result of the restructuring of The Church. The Regional Council is an unincorporated entity and, as a Canadian registered charity, is exempt from income tax.

2. Significant Accounting Policies

Fund Accounting and Basis of Accounting

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

Operating Fund

The Operating Fund accounts for the Regional Council's program delivery and administrative activities. This fund reports unrestricted resources and operating grants.

Property Fund

The Property Fund reports the assets, liabilities, revenues and expenses related to the Regional Council's capital assets and funds arising on the sale of properties from disbanding congregations.

Internally Restricted Funds

Internally restricted funds (see Schedule 1) account for transfers, approved at meetings by the executive, to various reserve accounts and the individual transactions charged to these reserves in support of selected ministries. These funds are included in the statement of financial position under the caption "Restricted Funds".

Externally Restricted Funds

Externally restricted funds (see Schedule 1) account for funds received from outside the organization, which must be disbursed for the purposes designated by the funder. These funds are included in the statement of financial position under the caption "Restricted Funds".

Endowment Funds

Endowment funds (see Schedule 2) account for contributions received in which the contributor has specified that the capital be permanently maintained as an endowment. Investment income earned on the endowment funds is recorded as revenue of the fund as designated in the original endowments. Transfers to the Operating Fund are recorded in the statement of changes in fund balances and separately disclosed in Schedule 2.

East Central Ontario Regional Council

The United Church of Canada

Notes to the financial statements

December 31, 2021

(amounts in thousands of Canadian dollars)

2. Significant Accounting Policies (continued)

Revenue Recognition

Revenue consists primarily of grants from The General Council Office of The United Church of Canada (The GCO) and donations from disbanding congregations as they dispose of their property and distribute their current net assets. Grants received from the General Council Office of the United Church of Canada are recognized in the fiscal year in which they are received. Donations from disbanding congregations are recognized as received or receivable based on the date of the passing of the regional council motion to disband the congregation. Annual meeting registrations are recognized in the period in which the annual meeting occurs. Interest income is recognized as earned.

Cash and Deposits

Cash and deposits include cash held in bank accounts as well as amounts invested for short-term purposes in term deposits or similar instruments that can be redeemed at any time for face value plus interest accrued to the redemption date.

Financial instruments

The Regional Council initially measures its financial statement assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial assets or financial liability is subsequently measured at amortized cost.

Except for investments, the Regional Council subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivables. Financial liabilities measured at amortized costs include accounts payable and accrued liabilities.

Investments are subsequently measured at fair value. The purchase and sale of investments are accounted for using settlement date accounting. Investment management fees are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profits organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The Regional Council makes estimates in determining the estimated useful lives of its capital assets and significant accrued liabilities. Actual results could differ from those estimates.

East Central Ontario Regional Council

The United Church of Canada

Notes to the financial statements

December 31, 2021

(amounts in thousands of Canadian dollars)

3. Financial instruments risk disclosures

Credit Risk

The Regional Council is exposed to credit risk resulting from the possibility that parties default on their financial obligations, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Regional Council could incur a financial loss. The Regional Council's maximum exposure to credit risk is represented by the carrying values of its cash and deposits, accounts receivable and guaranteed investment certificates. The Regional Council's cash and deposits are on deposit with a Canadian Chartered bank and therefore it is management's opinion that the Regional Council is not subject to significant credit risk with cash and deposits and guaranteed investment certificates. The Regional Council's accounts receivable includes amounts due from former presbyteries due to the church restructuring and HST rebates. There is not significant exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Regional Council cannot meet its commitments when they become due. Liquidity risk also includes the risk of the Regional Council not being able to liquidate assets in a timely manner. The Regional Council's management manages this risk by reviewing expected cash flow requirements through its budgeting process, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Regional Council does not have investments denominated in foreign currency and this no currency risk.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments and future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Regional Council's exposure to interest rate risk arises from its interest bearing assets. The Regional Council ladders its portfolio of guaranteed investment certificates into maturity dates with six month intervals in order to reduce its exposure to interest rate risk.

Other Price Risk

Other price risk refers to the risk that the fair value of the financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are specific to the individual instrument or its issuer or factors affecting all similar instruments trading in the same market. The Regional Council is exposed to market risk through its investment in mutual funds.

4. Accounts receivable

Accounts receivable totals \$27,996 (2020 – \$nil) from related parties.

East Central Ontario Regional Council

The United Church of Canada

Notes to the financial statements

December 31, 2021

(amounts in thousands of Canadian dollars)

5. Investments

Investments total \$786,604 (2020 - \$604,554) and consists of units in an income and growth mutual fund managed by Frontier Capital Funds having earned a return on investment totaling \$182,050 (2020 - \$43,773) as reported on the statement of operations and included in the year end balances.

6. Loan receivable

The loan receivable totals \$nil (2020 - \$9,620) and is from a related party.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities total \$187,764 (2020- 119,082) and include related party payables: \$18,500 (2020 - \$18,500) funds raised for a pilgrimage; \$151,323 (2020- \$81,429) payable to The General Council Office arising from the sale of church property and disbanding congregations.

8. Deferred revenue

Deferred revenue totals \$17,060 (2020 - \$nil) and includes proceeds of a sale of church property that is being contested.

9. Related parties – grant revenue, donations and expenses

Grant revenue

The regional council received: \$641,375 (2020 - \$681,000) of grant revenue from The General Council Office of the United Church of Canada; \$20,161 (2020 - \$19,639) from the Ontario Regional Council Archive Fund for 50% of the annual archive fees.

Donations

Donations totaling \$970,613 (2020 - \$ 85,033) are from disbanding congregations which are subject to The Regional Council's policy requiring such proceeds to be distributed as follows:

- a. 40.0% to local ministries as determined by the disbanding congregation;
- b. 10.0% to the Indigenous Ministries of The United Church of Canada;
- c. 20.0% to the Mission & Service Endowment Fund managed by the United Church of Canada Foundation;
- d. 10.0% to the Toronto United Church Corporation; and
- e. 20.0% to The Regional Council.

East Central Ontario Regional Council

The United Church of Canada

Notes to the financial statements

December 31, 2021

(amounts in thousands of Canadian dollars)

9. Related parties (continued)

Expenses

Grant and fees were paid to related parties as follows from:

- 1) Property Funds
 - a) \$334,876 (2020 - \$15,229) of grants from the Property Fund were issued to The General Council Office (2021 - \$247,194; 2020 - \$68,632) as a result of the above noted donations policy.
- 2) General Funds
 - a) \$19,278 (2020 - \$19,069) of fees from The General Council Office for back office and information technology services;
 - b) \$40,322 (2020 - \$39,278) of fees from the Ontario Regional Council Archive Fund for archive services; and
 - c) \$69,059 (2020 - \$129,200) mission support grants to church related entities.

10. Interfund transfers

Interfund transfers from the Endowment Fund to the Externally Restricted Fund totaled \$47,500 (2020- \$12,314) in compliance with the terms of the fund that excess income is to be transferred to Bursary Fund. In order to better preserve the capital of Endowment Fund, only the fund balance exceeding 110% of the original capital contributions is transferred each year.

11. Commitments, guarantees and contingencies

The Regional Council does not have any outstanding guarantees or commitments and has no contingencies to report at year-end.

12. Impact of COVID-19 pandemic

The outbreak of new virulent strains of coronavirus continues to require governments worldwide to enforce some emergency measures to combat the spread of this new virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of this new strain of the coronavirus outbreak is unknown at this time. As a result, of the uncertainty, the Regional Council may be negatively impacted by the timing and/or amount of future revenue receipts, the market value of its investments and recovery of loans. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Regional Council in future periods.

13. Subsequent events

In 2022, Russian forces entered the Ukraine and armed conflict commenced. Economic sanctions have been placed on Russia and certain of its citizens. Price volatility increased substantially since December 31, 2021. As at December 31, 2021, the Regional Council did not hold any significant investments directly impacted by the conflict. It is uncertain how long the conflict, economic sanctions and market instability will continue and whether they will escalate further.